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**TITLE:** TERM PAPER (ACCOUNTING RATIOS)

NAME OF COMPANIES ANALYSED BASED ON THEIR SECTORS (2018 for Companies)

1. **Basic Material Sector**

-Berger Paint plc.

-CAP plc.

1. **Financial Sector**

-Zenith Bank plc.

-Eco Bank plc.

1. **Oil and Gas Sector**

-Conoil plc.

-Oando plc.

1. **Consumer Goods Sector**

**-**FMN plc.

**-**Nestle plc**.**

1. **Health Sector**

-Ekocorp plc.

-GSK plc.

1. **Technology Sector**

-Omatek plc.

-Charms plc.

1. **Industrials Sector**

-Dangote Cement plc.

-Cutix plc.

1. **Consumer Service Sector:** ABC transport Company and Capital Hotel plc.

**QUESTION**

Pick two companies from each group allocated in school that handled different sector, making it a total of 16 companies. Compute all ratios on those companies and interpret the ratios as well as making Comparison between the two companies from a sector.

**SOLUTION**

**Ratio Analysis for Companies in Basic Material Sector**

|  |  |  |
| --- | --- | --- |
| **Ratios/Formula** | **BERGER PAINTS PLC** | **CAP PLC** |
| **Short term/Liquidity Ratios**  ● Current Ratio=Current Assets/Current Liabilities | 1,646,124**/**1,285,038= **1.28:1** | 5,545,093/3,375,254=**1.64:1** |
| ●Acid test ratio= Current Assets-inventory/Current Liabilities | 1,646,124-606,712**/**1,285,038= **0.80:1** | 5,545,093-884,115/3,375,254=**1.38:1** |
| ●Receivable Collection Period= Average Receivables/ Credit sales x 365days | 190,982**/**3,377,223 x 365days= **21days** | 172,488/7,764,534 x 365days=**8days** |
| ● Payables Payment Period= Average Payables/ Cost of Sales x 365days | 622,491**/** 1,896,862 x 365days= **120days** | 1,559,016/4,034,516 x365days= **141days** |
| ● Inventory turnover Period= Average Inventory/ Cost of Sales x 365days | 606,712**/** 1,896,862 x 365days= **117days** | 884,115/4,034,561 x 365days= **80days** |
| ● Receivable Turnover= Credit Sales/ Average Receivables | 3,377,223**/**190,982= **17.7times** | 7,764,534/172,488=**45times** |
| ● Payables Turnover= Cost of Sales**/**Average payables | 1,896,862**/**622,491**= 3times** | 4,034,561/1,559,016=**2.6times** |
| ● Inventory Turnover= Cost of Sales**/**Average Inventory | 1,896,862**/** 606,712= **3times** | 4,034,561/1,559,016=**4.6times** |
| **Efficiency/Profitability Ratios**  ● ROCE= PBIT/Capital Employed x100%  Capital Employed= Total Asset-Current Liabilities | 454,328/3,250,261x100%=**14%** | 2,597,832/2,935,992x100%=**88%** |
| ● Gross Profit Margin= Gross profit/Sales x 100% | 1,480,361/3,377,223 x 100%= **44%** | 3,729,973/7,764,534 x100%=**48%** |
| ●Net Profit Margin= Net profit**/**Sales x100% | 320,509/3,377,223 x 100%= **9.5%** | 2,029,343/7,764,534 x100%=**26%** |
| ●Expense Percentage= Individual Expense/ Total Expense x 100%  Selling and Distribution expenses  Administration Expense  Impairment loss  Finance Cost  Income Tax Expense | 237,375/1,234,862 x100%=**19%**  829,609/1,234,862 x100%= **67%**  14,899/1,234,862 x100%= **1.2%**  19,160/1,234,862 x100%= **1.6%**  133,819/1,234,862 x100%= **11%** | 356,737/2,089,716 x 100%=**17%**  1,149,872/2,089,716 x100%=**55%**  14,618/2,089,716 x100%=**0.7%**  568,489/2,089,716 x100%=**27%** |
| ● Expense to Sales= Individual expense/ Sales x 100%  Selling and Distribution expenses  Administration Expense  Impairment loss  Finance Cost  Income Tax Expense | 237,375/3,377,223 x100%= **7%**  829,609/3,377,223 x 100%= **25%**  14,899/3,377,223 x 100%= **0.44%**  19,160/3,377,223 x100%= **0.57%**  133,819/3,377,233 x100%**=4%** | 356,737**/**7,764,534 x100%=**5%**  1,149,872/7,764,534 x100%=**15%**  14,618/7,764,534 x 100%=**0.19%**  568,489/7,764,534 x100%=**7%** |
| **Investors/Shareholder Ratios**  ●EPS= PAT-Preference dividend/ No of Ordinary Shares x 100 | 320,509-0/289,823 x 100=  **111kobo** | 2,029,343/700,000 x100=**290kobo** |
| ●Price Earnings Ratio= MPS/EPS | 7.45/1.11=**6years 7month** | 20.65/2.9=**7years** |
| ●Earning Yield=EPS/MPS x 100% | 1.11/7.45 x100%= **15%** | 2.9/20.65 x100%= **14%** |
| ●Net Asset per Share=Net Asset- Preference share/ No of Ordinary Shares | 4,535,299-0/289,823=**₦16** | 6,311,246-0/700,000=**₦9** |
| ●Dividend Per Share=Gross Dividend/No of Ordinary Shares | 144,912/289,823=**₦0.5** | 175,000/700,000=**₦2.5** |
| ●Dividend Payout Ratio=DPS/EPS x100% | 50/111 x100%= **45%** | 250/290 x100%= **86%** |
| ● Dividend Yield=DPS/MPSX100% | 0.5/7.45x 100%= **7%** | 2.5/20.65 x100%=**12%** |
| ●Dividend Covered= EPS/DPS | 111/50=**2.2times** | 290/250=**1.2times** |
| **Long Term Solvency Ratios** |  |  |
| ●Gearing Ratio=Debt/Equity | 1,722,247/2,813,052=**0.61** | 3,502,307/2,808,939=**1.24** |
| ●Fixed Interest Covered=PBIT/Finance cost | 454,328/19,160=**24times** | 2,597,832/14,618=**178times** |
| ●Total Debt to Shareholder Fund=Non-Current liabilities+ Current liabilities/Equity | 437,209+1,285,038/2,813,052=**0.61** | 127,053+3,375,254/2,808,939=**1.24** |

