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# Management Accounts.

B. Com Part III

Chapter Ratio Analysis  
Numerical exercise. (60)

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Question.

On the

following information, calculate

- (i)
- (ii)
- (iii)

gross profit Ratio  
working capital Ratio  
debt equity Ratio  
turnover Ratio and  
Ratio

Net Sales —	30,00,000
Cost of goods sold	20,00,000
Current Assets —	6,00,000
Current liabilities	2,00,000
Paid up share capital	5,00,000
Reserve —	2,50,000
Loan —	1,25,000

① Ans.

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit} \times 100}{\text{Net Sales}}$$

$$\text{Gross Profit} = \text{Sales} - \text{Cost of goods sold} \\ = 30,00,000 - 20,00,000 = 10,00,000$$

$$\text{Hence Gross Profit Ratio} = \frac{10,00,000 \times 100}{30,00,000} \\ = 33\frac{1}{3}\%$$

② Working Capital Turnover Ratio =  $\frac{\text{Net Sales}}{\text{Working Capital}}$

$$\text{Working Capital} = \text{Current Assets} - \text{C.L.} \\ = 6,00,000 - 2,00,000 = 4,00,000$$

$$\text{Hence Working Capital Turnover Ratio} \\ = \frac{30,00,000}{4,00,000} = 7.5 \text{ Times}$$

③ Debt-Equity Ratio =  $\frac{\text{Long term debts}}{\text{Shareholders fund}}$

$$\text{Long term debts} = \text{Debt} + \text{Loan} \\ = 2,50,000 + 1,25,000 = 3,75,000$$

$$\text{Hence Debt-Equity Ratio} = \frac{3,75,000}{5,00,000}$$

$$= 3:4 \text{ or } 0.75:1 \text{ Ans.}$$