



Q12. Compute Gross Profit Ratio, Working Capital Turnover Ratio, Debt Equity Ratio and Proprietary Ratio From the following information

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Paid-up Share Capital	5,00,000
Current Assets	4,00,000
Revenue From Operations	10,00,000
13% Debentures	2,00,000
Current Liabilities	2,80,000
Cost of Revenue from operations	6,00,000

Solution:

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Net Revenue from Operations}} \times 100$$

$$\begin{aligned}\text{Gross Profit} &= \text{Net Revenue from operations} - \text{Cost of Revenue from Operations} \\ &= 10,00,000 - 6,00,000 \\ &= 4,00,000\end{aligned}$$

$$\text{Gross Profit Ratio} = \frac{4,00,000}{10,00,000} \times 100 = 40\%$$

$$\text{Working Capital Ratio} = \frac{\text{Revenue from operations}}{\text{Working Capital}}$$

$$\begin{aligned}\text{Working Capital} &= \text{Current Assets} - \text{Current Liabilities} \\ &= 4,00,000 - 2,80,000 \\ &= 1,20,000\end{aligned}$$

$$\begin{aligned}\text{Working Capital Ratio} &= \frac{10,00,000}{1,20,000} \\ &= 8.33 \text{ times}\end{aligned}$$

$$\begin{aligned}\text{Debt Equity Ratio} &= \frac{\text{Debt}}{\text{Equity}} \\ &= \frac{2,00,000}{5,00,000} = 2 : 5 = 0.4 : 1\end{aligned}$$

$$\text{Proprietary Ratio} = \frac{\text{Shareholders Funds}}{\text{Total Assets}}$$

$$\begin{aligned}\text{Total Assets} &= \text{paid up Capital} + \text{Debentures} + \text{Current Liabilities} \\ (\because \text{Total Liabilities} &= \text{Total Assets}) \\ &= 5,00,000 + 2,00,000 + 2,80,000 \\ &= 9,80,000\end{aligned}$$

$$\text{Proprietary Ratio} = \frac{5,00,000}{9,80,000} = 0.51 : 1$$

***** END *****

