



Q22. From the following information calculate Gross Profit Ratio, Inventory Turnover Ratio and Trade Receivables Turnover Ratio

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Revenue from operations	3,00,000
Cost of Revenue from operations	2,40,000
Inventory at the end	62,000
Gross Profit	60,000
Inventory in the beginning	58,000
Trade Receivables	32,000

Solution:

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

$$\text{Gross Profit Ratio} = \frac{60,000}{3,00,000} \times 100 = 20\%$$

$$\text{Inventory Turnover Ratio} = \frac{\text{Cost of Revenue from Operations}}{\text{Average Inventory}}$$

$$\begin{aligned}\text{Average Inventory} &= \frac{\text{Inventory in the beginning} + \text{Inventory at the end}}{2} \\ &= \frac{58,000 + 62,000}{2} \\ &= 60,000\end{aligned}$$

$$\text{Inventory Turnover Ratio} = \frac{2,40,000}{60,000} = 4 \text{ Times}$$

$$\begin{aligned}\text{Trade Receivables Turnover Ratio} &= \frac{\text{Net Revenue from Operations}}{\text{Average Trade Receivables}} \\ &= \frac{3,00,000}{32,000} = 9.4 \text{ Times}\end{aligned}$$

Note: No information is given in the question about opening and closing balance of trade receivable. Hence, trade receivables given in the question is assumed to be Average Trade Receivables.

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