**Interpretation and Comparison for companies in Basic Material Sector**

a) **Current Ratio:** This measures the companies’ ability to pay short term obligations or those due within one year from its current asset. From both companies i can say that both are doing well since their current ratio meets the general rule of 2:1 that is its current assets can adequately cover its current liabilities. But CAP plc performed better than Berger paint since its ratio was above the industrial average for basic material sector of 1.59:1.

b) **Acid Test Ratio:** This ratio measures the relative amount of cash and other assets that can be easily converted into cash that are available to meet current liabilities. From both companies I can say CAP plc performed better than Berger paint since its ratio meets the general rule of 1:1 and the industrial average for basic material sector of 1.06:1. While Berger ratio means that if you take out its inventory from current assets their find it hard to meet to their short term debts since the ratio was below the general rule and industrial average.

c) **Receivable Collection Period:** This Ratio measures the average number of days for which receivables remain uncollected before it is received. From the ratio both companies have short receivable collection period as compared to their payment period which means that there can get their money back from their debtors in time to meet their own creditors. But CAP plc still has a better ratio in this area.

d) **Payable Payment Period:** This ratio measures the average number of days for which trade payables remain unpaid before finally paid. From both companies there are actually running fine margins since their receivables collection period has shorter days.

e**) Inventory Turnover Period:** This is a measure of the average number of days inventory remains in the store before being sold. From my analysis CAP is better since it has much lower than Berger meaning that their goods sell out at a much shorter period.

f) **Receivables Turnover:** This expresses the number of times it takes receivables to turnover during a period. From both companies ratio their performed fine but CAP is still better since the higher the better

g) **Payables Turnover:** This ratio measures the no of times trade payables are turnover during the period. From both companies ratio their performed fine but CAP is still better since the lower the better

h) **Inventory Turnover:** This ratio measures the physical turnover of trading inventory span from the period the goods are purchased to the date sold. From both companies CAP plc is still better because it has higher inventory turnover and is backed up with a good receivable collection and payables payment period, meaning that their company is selling goods very fast and high demand for their product exist. In General in the area of Short term solvency CAP plc performed better than Berger Plc.

