

Assignment - 3

Calculate all the Ratio for given sample
Balance Sheet

particular	RS
<u>Assets</u>	
Depreciation value of Long term Asset	800
Investment	100
<u>Current Assets</u>	
Account Receivable	300
Inventory	200
Cash & Bank Balance total	100
Total	1.500
<u>liabilities</u>	
Shareholder's Equity	100
Capital	100
Reserves & Surplus	900
Loans	
<u>Current Liabilities</u>	
Account payable	100
Short term Loans	100
Total	1.500

Profit & Loss Account

particular	Rs
Sales	1,000
Less Cost	
manufacturing	300
Administrative	100
Sales & Distribution	200
EBITDA, or operating profit	<u>400</u>
Less :-	
Depreciation	60
Interest	60
Taxes	120
Net profit	<u>160</u>

Ans :-

Profitability Ratio

$$\text{Operating Profit margin} = \frac{\text{EBITDA}}{\text{Sales}} \times 100$$

$$= \frac{400}{1000} \times 100$$

$$= 40 \times 100$$

$$\text{Operating profit margin} = 40\%$$

$$\text{Net profit margin} = \frac{\text{net profit}}{\text{Sales}} \times 100$$

$$= \frac{160}{1000} \times 100$$

$$= 0.16 \times 100$$

$$\text{net profit margin} = 16\%$$

Return Ratio

$$\text{Return of Capital Employed} = \frac{\text{EBIT}}{\text{SHF} + \text{Loan}} \times 100$$

Notes:-

$$\text{SHF} = \text{Share Capital} (+) \text{RES}$$

$$= 100 + 400 = 500$$

$$= \frac{340}{500 + 600} \times 100$$

$$\text{EBIT} = \text{EBITDA} (-) \text{Interest}$$

$$= 400 - 60 = 340$$

$$= \frac{340}{1500} \times 100$$

$$= 0.309$$

$$\left. \begin{array}{l} \text{Loan} = \text{Long Term Loan} (+) \text{Return of} \\ \text{[Ebit]} \text{ Short Term Loan capital} \end{array} \right\} = 309\%$$

$$= 500 + 100 = 600 \text{ Equity}$$

$$\text{Return of Long Term Asset} = \frac{\text{EBIT}}{\text{LTA}} \times 100$$

$$= \frac{340}{800} \times 100$$

$$= 0.425 \times 100$$

$$\text{Return of Long Term Asset} = 42.5\%$$

$$\text{Return of net worth} = \frac{\text{Net profit}}{\text{SC (+) Res}} \times 100$$

$$= \frac{160}{100 + 200} \times 100$$

$$= \frac{160}{300} \times 100$$

$$= 0.32 \times 100$$

$$\text{Return of net worth} = 32\%$$

Coverage Ratio

$$\text{Interest Coverage Ratio} = \frac{\text{EBIT}}{\text{Interest}}$$

$$= \frac{300}{60}$$

$$\text{Interest Coverage Ratio} = 5.00$$

$$\text{net Debt to EBITDA} = \frac{\text{Total Debt}}{\text{EBITDA}}$$

(-) cash & cash

Equivalents

EBITDA

$$= \frac{600 - 100}{400}$$

$$= \frac{500}{400}$$

$$\text{net Debt to EBITDA} = 1.25$$

Stability Ratio

$$\text{Debit Equity Ratio} = \frac{\text{Total Debit}}{\text{Equity}}$$

$$= \frac{600}{500}$$

$$\text{Debit Equity Ratio} = 1.2$$

$$\text{Long Term Debit Equity Ratio} = \frac{\text{Long Term Debit}}{\text{Equity}}$$

$$= \frac{500}{500}$$

$$\text{Long Term Debit Equity Ratio} = 1$$

Liquidity Ratio

$$\text{Current Ratio} = \frac{\text{Current Asset}}{\text{Current Liabilities}}$$

$$= \frac{600}{500}$$

$$\text{Current Ratio} = 1.2$$

$$\text{Quick Ratio} = \frac{\text{Current Assets} + \text{inventories}}{\text{Current Liabilities}}$$

$$= \frac{500 - 100}{900}$$

$$= \frac{400}{500}$$

$$\text{Quick Ratio} = 0.8$$

Deport Analysis

$$= \frac{\text{net profit}}{\text{Sales}} \times \frac{\text{Sales}}{\text{Assets}} \times \frac{\text{Assets}}{\text{Equity}}$$

$$= \frac{160}{1000} \times \frac{1,000}{1500} \times \frac{1500}{500}$$

$$= \frac{160}{500}$$

$$= 32\%$$

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