



Q3. Current Ratio is 3.5:1 Working Capital is Rs.90,000. Calculate the amount of Current Assets and Current Liabilities.

Solution:

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

$$\text{or } 3.5 = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$\text{or Current Assets} = 3.5 \text{ Current Liabilities (1)}$$

$$\text{Working Capital} = \text{Current Assets} - \text{Current Liabilities}$$

$$\text{Working Capital} = 90,000$$

$$\text{or Current Assets} - \text{Current Liabilities} = 90,000$$

$$\text{or } 3.5 \text{ Current Liabilities} - \text{Current Liabilities} = 90,000 \text{ (from 1)}$$

$$\text{or } 2.5 \text{ Current Liabilities} = 90,000$$

$$\begin{aligned} \text{or, Current Liabilities} &= \frac{90,000}{2.5} \\ &= 36,000 \end{aligned}$$

$$\begin{aligned} \text{or Current Assets} &= 3.5 \text{ Current Liabilities} \\ &= 3.5 \times 36,000 \\ &= 1,26,000 \end{aligned}$$

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