i) **ROCE:** Measures the overall profitability of the business. It shows the efficiency of management in utilization of the resources placed at their disposal. From the analysis from both companies CAP plc is still a better ratio than Berger because it means for every capital employed more profit is being generated.

j) **Gross Profit Margin:** It shows the average gross profit as a percentage of goods sold. From both companies there are actually good since there were higher than the industry average for basic material sector of 42.2% for last year. But CAP still has a better edge over Berger Paint plc.

k) **Net Profit Margin:** It expresses the relative profitability of the business after taking into account all income and expenses for that period. From the analysis both companies are actually good since there above the industry average for basic material sector of 7.8% but CAP plc still has a better edge over Berger Paint plc.

l) **Expenses Percentage:** This ratio shows the relative weight of each item of expense in relation to total expenses.

m) **Expenses to Sales:** This ratio helps to highlight the sources of the improvement or deterioration in the net profit to sales percentage, from both companies you can see that it shows a deterioration in net profit percentage, meaning that the expenses has risen at more proportion making profit to reduce in relation to sales. But CAP still has a better ratio. In General in the area of Profitability ratios CAP plc performed better than Berger Plc.

n) **Earnings per Share:** This ratio gives an indication of the amount of the PAIT and preference dividend attributable to each ordinary share in issue. So from the analysis CAP plc still has a better EPS ratio than Berger Paint since theirs is higher.

o) **Price Earnings ratio:** This ratio measures the number of years it would take assuming current earning are maintained and ignoring taxation of dividend to recoup share holder investment in the form of dividend paid or capital growth. From analysis Berger paint Plc is better since it takes 6years 7 months to recoup what shareholders has invested as compared to CAP of 7years.

p) **Earning yield:** This ratio shows potential return on the shareholder investment. From analysis Berger paint performed better in this ratio than CAP plc, meaning that shareholder get a higher potential return on their investment as compared to CAP plc.

q) **Net Asset Per share:** This ratio indicates the amount of net asset attributable to each ordinary share in issue. From the ratios Berger paint plc has a better ratio since it is higher than that of CAP plc meaning that for every ordinary share in issue ₦16 is the per value in relation to Net asset

r) **Dividend per share:** This ratio shows the amount of gross dividend declared on every issue ordinary share. From the analysis for both companies CAP plc did better since it has higher DPS ratio

s) **Dividend Payout Ratio:** This ratio measures what percentage of the companies distributable earning is being paid to ordinary shareholders in the form dividend. From analysis from both companies CAP plc has a higher DPR ratio than Berger Paint plc which means CAP is better because it will indicate that Investors/shareholders get high pay in form of dividend as compared to Berger plc that pays a low percentage which may not be attractive to investors.

t) **Dividend yield:** This ratio Measures the current actual return on shareholders’ investment. From analysis CAP is better, since it has a higher percentage of return on shareholders’ investment.

u) **Dividend Covered:** This measures the number of times ordinary dividend is covered by distributable earnings. From my analysis both companies have a good dividend covered ratio since both are greater than 1 but Berger paint ratio is better as it has a higher ratio, meaning that Earnings per share can cover the dividend per share about 2.2times or another way to is that profit after tax can cover the gross dividend about 2.2times as compared to that of CAP plc.

v) **Gearing ratio:** This ratio measures the degree of risk to the company to the financial risk attached to fixed interest securities. From my analysis Berger paint plc has a better Gearing ratio by far since is less than 1 which means that it is lowly geared (that is has more of equity capital in relation to fixed interest capital) while CAP has a ratio greater than 1 meaning it has highly geared (that is has more of fixed interest capital to equity) which is very bad for the company.

w) **Total Debt to Shareholder fund:** This ratio is the measure of the solvency of the business and indicates the extent of cover for external debt. From the analysis Berger paint plc is still better due to the low ratio indicating that the company is stable while CAP ratio is not good because it means the company may run into risk in the future of liquidating.

x) **Fixed Interest Covered:** This Ratio is a Measure of the no of times fixed Interest is covered by Profit. The higher this ratio the higher the level of confidence of lenders in the ability of the company to pay loan granted and vice versa. From my ratio analysis CAP plc is better since its profit before interest and tax can cover its finance cost up to 178 times. In General in the area of long term solvency ratios Berger plc performed better than CAP Plc.

