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The performance of Ajanaku plc

stability Gearing Ratio:

a.(i) $\frac{\text{Debt to Equity Ratio - Long term debt}}{\text{Short capital + Reserves}} \times 100$

$\frac{200000}{400000 + 500000} \times 100$

$\frac{200000}{900000} \times 100$

0.222222222 x 100 0.222

Gearing Ratio:

(ii) $\frac{\text{Long termn dept}}{\text{Share capital + Reserves + long term dept}} \times 100$

$\frac{200000}{400000 + 500000 + 200000} \times 100$

0.181818182 x 100 0.182

b.

interest cover Formular = $\frac{\text{Profit before interest and tax}}{\text{interest charges in that year}}$

$\frac{220000}{20000} = 11$

Investores/ shareholders Ratio:

a. Basic Earnings per share = $\frac{\text{profit attributed to ordinary shareholders during the period}}{\text{Weighted average nuber of shares in issue during the period}}$

$\frac{112000}{200000} = 0.56$

b. Dividend per share : $\frac{\text{Total dividend}}{\text{Number of ordinary shares in issue}}$

$\frac{53600}{200000} = 0.268$

c.

Price/ Earnings Ratio : $\frac{\text{Market price per share}}{\text{Earnings per share}}$

$\frac{4}{0.56} = 7.142857143$

d.

Earnings yield: $\frac{\text{Earnings per day}}{\text{Market price per share}}$

$\frac{0.56}{4}$ 0.14

e.

Dividend yield : $\frac{\text{Dividend per share}}{\text{market price per share}}$

$\frac{0.268}{4} = 0.067$

Dividend cover: profits attributed to ordinary shareholders (earnings) ÷ dividends

$\frac{112000}{53600} = 2.0895522$

Active Ratio:

a. inventory turn over = $\frac{\text{Sales X 365 days 52 weeks 12 months}}{\text{closing inventory}}$

$\frac{2000000 \text{ x 12 months}}{500000}$

4 x 12(months) = 48

Inventory turned over 48 times monthly

b. Asset turn over $\frac{\text{Revenue(sales)}}{\text{total assets/non current asset/net assets}}$

$\frac{2000000}{1600000} = 1.25$

QUESTION B

18.18% gearing ratio signifies that the company involved is not highly geared, it involves more of equity and landing.
some relevant points in which points are compared are :

1. Above 50% Highly geared, meaning the company is often times 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. when it is below 25% it means it is lowly geared, meaning the company is often financed by equity than debt.