

Omotoso oluwafunke oluwafunmilayo

Accounting

18/sms02/045

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	<u>220,000</u>
Debenture interest(gross)	<u>20,000</u>
Profit before taxation	200,000
Taxation Expense	88,000
Profit for the year	<u><u>112,000</u></u>

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%) 24.4%

Returns on Equity (ROE)
 ROE=Profit after taxation and preference dividend/share capital and reserves(excluding preference share capital) X 16%

Operating Profit Margin (OPM)
 OPM=Profit after interest and taxation/Revenue 5.6%
 *100=([112,000/2,000,000]*100%)

Statement of Financial Position as at 31/12/2014

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

Gross Profit Margin(GPM)
 GPM=Gross profit/Revenue*100%=(500,000/2,000,000)*100% 25%

LIQUIDITY RATIO

Current Ratio(CR)
 CR=Current Assets/Current Liabilities=760,000/700,000 1.1:1

Quick/Acid Test Ratio(ATR)
 ATR=Current Asset – Inventories/Current liabilities=260,000/700,000 0.4:1

WORKING CAPITAL EFFICIENCY RATIO

Average Collection Period
 ACP=Trade Receivables/Credit Sales*365 days=([200,000/2,000,000]*365days) 36.5

Inventory Turnover Period
 ITP=Inventory/Cost of sales*365days=(500,000/1,500,000)*365days) 121.7

Average Payable Period
 APP=Trade Payables/Purchases*365days=(172,000/1,080,000)*365days) 58.4

1,600,000

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 Ajanaku 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