**Ratio Analysis for Companies in Financial Sector**

|  |  |  |
| --- | --- | --- |
| **Ratios/Formula** | **ZENITH BANK PLC** | **ECOBANK PLC** |
| **Short term/Liquidity Ratios**  ● Current Ratio=Current Assets/Current Liabilities | 4,955,445/4,280,413 = **1.16:1** | 8,191,180,711/7,520,990,240  =**1.18:1** |
| ●Acid test ratio= Current Assets-inventory/Current Liabilities | 4,955,445-0/4,280,413 = **1.16:1** | 8,191,180,711-/7,520,990,240  =**1.18:1** |
| **Efficiency/Profitability Ratios**  ● ROCE= PBIT/Capital Employed x100%  Capital Employed= Total Asset-Current Liabilities | 165,480/675,032 x100%=**25%** | 135,534,498/8,181,063,267 x100%=**2%** |
| ●Expense Percentage= Individual Expense/ Total Expense x 100%  Interest Expense  Fee and Commission Expense  Administration Expense  Impairment loss  Depreciation  Operating Expense  Income Tax Expense | 124,156/364,141x100%=**34%**  56,657/364,141x100%=**16%**  15,313/364,141x100%=**4%**  16,812/364,141x100%=**5%**  124,576/364,141x100%=**34%**  26,627/364,141x100%=**7%** | 186,105,522/670,388,369x100%=**28%**  19,582,970/670,388,369x100%=**3%**  82,044,665/670,388,369x100%=**12%**  349,040,572/670,388,369 x100%=**52%**  33,614,640/670,388,369x100%=**5%** |
| **Investors/Shareholder Ratios**  ●EPS= PAT-Preference dividend/ No of Ordinary Shares x 100 | 165,480/31,396 x100=**527kobo** | 102,168,869/30,960,263 x100=**330kobo** |
| ●Price Earnings Ratio= MPS/EPS | 18.65/5.27=**4years** | 7.05/3.3=**2years** |
| ●Earning Yield=EPS/MPS x 100% | 5.27/18.65 x100%=**28%** | 3.3/7.05 x100%=**47%** |
| ●Net Asset per Share=Net Asset- Preference share/ No of Ordinary Shares | 4,955,445/31,396 =**₦158** | 8,223,984,226/30,960,263=**₦266** |
| ●Dividend Per Share=Gross Dividend/No of Ordinary Shares | 15,698/31,396**=₦0.5** | 15,480,132/30,960,263**=₦0.5** |
| ●Dividend Payout Ratio=DPS/EPS x100% | 50/527 x100%=**9%** | 50/330 x100%=**15%** |
| ● Dividend Yield=DPS/MPSX100% | 0.5/18.65 x100%=**3%** | 0.5/7.05 x100%=**7%** |
| ●Dividend Covered= EPS/DPS | 527/50=**11times** | 330/50=**7times** |
| **Long Term Solvency Ratios** |  |  |
| ●Gearing Ratio=Debt/Equity | 4,280,413/675,032,000=**0.06** | 702,404/1,812,491  =**0.38** |
| ●Total Debt to Shareholder Fund=Non-Current liabilities+ Current liabilities/Equity | 4,280,413/675,032,000=**0.06** | 702,404/1,812,491  =**0.38** |

**Interpretation and Comparison for companies in Financial Sector**

a) **Current Ratio:** From both companies, i can say that both are doing well since their current ratio meets the general rule of 2:1 that is its current assets can adequately cover its current liabilities. But Eco bank plc performed better than Zenith bank since its ratio was slightly higher than that of Zenith bank.

