Current Ratio = Current Asset / Current Liability

2022 : (115+10+15+65) / (13+80+6)

205/99 = 2.07 :1

2021 : 135 +15+20+85 ) / 4+98+6)

255/108 = 2.36 :1

Quick Acid Test Ratio = (CA -Inv)/ CL

2022 : (205-65) = 140/99 = 1.41 :1

2021: (255-85) = 170/108 = 1.57:1

Days in Inventory = 365 / Inventory Turnover

Inv T/O = COGS / Avg Inv

2022 : 650/ (65+85)/2

= 650/75 = 8.67 times/yr

Days inv = 365 /8.67 = 42.1 days

2021: 480/(85+145)/2 = 480/115 = 4.17 times/yr

Days Inv = 365/ 4.17 = 87.5 days

Days in Debtors = 365/Debttors T/O

Debtors T/O = Sales / Aug T/DRS

2022 : 850/(115+135)/2 = 850/125 = 6.8 times/yr

Days in Drs = 365/6.8 = 53.7 days

2021 = 695/(135+165)/2

= 695/150 = 4.63 times/yr

Days on DRS 365/4.63 = 78.8 days

Activitty Cycle = Days in Inv + Days in DRS

2022 : 42.1 + 53.7 = 95.8 days

2021 : 87.5 + 78.8 = 166.3 days

1b) Current Ratio 2.36 🡪 2.07

This ratio has slightly deteriorated

Quick Ratio 1.57 🡪 1.41

Similarly this ratio has also Deteriorated

While both liquidity ratios have decined, the big positive is that they are both >1

This enables adequate coverage of S/T

Debts as when they fall due

Efficiency represents the ability /seepd to convert . As into CASH

The Coy is much faster in INV T/) &

2a) Activity Cycle = DAYS in INV + DAYS in DRS

Sch Days in Inv = 365/ 24 INV T/0 = 15.2 days

Days in DRS = 365/ 12 DRS T/O = 30.4

Activity Cycle = 15.2 +30.4 = 45.6 days

Kis DAYS in INV = 365/6 INV T/O = 60.8 days

DAYS in DRS = 365/9 DRS T/O = 40.5 days

Activity Cycle = 101.3 days

Current Quick

Sch 1.4 0.7

Kis 2.7 2.0

Liquidity

K is superior based the current Ratio being nearly double of S similarly its Quick Ratio is ready TRIPLE that of S . Hence K has a greater amt of asset to be converted to cash thus superior in liquidity

Efficiency

S is superior in converting Asset to cash much more quicker reflected by INV R/O being f4 times faster

& collect money 10 days more quickly

This is reflected in the respective operative cycle s where S has access to money 55 days faster