



Q3. Current Ratio is 3.5:1 Working Capital is Rs.90,000. Calculate the amount of Current Assets and Current Liabilities.

Solution:

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

$$\text{or } 3.5 = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$\text{or Current Assets} = 3.5 \text{ Current Liabilities (1)}$$

$$\text{Working Capital} = \text{Current Assets} - \text{Current Liabilities}$$

$$\text{Working Capital} = 90,000$$

$$\text{or Current Assets} - \text{Current Liabilities} = 90,000$$

$$\text{or } 3.5 \text{ Current Liabilities} - \text{Current Liabilities} = 90,000 \text{ (from 1)}$$

$$\text{or } 2.5 \text{ Current Liabilities} = 90,000$$

$$\text{or, Current Liabilities} = \frac{90,000}{2.5}$$
$$= 36,000$$

$$\text{or Current Assets} = 3.5 \text{ Current Liabilities}$$
$$= 3.5 \times 36,000$$
$$= 1,26,000$$

***** END *****