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The performance of Ajanaku plc

Stability ratio

	Long term bebt	Share capital	Reserver			
Debt to equity ratio						
Long term debt/share capital+ reserver*100	200000	400000	500000	100		22.22222222
Gearing ratio						
Debt /(sharing capital+reserve+long term debt)*100	200000	400000	500000	200000	100	18.18181818
Investors Ratio						
DPS:Total dividend/Numbers or ordinary shares in issue	53600	200000				0.268
Dividend yield						
Dividend per share/market price per share	0.268	4				0.067
Activity ratio						
Inventory turnover=cost of sales/average inventory*365	########	250,000	365			2190
Asset turn						
Revenue/total asset	200000	1600000				0.125
Basic earnings per share						
Profit attributable to ordinary share/weighed no of shares	112000	200000				0.56
Price earnings ratio						
Market price per share/Earnings per share	4	0.56				7.142857143
Earnings yield						
Earnings per share/market price per share	0.56	4				0.14

Question 2

comment on the geaing ratio of Ajanaku Plc, stating the reference point to which relevant ratios can be compared.

Gearing ratio: The gearing ratio is use to measure the company's financial leverage. The gearing ratio of Ajanaku Plc 18.18% signifies that the company is lowly geared. It shows that there is more of euity than lending i.e the company is funded majorly by shareholders instead of creditors or borrowing, which is a good thing because it helps to reduce the risk involve in the business, increases profit and shows that the company is financially stable.

Investors ratio: The investors ratio of Ajanaku Plc shows that the company is efficient in generating profit from every unit of shareholders since they are the major financers.Its return on equity is high than debt.And looking at the gearing ratio, it shows that the investors does'nt need to invest more money in the company since it is a financially stable.

Activity ratio:This shows how Ajanaku Plc manages the utilities and resources of the company.

Comparison

The gearing ratio is a lowly geared ratio, this will mean that the company will not become burdened with debt and there would be an increase in the profitability of the company. The gearing ratio is high in comparison with the investors ratio because the company have enough currenet asset and this would benefit the investors greatly.The company can be classified as a very good company because it is financially stable and does not have any serious weakness that would affect its business. However, the company must also ensure that there is good activity ratio so has to ensure efficient utilisation of resources and management of the company effectively.