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|---|---|---|
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| COURSE | ACCOUNTING | |

1a i) Debt to equity ratio : $\frac{\text{Long term debt}}{\text{Share capital + Reserves}} \times 100$

$= \frac{200,000}{400,000 + (100,000 + 400,000)} \times 100$

= 22.2%

ii) Gearing Ratio: $\frac{\text{Long term debt}}{\text{Share capital + Reserves + Long term debt}} \times 100$

$= \frac{200,000}{400,000 + (100,000 + 400,000) + 200,000} \times 100$

= 18.18%

b) Investors ratio:

i) PS: $\frac{\text{Total Dividend}}{\text{Number of ordinary shares in issue}}$ ( Dividend per Share)

$= \frac{53,600}{200,000} = 0.268$

ii) Price/Earnings Ratio (P/E Ratio): Market price per share, Earmnings per share

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

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

c) Activity Ratio:

i) Inventory Turnover = $\frac{\text{Cost of sales}}{\text{Aug inventor}} \times 365$

$= \frac{1,500,000}{250,000} \times 365$ = 2,190

II) Asset turn = $\frac{\text{Revenue}}{\text{Total Asset}}$

$= \frac{200,000}{1,600,000} = 0.125$

Question 2
Comment on the gearing of Ajanaku Plc, stating the reference point to which relevant ratios can be compared.
Answer
Ajanku is 18.2 lowly geared that means its highly finance and has repaid its debt and hass more borrowing power