

(c) Profitability Ratios -

1. Gross Profit Ratio -

$$= \frac{\text{Gross Profit}}{\text{Sales}} \times 100 = \frac{1700}{3600} \times 100 = 50\%$$

~~2.~~

2. Net Profit Ratio

$$= \frac{\text{Net Profit}}{\text{Sales}} \times 100 = \frac{475}{3600} \times 100 = 13.2\%$$

3. Return on Investment

$$= \frac{\text{Profit before Interest and Tax} - \text{Non-equity income}}{\text{Equity Share Capital} + \text{Preference Share Capital}}$$

$$+ \text{General Reserve} + \text{P \& L A/c} + \text{Debentures} \\ + \text{Long Term Loan} - \text{Fictitious Assets}$$

$$= \frac{475 + 27 + 150 - 35}{1100 + 500 + 450 + 700 + 200 + 100 - 70}$$

$$= \frac{617}{2980} \times 100$$

$$= 20.70$$

4. Return on Equity

$$= \frac{\text{Profit after Tax} - \text{Preference Dividend}}{\text{Equity Share Capital} + \text{General Reserve} + \text{P \& L A/c}}$$

$$= \frac{475 - 30}{1100 + 450 + 700} \times 100$$

$$= \frac{445}{2250} \times 100$$

$$= 19.78$$

(c) Profitability Ratios -

1. Gross Profit Ratio -

$$= \frac{\text{Gross Profit}}{\text{Sales}} \times 100 = \frac{1800}{3600} \times 100 = 50\%$$

2. Net Profit Ratio

$$= \frac{\text{Net Profit}}{\text{Sales}} \times 100 = \frac{475}{3600} \times 100 = 13.2\%$$

3. Return on Investment

$$= \frac{\text{Profit before Interest and Tax} - \text{Non-equity income}}{\text{Equity Share Capital} + \text{Preference Share Capital} + \text{General Reserve} + \text{P \& L A/c} + \text{Debtors} + \text{Long Term Loan} - \text{Fictitious Assets}}$$

$$= \frac{475 + 27 + 150 - 35}{1100 + 500 + 450 + 700 + 200 + 100 - 70}$$

$$= \frac{617}{2980} \times 100$$

$$= 20.70$$

4. Return on Equity

$$= \frac{\text{Profit after Tax} - \text{Preference Dividend}}{\text{Equity Share Capital} + \text{General Reserve} + \text{P \& L A/c}}$$

$$= \frac{475 - 30}{1100 + 450 + 700} \times 100$$

$$= \frac{445}{2250} \times 100$$

$$= 19.78$$

D) Capital Structure Ratio

1. ~~Debt~~ Debt Equity Ratio

$$= \frac{\text{Debentures} + \text{Term Loan}}{\text{Eq. Share Cap} + \text{Pref. \& Share Cap.} + \text{Gen. Res} + \text{P\&L A/c}}$$

$$= \frac{200 + 100}{1100 + 500 + 450 + 700}$$

$$= \frac{300}{2750} \times 100 = 10.91$$

$$= 0.109$$

E) Market Ratio

1. Earnings per Share

$$= \frac{\text{Profit after Tax} - \text{Pref Dividend}}{\text{Number of Equity Shares}}$$

$$= \frac{475 - 30}{110}$$

$$= \frac{445 - 30}{110}$$

1100 → total equity share
 10 → RS 10 each

$$= \text{Rs } 4.04$$

Module 2

Types of Business:

- 1) Manufacturing
- 2) Retail
- 3) Service.

• A business can also be a mixture of the 3 types.

Forms of Business:

- 1) Sole Proprietorship → Easiest to start; but several disadvantages
- 2) Partnership • Maximum no. of partners is 100.
- 3) Company

• If partnership is written, then it is called partnership deed.

If not, partners cannot be sued.

LLP → Limited Liability Partnership

(Partner's Liability is confined to the amount of capital put in by him)

Companies Act 1956

↓ Changed

Companies Act 2013

• Number of directors can be increased by passing a Special Resolution.

Two types of company —

Goes through stringent rules

1) Private Ltd: Cannot offer shares to the public.
(2-200 members) (2-15 directors)

2) Public Ltd: Can offer shares to the public.
(7-infinite members) (3-15 directors)

→ Listed: Listed in the stock exchange

→ Unlisted: Cannot sell shares to public.
Majority shares are under govt.

- Domestic Company
- Multi National Company
- Foreign Company

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