Column1	Column2
NAME	Aladegbemi Morohunfade
MATRIC NO	18/SMS02/010
DEPARTMENT	ACCOUNTING
COURSE	ACC201 (Financial Accounting)

The performance of Ajanaku plc

					%	**Company's average in %**
STABILITY/GEARING RATIO						
Debt to equity ratio	Long term bebt	Share capital	Reserver			
Long term debt/share capital+ reserver*100	200000	400000	500000		100	22.22222222
Gearing ratio	Debt	Sharing capital	Reserver	Long term debt		
Debt /(sharing capital+reserve+long term debt)*100	200000	400000	500000	200000	100	18.18181818
INVESTORS RATIO						
Dividend per share	Total dividend	Numbers of shares				
DPS:Total dividend/Numbers or ordinary shares in issue	53600	200000				0.268
Dividend yield	Dividend per share	Market price per share				
Dividend per share/market price per share	0.268	4				0.067
Basic earnings per share	Profit attributable	Weighted avg. no of shares				
Profit attributable to ordinary shares/weighed avg. number of shares in issue	112000	200000				0.56
Price earning ratio	Market price per share	Earnings per share				
Market price per share/Earnings per share	4	0.56				7.142857143
Earnings yield	Earnings per share	Market price value				
Earnings per share/market price value	0.56	4				0.14
Dividend cover	Dividend per share	Earnings per share				
Dividend per share/ earnings per share	0.268	4				0.067
ACTIVITY RATIO						
Inventory turnover	Cost of sales	Average inventory				
Inventory turnover=cost of sales/average inventory*365	1,500,000	250,000	365			2190
Asset turn	Revenue	Total asset				
Revenue/total asset	2000000	1600000				1.25

B).Comment on the gearing of Ajanaku plc, stating the reference point to which relevant ratios can be compared.
The debt ratio 22.2% of the assets of the firm is financed by debt.
A low gearing ratio represents a low proportion of debt to equity while a high gearing ratio represent a high proportion of debt, since the gearing ratio is 18.18% we can say that it is low.
The gearing ratio is good, which means that the company ratio of funding it's activity with debt is very good and if the company continues with its current ratio it will not run into bankruptcy.
However the company should improve on its activity ratio because it takes a long time to sell its inventory which is not very good.