

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

Q6. Handa Ltd has inventory of Rs.2,00,000. Total liquid assets are Rs.1,00,000 and quick ratio is 2:1. Calculate current ratio

## Solution:

Quick Ratio = 
$$\frac{\text{Liquid Assets}}{\text{Current Liablities}}$$
or 2 = 
$$\frac{1,00,000}{\text{Current Liablities}}$$
or, Current Liablities = 
$$\frac{1,00,000}{2}$$
= 50,000

Current Assets = Liquid Assets + Inventory
= 1,00,000 + 20,000
= 1,20,000

Current Ratio = 
$$\frac{\text{Current Assets}}{\text{Current Liablities}}$$
= 
$$\frac{1,20,000}{50,000}$$
= 
$$\frac{2.4}{1}$$
= 2.4:1