b) **Acid Test Ratio:** From both companies, i can say that both are doing well since their acid test ratio meets the general rule of 1:1 that is its current assets can adequately cover its current liabilities if inventory is removed from the current asset. But Eco bank plc performed better than Zenith bank since its ratio was slightly higher than that of Zenith bank. In the short term solvency ratios Eco bank performed better.

c) **ROCE:** From the analysis from both companies Zenith bank plc has a better ratio than Eco bank since it is higher, meaning for every capital employed more profit is being generated. In the short term solvency ratios Zenith bank performed better.

d) **Expenses Percentage:** This ratio shows the relative weight of each item of expense in relation to total expenses.

e) **Earnings per Share:** So from the analysis Zenith bank plc has a better EPS ratio than Eco bank plc since theirs is higher.

f) **Price Earnings ratio:** From analysis Eco Bank Plc is better since it takes 2 years to recoup what shareholders have invested as compared to Zenith bank of 4years.

g) **Earning yield:** This ratio shows potential return on the shareholder investment. From analysis Eco bank performed better in this ratio than Zenith bank plc, meaning that shareholder get a higher potential return on their investment as compared to Zenith bank plc.

h) **Net Asset Per share:** This ratio indicates the amount of net asset attributable to each ordinary share in issue. From the ratios Eco bank plc has a better ratio since it is higher than that of Zenith bank plc meaning that for every ordinary share in issue ₦266 is the per value in relation to Net asset

i**) Dividend per share:** From the analysis for both companies their both have the same DPS that is at ₦0.5 which implies that for every dividend paid from the no of outstanding shares the value for one is ₦0.5/50kobo.

j) **Dividend Payout Ratio:** From analysis from both companies, there have a good dividend payout ratio since it is below the industrial average for financial sector at 33%. But Eco bank plc has a higher DPR ratio than Zenith bank plc, which means Eco bank is better because it will indicate that Investors/shareholders get high pay in form of dividend as compared to Zenith bank plc that pays a low percentage which may not be attractive to investors.

k) **Dividend yield:** This ratio Measures the current actual return on shareholders’ investment. From analysis Eco bank is better, since it has a higher percentage of return on shareholders’ investment.

l) **Dividend Covered:** From my analysis both companies have a good dividend covered ratio since both are greater than 1 but Zenith bank has a better ratio, meaning that Earnings per share can cover the dividend per share about 11times or another way to is that profit after tax can cover the gross dividend about 11times as compared to that of Eco bank plc. In General in the area of Inventors ratios Eco bank performed better than Zenith bank Plc.

m) **Gearing ratio:** From my analysis both companies are lowly geared since their ratios are less 1 (that is using more of equity capital to debt capital) which is a good thing for both companies. But Zenith bank has a better Gearing ratio.

n) **Total Debt to Shareholder fund:** From the analysis both companies are actually good since their ratios are low indicating that both companies are stable. But Zenith bank plc is still better since it is lower. In General in the area of long term solvency ratios Zenith bank plc performed better than Eco bank Plc.

