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**18/SMS02/035**  
**Accounting**

1. Profitability ratio

A. Return on capital employed

$$\begin{aligned} \text{ROCE} &= \frac{\text{Profit before interest and taxation}}{\text{Capital employed}} \times 100 \\ &= \frac{220000}{900000} \times 100 \\ &= 24.40\% \end{aligned}$$

B. Return on Equity/return on shareholder capital

$$\begin{aligned} &= \frac{\text{Profit after taxation and preference dividend}}{\text{Share capital and reserves(excluding pref.share capital)}} \times 100 \\ &= \frac{112000}{700000} \times 100 \\ &= 16\% \end{aligned}$$

C. Operating profit margin

$$\begin{aligned} &= \frac{\text{Profit after interest and taxation}}{\text{Revenue/sale}} \times 100 \\ &= \frac{112000}{2000000} \times 100 \\ &= 5.60\% \end{aligned}$$

D. Gross profit margin

$$\begin{aligned} &= \frac{\text{Gross profit}}{\text{Revenue/sales}} \times 100 \\ &= \frac{500000}{2000000} \times 100 \\ &= 25\% \end{aligned}$$

2. Liquidity ratio

A. Current ratio

$$\begin{aligned} &= \frac{\text{Current assets}}{\text{Current liabilities}} \\ &= \frac{760000}{700000} \\ &= 38:35 \end{aligned}$$

B. Acid test ratio

$$\begin{aligned} &= \frac{\text{Current asset - inventory}}{\text{Current liabilities}} \\ &= \frac{760000 - 500000}{700000} \end{aligned}$$

3. Working Capital Efficiency ratio

A. Average collection period

$$= \frac{\text{Trade receivables}}{\text{Credit sales}} \times 12 \text{ months}$$

$$= \frac{220000}{2000000} \times 365 \text{ days}$$

$$= 36.5 \text{ days}$$

$$= 37 \text{ days}$$

B. Average payable period =  $\frac{\text{Trade payables}}{\text{Purchases}} \times 365 \text{ days}$

$$= \frac{172800}{1080000} \times 365 \text{ days}$$

$$= 58.4 \text{ days}$$

$$= 58 \text{ days}$$

C. Inventory turnover period =  $\frac{\text{Inventory}}{\text{Cost of sale}} \times 365 \text{ days}$

$$= \frac{500000}{1500000} \times 365$$

$$= 121.67$$

$$= 122 \text{ days}$$

Profitability Ratio.