1. profitability ratio. (Lucas Comfort 18/sms01/019 economics)

a. return on capital employed

ROCE= profit before intrest and taxation X 100
capital employed

capital employed = share capital and reserve + long term debt

C.E = (500000 + 200000) + 200000
= 700000+ 200000
=900000

therefore, ROCE = 220000 X 100
'900000
=24.44%

b. ROE/ ROSC = profit after taxattion and preference dividend X 100
share capital and reserves (excluding preference share capital)
=112000 X 100
'700000
=16%

c. operating profit margin

OPM= profit after intrest and taxation X 100
revenue
=112000 X 100
'2000000
= 5.6%

d. gross profit margin = grosss profit X 100
revenue

gross profit = revenue - cost of sales
gross profit = 2000000 - 1500000
= 5000000

GPM =5000000 X 100
'2000000
= 25%

2. liquidity ratio

a. current ratio = current asset
current liabilities
= 760000
'700000
= 1.09

b. liquidity test ratio = current asset - inventory
current liabilities
= 760000 - 500000
'7000000
= 260000
'700000
= 0.37

3. working capital ratio

average collection period = trade recievables X 365 days
credit sales

=200000 X 365
'2000000
=365 = 37 days
average payable period = trade payables X 365
purhases
= 172800 X 365
'1080000
=58 days
inventory turn over period = inventory X 365
cost of sale
= 500000 X 365
'1500000
= 122 days

profitability ratio

ajanuku plc return on capital employed, return on equity and gross profit margin are very high. The profit margin i
which could be due to successful marketing or due to the low cost price.

working capital efficiency ratio
the ratio appears to be good by the general standard acceptable inventory turnover period. Which means that the

liquidity ratio
the current and quick (acid test) ratios are well below the standard industry avarages this Implies that ajanuku pls

comparison
liquiity ratio is low in comparison with working capital ratio because the liquidity is below standard the industry re
liquidity resources which is unable to make debt payments.
liquidity ratio is low in comparison because the lower the liquidity ratio, the lower the profitability ratio becase aja
though they make profit. The profit wont be enough because they have to set aside some as reserves.

ndicates that the business is making a good profit

: business inventory turnover period is too high hece is inefficient.

is either short of liquidity resources or managing its workin capital

esources which affects the working capital because it has less

ınuku plc dosent have nough current asset to cover its debt even