**Ratio Analysis for Companies in Oil and Gas Sector**

|  |  |  |
| --- | --- | --- |
| **Ratios/Formula** | **CONOIL PLC** | **OANDO PLC** |
| **Short term/Liquidity Ratios**  ● Current Ratio=Current Assets/Current Liabilities | 54,908,451/41,641,699=**1.32:1** | 130,118,542/448,602,832  =**0.29:1** |
| ●Acid test ratio= Current Assets-inventory/Current Liabilities | 54,908,451-9,141,599/41,641,699  =**1.1:1** | 130,118,542-28,392,500/227,409,609 =**0.2:1** |
| ●Receivable Collection Period= Average Receivables/ Credit sales x 365days | 30,295,096/122,213,014 x365 days=**91days** | 84,791,443/679,465,339 x 365days=**45days** |
| ● Payables Payment Period= Average Payables/ Cost of Sales x 365days | 35,065,872/109,442,111x 365days  =**117 days** | 265,417,181/ 583,191,386x 365days  =**166days** |
| ● Inventory turnover Period= Average Inventory/ Cost of Sales x 365days | 7,401,377/109,442,111x  365days=**25 days** | 14,196,250/583,191,386 x 365 days=**9days** |
| ● Receivable Turnover= Credit Sales/ Average Receivables | 122,213,014/30,295,096 =**4times** | 679,465,339/84,791,443  =**8times** |
| ● Payables Turnover= Cost of Sales**/**Average payables | 109,442,111/35,065,872=**3times** | 583,191,386/ 265,417,181  =**2times** |
| ● Inventory Turnover= Cost of Sales**/**Average Inventory | 109,442,111/7,401,377=**15 times** | 148,015,916/8,959,210  =**16times** |
| **Efficiency/Profitability Ratios**  ● ROCE= PBIT/Capital Employed x100%  Capital Employed= Total Asset-Current Liabilities | 1,796,042/18,301,074 x100% =**10%** | 13,695,459/33,772,775 x100%  =**41%** |
| ● Gross Profit Margin= Gross profit/Sales x 100% | 12,770,902/122,213,014x100%  =**11%** | 16,593,619/164,609,535 x100%  =**10%** |
| ●Net Profit Margin= Net profit**/**Sales x100% | 1,796,042/ 122,213,014x100%  =**2%** | 9,328,935/164,609,535 x100%=**6%** |
| ●Expense Percentage= Individual Expense/ Total Expense x 100%  Selling and Distribution expenses  Administration Expense  Finance Cost  Income Tax Expense | 2,571,260/11,088,571 x100%=**23%**  6,238,524/11,088,571 x100%=**56%**  1,508,064/11,088,571 x100%=**14%**  770,723/11,088,571 x100%**=7%** | 10,939,966/29,148,939 x100%=**38%**  17,582,406/29,148,939 x100%=**60%**  626,567/29,148,939 x100%=**2%** |
| ● Expense to Sales= Individual expense/ Sales x 100%  Selling and Distribution expenses  Administration Expense  Finance Cost  Income Tax Expense | 2,571,260/122,213,014 x100%=**2%**  6,238,524/122,213,014 x100%=**5%**  1,508,064/122,213,014 x100%=**1%**  770,723/122,213,014 x100%=**0.6%** | 10,939,966/488,518,160 x100%=**2%**  17,582,406/488,518,160 x100%=**4%**  626,567/488,518,160 x100%=**0.13%** |
| **Investors/Shareholder Ratios**  ●EPS= PAT-Preference dividend/ No of Ordinary Shares x 100 | 1,796,042/693,952 x100= **259kobo** | 24,432,941/ 12,431,412= **197kobo** |
| ●Price Earnings Ratio= MPS/EPS | 18.5/2.59 =**7years** | 3.89/1.97=**2years** |
| ●Earning Yield=EPS/MPS x 100% | 2.59/18.5 x100%=**14%** | 1.97/3.89 x100%**=5%** |
| ●Net Asset per Share=Net Asset- Preference share/ No of Ordinary Shares | 60,897,246/693,952  **=₦88** | 236,366,708/12,431,412=**₦19** |
| ●Dividend Per Share=Gross Dividend/No of Ordinary Shares | 346,976/693,952=**₦0.5** | 6,215,706/12,431,412=**₦0.5** |
| ●Dividend Payout Ratio=DPS/EPS x100% | 50/259 x100%=**19%** | 50/197 x100%=**25%** |
| ● Dividend Yield=DPS/MPSX100% | 0.5/18.5 x100%=**27%** | 0.5/3.89 x100%=**13%** |
| ●Dividend Covered= EPS/DPS | 259/50=**5times** | 197/50=**4times** |
| **Long Term Solvency Ratios** |  |  |
| ●Gearing Ratio=Debt/Equity | 954,473/60,897,246  =**0.02** | 69,856,667/60,899,568=**1.1** |
| ●Fixed Interest Covered=PBIT/Finance cost | 2,566,765/1.508,064=**1.7** | 17,695,310/17,582,406=**1** |
| ●Total Debt to Shareholder Fund=Non-Current liabilities+ Current liabilities/Equity | 42,596,172 /60,897,246  =**0.7** | 297,266,276/60,899,568=**5** |

