

KOCHE DEBORAH
18/SMS01/017
ECONOMICS

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
100=([112,000/700,000]*100%)

Operating Profit Margin (OPM)

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

Gross Profit Margin(GPM)

GPM=Gross profit/Revenue*100%=(500,000/2,000,000)*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	60,000	760,000
		1,600,000
<u>Equity and Liabilities</u>		
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
<u>Non-current Liability</u>		
200,000 10% Debentures (secured on freehold property)	200,000	
		900,000
<u>Current Liabilities</u>		
Trade Payables	172,800	
Bank overdraft	439,200	
		700,000
Current Taxation	88,000	
		1,600,000

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 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

24.4%

16%

5.6%

25%

1.1:1

0.4:1

Days

36.5

121.7

58.4