



Q4. Shine Limited has a current ratio 4.5:1 and quick ratio 3:1; if the inventory is Rs.36,000. Calculate current liabilities and current assets
Solution:

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

$$\text{or } \frac{4.5}{1} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$\text{or } 4.5 \text{ Current Liabilities} = \text{Current Assets}$$

$$\text{Quick ratio} = \frac{\text{Quick Assets}}{\text{Current Liabilities}}$$

$$\text{or } 3:1 = \frac{\text{Quick Assets}}{\text{Current Liabilities}}$$

$$\text{or } 3 \text{ Current Liabilities} = \text{Quick Assets}$$

$$\begin{aligned} \text{Quick Assets} &= \text{Current Assets} - \text{Inventory} \\ &= \text{Current Assets} - 36,000 \end{aligned}$$

$$\text{Current Assets} - \text{Quick Assets} = 36,000$$

$$\text{or } 4.5 \text{ Current Liabilities} - 3 \text{ Current Liabilities} = 36,000$$

$$\text{or } 1.5 \text{ Current Liabilities} = 36,000$$

$$\text{or Current Liabilities} = 24,000$$

$$\text{Current Assets} = 4.5 \text{ Current Liabilities}$$

$$\begin{aligned} \text{or Current Assets} &= 4.5 \times 24,000 \\ &= 1,08,000 \end{aligned}$$

***** END *****