Q5. Current Liabilities of a company are Rs.75,000. If current ratio 4:1 and liquid ratio is 1:1. Calculate value of current assets, liquid assets and inventory.

Solution:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liablities}}$$

or, $4 = \dfrac{\text{Current Assets}}{75,000}$

or, $4 \times 75,000 = \text{Current Assets}$

or, Current Assets $= 3,00,000$

$$\text{Liquid Ratio} = \frac{\text{Liquid Assets}}{\text{Current Liablities}}$$

or, $1 = \dfrac{\text{Liquid Assets}}{75,000}$

Liquid Assets $= 75,000$

Inventory $=$ Current Assets $-$ Liquid Assets

$\qquad = 3,00,000 - 75,000$

$\qquad = 2,25,000$

********** END *********