



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:

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

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

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

$$\text{or, Current Assets} = 3,00,000$$

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

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

$$\text{Liquid Assets} = 75,000$$

$$\begin{aligned}\text{Inventory} &= \text{Current Assets} - \text{Liquid Assets} \\ &= 3,00,000 - 75,000 \\ &= 2,25,000\end{aligned}$$

\*\*\*\*\* END \*\*\*\*\*