Q21. Calculate the following ratio on the basis of Following information:
1. Gross Profit Ratio
2. Current Ratio
3. Acid test Ratio
4. Inventory Turnover Ratio
5. Fixed Assets Turnover Ratio

	₹
Gross Profit	50,000
Revenue from Operations	1,00,000
Inventory	15,000
Trade Receivables	27,500
Cash and Cash Equivalents	17,500
Current Liabilities	40,000
Land and Building	50,000
Plant and Machinery	30,000
Furniture	20,000

Solution:

(i) Gross Profit Ratio $= \frac{\text{Gross Profit}}{\text{Revenue from Operations}} \times 100$

$= \frac{50,000}{1,00,000} \times 100 = 50\%$

(ii) Current Ratio $= \frac{\text{Current Assets}}{\text{Current Liablities}}$

Current Assets = Inventory + Trade Receivables + Cash and Cash Equivalents

= 15,000 + 27,500 + 17,500

= 60,000

Current Ratio $= \frac{60,000}{40,000} = 1.5 : 1$

(iii) Acid Test Ratio $= \frac{\text{Liquid Assets}}{\text{Current Liablities}}$

Liquid Assets = Current Assets - Inventory

= 60,000 - 15,000

= 45,000

Acid test Ratio $= \frac{45,000}{40,000} = 1.125 : 1$

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

Cost of Revenue from Operations = Revenue from Operations - Gross Profit

= 1,00,000 - 50,000

= 50,000

Average Inventory = 15,000

Inventory Turnover Ratio $= \frac{50,000}{15,000} = 3.33$ times

(v) Fixed Assets Turnover Ratio $= \frac{\text{Revenue from operations}}{\text{Net Fixed Assets}}$

Net Fixed Assets = Land & Building + Plant and Machinery + Furniture

= 50,000 + 30,000 + 20,000

= 1,00,000

Fixed Assets Turnover Ratio $= \frac{1,00,000}{1,00,000} = 1 : 1$

Note: No information is given in the question about opening and closing balance of Inventory. Hence, inventory given in the question is assumed to be Average Inventory.

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