**Interpretation and Comparison for companies in Oil and Gas Sector**

a) **Current Ratio**: From both companies, i can say that Conoil plc has a better ratio since it meets the general rule of 2:1 that is its current assets can adequately cover its current liabilities. But Oando plc ratio implies that the company will find it hard to meet there short term liabilities from current asset, since there short term debt exceed their current asset. Conoil plc has a better Current ratio.

b) **Acid Test Ratio**: From both companies I can say Conoil plc performed better than Oando since its ratio meets the general rule of 1:1, that is if liquid asset such as inventory is removed from the current asset there can still meet their short term debt. While Oando ratio means that if you take out its inventory from current assets their find it hard to meet to their short term debts since the ratio was below the general rule.

c) **Receivable Collection Period:** From the ratio both companies have short receivable collection period as compared to their payment period which means that there can get their money back from their debtors in time to meet their own creditors.

d) **Payable Payment Period:** From both companies there are actually running fine margins since their receivables collection period has shorter days.

e) **Inventory Turnover Period:** This is a measure of the average number of days inventory remains in the store before being sold. From my analysis Oando is better since it has much lower than Conoil meaning that their goods sell out at a much shorter period.

f) **Receivables Turnover:** This expresses the number of times it takes receivables to turnover during a period. From both companies ratio their performed fine but Oando is its ratio is higher and the higher the better.

g) **Payables Turnover:** This ratio measures the no of times trade payables are turnover during the period. From both companies ratio their performed fine but Oando is still better since the lower the better

h) **Inventory Turnover:** This ratio measures the physical turnover of trading inventory span from the period the goods are purchased to the date sold. From both companies Oando is better because it has higher inventory turnover and is backed up with a good receivable collection and payables payment period, meaning that their company is selling goods very fast and high demand for their product exist. In the Short term solvency ratios Oando plc performed better.

i) **ROCE:** From the analysis from both companies Oando plc is better than Conoil because it has a higher return on capital employed, meaning for every capital employed more profit is being generated.

j) **Gross Profit Margin:** It shows the average gross profit as a percentage of goods sold. From the ratios of both companies Conoil has a better edge over Oando plc.

k) **Net Profit Margin:** It expresses the relative profitability of the business after taking into account all income and expenses for that period. From the ratios of both companies Oando has a better Net profit as a percentage of sales.

l) **Expenses Percentage:** This ratio shows the relative weight of each item of expense in relation to total expenses.

m) **Expenses to Sales:** This ratio helps to highlight the sources of the improvement or deterioration in the net profit to sales percentage, from both companies you can see that it shows a deterioration in net profit percentage, meaning that the expenses has risen at more proportion making profit to reduce in relation to sales. But Oando plc still has a better ratio. In General in the area of Profitability ratios Oando plc performed better than Conoil Plc.

n) **Earnings per Share:** This ratio gives an indication of the amount of the PAIT and preference dividend attributable to each ordinary share in issue. So from the analysis Conoil plc has a better EPS ratio than Berger Paint since theirs is higher.

o) **Price Earnings ratio:** This ratio measures the number of years it would take assuming current earning are maintained and ignoring taxation of dividend to recoup share holder investment in the form of dividend paid or capital growth. From analysis Oando Plc is better since it takes 2years to recoup what shareholders have invested as compared to Conoil of 7years.

p) **Earning yield:** From analysis Conoil has a better ratio than Oando plc, meaning that shareholder gets a higher potential return on their investment of 14% as compared to Oando plc at 5%.

q) **Net Asset Per share:** This ratio indicates the amount of net asset attributable to each ordinary share in issue. From the ratios Conoil plc has a better ratio since it is higher than that of Oando plc meaning that for every ordinary share in issue ₦88 is the per value in relation to Net asset

r) **Dividend per share:** From the analysis for both companies their both have the same DPS that is at ₦0.5 which implies that for every dividend paid from the no of outstanding shares the value for one is ₦0.5/50kobo.

s) **Dividend Payout Ratio:** From analysis from both companies Oando plc has a higher DPR ratio than Conoil plc, which means Oando is better because it will indicate that Investors/shareholders get high pay in form of dividend as compared to Conoil plc that pays a low percentage which may not be attractive to investors

t) **Dividend yield:** This ratio Measures the current actual return on shareholders’ investment. From analysis Conoil is better, since it has a higher percentage of return on shareholders’ investment.

