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illustration1 Ajanaku plc

stability/gearing ratio

a debit equillong term debt/ sharecapital + reserves  $\times 100/1$

$$200000 \div 900000 \times 100/1 = 22\% \text{ or } 0.22:1$$

b gearing ratio

long term debt/ share capital+ reserves+long term debts  $\times 100/1$

$$2000000/400000+500000+200000 \times 100/1 = 18.20\%$$

c interest cover operating profit/interest expenses

$$112000 \div 20000 = 5.6 = 6 \text{ times}$$

d property ratio

shareholder/total assets

$$700000 \div 1600000 \times 100 = 44\% \text{ or } 0.44:1$$

investor ratio

Earning per shares profit after tax/ No of ordinary shares  $\times 100/1$

$$112000/200000 \times 100/1 \text{ kobo} = 56 \text{ kobo or } 0.56 \text{ kobo}$$

dividend per share total dividend/no of shares  $\times 100/1$  kobo

$$53600/200000 \times 100/1 \text{ kobo} = 26.8 \text{ kobo or } 0.268$$

price earning ratio Market price per share/ earning per shares

$$₦ 4/0.56 = 7:1$$

earning Yield earning per share/market per share  $\times 100/1$

$$0.56/4 \times 100/1 = 14\%$$

dividend yield dividend per share/market price per share  $\times 100/1$

$$0.268/4 \times 100/1 = 6.7\%$$

dividend cover earning per share/dividend per share

$$0.56/0.268 = 2.0 \text{ times}$$

Activity ratio

inventory turn over

sales /closing inventory × 12 months

$2000000/500000 \times 12 \text{ months} = 48$

asset turnover

$2000000/1600000 = 1.25$

b)

Ajanku plc is 18.2% lowly geared that means its highly finance and has repaid all its debt and has more borrowing power

