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18/sms02/002

Accounting

Stability gearing Ratio:

1. Debt to equity Ratio: long term debt X 100

Share capital + reserve

20000

400000+500000

0.22222222222 X 100

22.222222222

0:22:01

ii. Gearing Ratio= long term debt X 100

share capital + reserves + long term debt

200000 X100

400000+500000+200000

200000 X 100

1,100,000

0.18181818182 X 100

18.1818181818

b. interest cover= profit before interest and tax

interest charges in the year

112000

20000

6 times

Investors or shareholders Ratio:

1. basic earnings per share= profit attributes to ordinary shareholders during the period

weighted average number of shares during the period

112000

200000

0.56

b. dividend per share (d p s) = total dividend

number of shares in issue

53600

200000

0.268

c. price/ earnings Ratio (p/e Ratio) =market price per share

earnings per share

4

0.56

7.142857143

d. earning yield= earnings per share

market price per share

0.56

4

0.14

e. dividend yield= dividend per share

market price per share

0.268

4

0067

Activity Ratio:

1. Inventor turn over= sales X 365 days/52 weeks /12 months

Close inventory

2,000,000 X 12 months

500000

4X 12 months

48

Inventory turned over 48 times monthly

1. Asset turnover = revenue (sales)

Total assets/noncurrent asset/ net assets

2000000

1600000

1.25

Turnover= cost of sales X 365

Average inventory

1500000 X 365

250000

2190

B. 18.18% gearing ratio

This signifies that the company is lowly geared more of equity than lending.

The relevance point to which they can be compared is;

1. Above 50% - Highly geared, which shows that the company is mostly financed by debt than equity.
2. 25% to 50% - Standardly geared, which shows that the company is equally financed by both equity and debt.
3. Below 25%-lowly geared, which shows that the company is mostly financed by equity than debt.