



Q2. Following is the Balance Sheet of Title Machine Ltd as at March 31, 2015.

Particulars	Amount Rs.
I. Equity and Liabilities	
1. Shareholder's Funds	
a. Share Capital	24,00,000
b. Reserve and Surplus	6,00,000
2. Non-Current Liabilities	
a. Long-term borrowings	9,00,000
3. Current Liabilities	
a. Short-term borrowings	6,00,000
b. Trade Payables	23,40,000
c. Short-term provisions	60,000
Total	69,00,000
II. Assets	
1. Non-Current Assets	
a. Fixed Assets	
a. Tangible assets	45,00,000
2. Current Assets	
a. Inventories	12,00,000
b. Trade Receivables	9,00,000
c. Cash and Cash Equivalents	2,28,000
d. Short-term loans and advances	72,000
Total	69,00,000

Solution:

1. Current Ratio

$$\begin{aligned}\text{Current Ratio} &= \frac{\text{Current Assets}}{\text{Current Liabilities}} \\ &= \frac{24,00,000}{30,00,000} \\ &= 0.8 : 1\end{aligned}$$

Current Assets= Inventories + Trade Receivables + cash + Short term Loans and Advances

$$= 12,00,000 + 9,00,000 + 2,28,000 + 72,000$$

$$= 24,00,000$$

Current Liabilities= Trade Payables+ Short term Borrowings+ Short term Provision

$$= 23,40,000 + 6,00,000 + 60,000$$

$$= 30,00,000$$

2. Quick Ratio

$$\begin{aligned}\text{Quick Ratio} &= \frac{\text{Quick Assets}}{\text{Current Liabilities}} \\ &= \frac{12,00,000}{30,00,000} \\ &= 0.4 : 1\end{aligned}$$

Quick Assets = Trade Receivables + Cash + Short term Loans and Advances

$$= 9,00,000 + 2,28,000 + 72,000$$

$$= 12,00,000$$

***** END *****