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Management Accounts.

B. Com Part III

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Question.

From following Particulars. compute
(A) current Ratio and (ii) Quick Ratio

Serial N.	Particulars	Amount	Serial N.	Particulars	Amount
1	current Investment	4000	7	Short term Provision	3000
2	Stock -	500	8	other current liabilities	500
3	Trade Receivable	2000	9	Short term loan & Advance	4000
4	Short term Investment ^{Borrowing}	2000	10	Tangible Fixed Assets	10000
5	Trade Payables	2500	11	Cash & Cash equivalents	1000
6	Prepaid expenses.	2000	12	Advance Income Tax -	8000

Ans.

(A)

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

$$\begin{aligned} \text{Current Assets} &= \text{Current Investment} + \\ &\text{Inventory} + \text{Trade Receivable} + \text{Cash} + \text{Advance Tax} \\ &= 40000 + 5000 + 2000 + 10000 + 4000 + 2000 \\ &\quad + 8000 = 71000 \end{aligned}$$

$$\begin{aligned} \text{Current Liabilities} &= \text{Short term loan (Borrowing)} \\ &+ \text{Trade Payables} + \text{Short term Provisions} \\ &+ \text{other current liabilities} \end{aligned}$$

$$= 20000 + 2500 + 3000 + 5000 = 30500$$

$$\text{Current Ratio} = \frac{71000}{30500} = 2.32:1$$

(B)

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

$$\begin{aligned} \text{Quick Assets} &= \text{Current Assets} - \text{Inventory} \\ &\text{Prepaid Expenses} - \text{Advance Tax} \\ &= 71000 - 5000 - 8000 - 2000 = \\ &\quad 56000 \end{aligned}$$

$$\begin{aligned} \text{C.L.} &= \text{Short term Borrowing} + \text{Trade Payables} \\ &+ \text{Short term Provisions} + \text{Current Liabilities} \\ &= 20000 + 2500 + 3000 + 5000 = 30500 \end{aligned}$$

$$\text{Quick Ratio} = \frac{56000}{30500} = 1.8:1 \text{ Ans.}$$