Applied Financial Statement Analysis

Assignment-3

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Balance Sheet

Particulars	Rs.
Assets:-	
Depreciation value of Long term asset	800
Investment	100
current assets	
Account Receivable	300
Inventory	200
cash & Bank Balance Total	100
Total	1,500
Liabilities:	
Shareholder's Equity	
capital	
Reserves & Surplus	
Loans	
current Liabilities	
Account Payable	
Short term Loans	
Total	1,500

Particulars	Rs
Sales	1,000
Less:- cost	
Manufacturing	300
Administrative	100
Sales & Distribution	200
EBITDA or operating Profit	400
Less:-	
Depreciation	60
Interest	60
Taxes	120
Net Profit	160

Ans:-

Profitability Ratio

$$\text{operating Profit Margin} = \frac{\text{EBITDA}}{\text{Sales}} \times 100$$

$$= \frac{400}{1,000} \times 100$$

$$= 0.4 \times 100$$

operating Profit Margin = 40%.

$$\text{Net Profit Margin} = \frac{\text{Net Profit}}{\text{Sales}} \times 100$$

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

$$= 0.16 \times 100$$

Net Profit Margin = 16%

Return Ratio

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

Notes:-

SHF = Share capital + R&S
= 100 + 400
= 500

Loan = Long term Loan (+)
(Debit) short term loan
= 500 + 100
= 600

EBIT = EBITDA (-) Interest
= 400 - 60
= 340

$$= \frac{EBIT}{SHF + Loan} \times 100$$

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

$$= \frac{340}{1100} \times 100$$

$$= 0.309 \times 100$$

$$= 30.9\%$$

Return of capital equity = 30.9%.

$$\text{Return of Long term asset} = \frac{EBIT}{LTA} \times 100$$

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

$$= 0.425 \times 100$$

Return of Long term asset = 42.5%.

$$\text{Return of Net Worth} = \frac{\text{Net Profit}}{\text{SC} + \text{R\&S}} \times 100$$

$$= \frac{160}{100+400} \times 100$$

$$= \frac{160}{500} \times 100$$

$$= 0.32 \times 100$$

Return of Net Worth $= 32\%$

Coverage Ratio

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

$$= \frac{340}{60}$$

Interest coverage Ratio $= 5.66$

$$\text{Net Debit to EBITDA} = \frac{\text{Total Debit (-) cash \& cash equivalents}}{\text{EBITDA}}$$

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

$$= \frac{200}{400}$$

Net Debit to EBITDA $= 1.25$

Stability Ratio

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

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

Debit equity Ratio $= 1.2$

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

$= \frac{500}{500}$

Long term Debit Equity Ratio $= 1$

Liquidity Ratio

current Ratio $= \frac{\text{current asset}}{\text{current liabilities}}$

$= \frac{600}{500}$

current ratio $= 1.2$

Quick Ratio $= \frac{\text{current assets + Inventories}}{\text{current Liabilities}}$

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

$= \frac{400}{500}$

Quick Ratio $= 0.8$

Dupont Analysis :-

$= \frac{\text{Net Profit}}{\text{Sales}} \times \frac{\text{Sales}}{\text{Assets}} \times \frac{\text{Assets}}{\text{Equity}}$

$= \frac{160}{1000} \times \frac{1000}{1500} \times \frac{1500}{500}$

$= \frac{160}{500}$

$= 32\%$