

8.20

# Management Accounts

B. Com Part III

Chapter Ratio Analysis Numerical  
Exercise. (12) (13) Dr S.K. Singh

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Question. (12)

A firm's Current Ratio is 2.5:1 & its Liquid Ratio is 1.5:1. If Current liabilities are Rs 15000, Calculate the amounts of current Assets and Stock.

Ans.

$$\begin{aligned} \text{Current Ratio} &= \frac{\text{Current Assets}}{\text{Current Liabilities}} = 2.5 \\ &= \frac{CA}{15000} = 2.5 \\ CA &= 2.5 \times 15000 = 37500 \text{ (Current Assets)} \end{aligned}$$

$$\begin{aligned} \text{Liquid Assets} &= 1.5 \times 15000 \\ \text{Liquid Assets} &= 22500 \end{aligned}$$

$$\begin{aligned} \text{Value of Stock} &= \text{Current Assets} - \text{Liquid Assets} \\ &= 37500 - 22500 = 15000 \\ &\quad \underline{\text{Stock.}} \end{aligned}$$

Question (13)

The Ratio of Current Assets (3 00 000) Current Liabilities (200,000) is 1.5 : 1. The Accountant of the firm is interested in maintaining a current ratio of 2:1, by paying off a part of the current liabilities. Compute the amount of current liabilities that should be paid, so the current ratio at the level of 2:1 may be maintained.

Ans.

Current Assets = 3,00,000

Current Liabilities Rs - 200,000

Let the Amount of current liabilities to be paid off be  $x$

$$\text{Then } \frac{2}{1} = \frac{300000 - x}{200000 - x}$$

$$\rightarrow 400000 = 2x = 3,00,000 - x$$

$$x = 400,000 - 300,000$$

$$x = 100,000$$

The Amount of current liabilities to be paid off is 100,000, so that the current ratio may be maintained at the level of 2:1