

**NAME: ALALIBO GRACE**  
**DEPARTMENT: ACCOUNTING**  
**MATRIC NUMBER: 18/SMS02/011**

**AJANAKU PLC**

**Statement of Profit or Loss for the year ended 31/12/2014**

	₦
Revenue (all on credit)	2,000,000
Profit after charging all expenses except debenture interest	220,000
Debenture interest(gross)	20,000
Profit before taxation	200,000
Taxation Expense	88,000
Profit for the year	112,000

**RATIO ANALYSIS FOR 2014**

**PROFITABILITY RATIO**

Return on (long term) Capital Employed (ROCE)  
 ROCE=Profit before interest and tax/capital employed \* 100= ([220,000/900,000]\*100%)

Returns on Equity (ROE)  
 ROE=Profit after taxation and preference dividend/share capital and reserves(excluding preference share capital) X

Operating Profit Margin (OPM)

OPM=Profit after interest and taxation/Revenue \*100=([112,000/2,000,000]\*100%)

**Statement of Financial Position as at 31/12/2014**

	₦	₦
<b><u>Non-current Assets (carrying values)</u></b>		
Property plant and equipment		840,000
<b><u>Current Assets</u></b>		
Inventory	500,000	
Receivables	200,000	
Investments	60,000	760,000
		1,600,000
<b><u>Equity and Liabilities</u></b>		
400,000 ₦1 ordinary share		400,000
Issued and fully paid 200,000 ₦1 ordinary shares		200,000
Capital Reserves		100,000
Revenue Reserves		400,000
		700,000
<b><u>Non-current Liability</u></b>		
200,000 10% Debentures (secured on freehold property)	200,000	
		900,000
<b><u>Current Liabilities</u></b>		
Trade Payables	172,800	
Bank overdraft	439,200	
		700,000
Current Taxation	88,000	
		1,600,000

Gross Profit Margin(GPM)

GPM=Gross profit/Revenue\*100%=(500,000/2,000,000)\*100%

**LIQUIDITY RATIO**

Current Ratio(CR)  
 CR=Current Assets/Current Liabilities=760,000/700,000

Quick/Acid Test Ratio(ATR)

ATR=Current Asset – Inventories/Current liabilities=260,000/700,000

**WORKING CAPITAL EFFICIENCY RATIO**

Average Collection Period

ACP=Trade Receivables/Credit Sales\*365 days=(200,000/2,000,000)\*365days

Inventory Turnover Period

ITP=Inventory/Cost of sales\*365days=(500,000/1,500,000)\*365days

Average Payable Period

APP=Trade Payables/Purchases\*365days=(172,000/1,080,000)\*365days

Additional Notes:	₦
Dividends during the year end	53,600
Purchases for the year	1,080,000
Cost of Sales for the year	1,500,000
The market price of Ajanku Plc ordinary share as 31/12/2014	4

Working Note	₦
Current asset- Inventory=760,000-60,000	260,000
Capital Employed(share capital+reserves+long term debt)=700,000+200,000	900,000
Gross Profit(revenue-cost of sales)=2,000,000-1,500,000	500,000

Both the quick and current ratios are well below the standard industry average. It shows that the Ajanku Plc is



24.4%

16%

5.6%

25%

1.1:1

0.4:1

Days

36.5

121.7

58.4

either

