OGBOGU AWELE ANNETTE

BUSINESS ADMINISTARTION / 18/ SMS03/ 022

ASSIGNMENT

ILLUSTRATION ONE

1.Liquidity ratios:

a. Current ratio: current asset/ current liability

 760,000/700,000 = 1.0857

b. acid test ratio= current asset – inventories/ current liabilities

 760,000-500,000 / 700,000 = 0.3714

2. Working capital efficiency ratios:

a. avg collection period = trade receivables/ credit sales \* 12 months

 200,000/2,000,000 \* 12 = 1.2

b. inventory turnover period = inventory/ cost of sales \* 12 months

 500,000/1,500,000 \* 12 = 4

c. avg payable period = trade payables/ purchases \* 12 months

 172,800/ 1,080,000 \* 12 = 1.92

3. Gearing ratios:

a. debt to equity ratio = long term debt/ share capital + reserves \* 100

 200,000/ 2,000,000 + 500,000 \* 100 = 8

b. gearing ratios = long term debt/ share capital + reserves + long term debt =

 200,000/ 2,000,000 + 500,000 + 2000,000 = 7.4074

c. interest turnover = profit before interest and tax/ interest changes in the year =

 1,200,000/ 20,000 = 10

4. Investors ratios:

a. EPS = earnings after tax/ total no. of shares =

 112,000/ 400,000 = 0.28

b. dividend per share = total dividend/ no. of ordinary shares in issue

 53,600/ 200,000 = 0.268

c. price earnings ratio = market price per share/ earnings per share

 4/ 0.28 = 14.29

d. earnings yield = earnings per share/ market price per share

 0.28/4 = 0.07

e. dividend yield = dividend per share/ market price per share

 0.268/ 4 = 0.067

5. Activity ratio:

a. inventory turnover = sales/ closing inventory \* 12 months

 2,000,000/ 500,000 \* 12 = 48

b. asset turnover = revenue/ total asset

 2,000,000/ 1,600,000 = 1,25