u) **Dividend Covered:** From my analysis both companies have a good dividend covered ratio since both are greater than 1 but Conoil ratio is better as it has a higher ratio meaning that Earnings per share can cover the dividend per share about 5times or another way to is that profit after tax can cover the gross dividend about 5times as compared to that of Oando plc. In General in the area of Inventors ratios Conoil plc performed better than Oando Plc.

v) **Gearing ratio:** From my analysis Conoil plc has a better Gearing ratio by far since is less than 1 which means that it is lowly geared (that is has more of equity capital in relation to fixed interest capital) while Oando has a ratio greater than 1 meaning it has highly geared (that is has more of fixed interest capital to equity) which is very bad for the company.

w) **Total Debt to Shareholder fund:** From the analysis Conoil plc is still better due to the low ratio indicating that the company is stable while Oando ratio is not good because it means the company may run into risk in the future of liquidating

x) **Fixed Interest Covered:** From my ratio analysis Conoil plc is better since its profit before interest and tax can cover its finance cost up to 2times. In General in the area of long term solvency ratios Conoil plc performed better than Oando Plc.

**Ratio Analysis for Companies in Consumer Goods Sector**

|  |  |  |
| --- | --- | --- |
| **Ratios/Formulas** | **FMN PLC** | **NESTLE PLC** |
| **Short term/Liquidity Ratios**  ● Current Ratio=Current Assets/Current Liabilities | 154,380,788/140,074,526=**1.10:1** | 82,734,317/ 92,117,501=**0.90:1** |
| ●Acid test ratio= Current Assets-inventory/Current Liabilities | 154,380,788-71,755,238/140,074,526=**0.59:1** | 82,734,317- 23,124,020/92,117,501=**0.65:1** |
| ●Receivable Collection Period= Average Receivables/ Credit sales x 365days | 49,546,925/389,397,836 x365days=**46days** | 42,175,062/ 266,274,621x365days=**58days** |
| ● Payables Payment Period= Average Payables/ Cost of Sales x 365days | 40,126,542/337,820,842 x365days=**44days** | 60,384,454/152,354,445x365days=**145days** |
| ● Inventory turnover Period= Average Inventory/ Cost of Sales x 365days | 71,755,238/337,820,842 x365days=**78days** | 23,124,020/152,354,445 x365days=**55days** |
| ● Receivable Turnover= Credit Sales/ Average Receivables | 389,397,836/49,546,925=**8times** | 266,274,621/42,175,062=**6times** |
| ● Payables Turnover= Cost of Sales/Average payables | 337,820,842/40,126,542=**8times** | 152,354,445/60,384,454=**3times** |
| ● Inventory Turnover= Cost of Sales/Average Inventory | 337,820,842/71,755,238=**5times** | 152,354,445/23,124,020=**7times** |
| **Efficiency/Profitability Ratios**  ● ROCE= PBIT/Capital Employed x100%  Capital Employed= Total Asset-Current Liabilities | 14,153,983/182,530,056 x 100%=**8%** | 59,750,846/70,216,921 x100%=**85%** |
| ● Gross Profit Margin= Gross profit/Sales x 100% | 51,576,994/389,397,836 x100%=**13%** | 113,920,176/ 266,274,621x100%=**43%** |
| ●Net Profit Margin= Net profit/Sales x100% | 9,244,729/389,397,836 x100%=**2%** | 43,008,026/266,274,621x100%=**16%** |
| ●Expense Percentage= Individual Expense/ Total Expense x 100%  Selling and distribution expenses  Administrative expenses  Operating losses  Finance costs    income tax expense | 5,595,264/52,143,219 x 100%=**11%**  11,707,308/52,143,219 x 100%=**22%**  4,989,445/52,143,219 x100%=**10%**  24,941,948/52,143,219 x100%=**48%**  4,909,254/52,143,219 x100%=**9%** | 43,489,890/72,629,039 x100%=**60%**  9,789,555/72,629,039 x100%=1**3%**  2,606,774/72,629,039 x100%=**4%**  16,742,820/72,629,039 x100%=**23%** |
| ● Expense to Sales= Individual expense/ Sales x 100%  Selling and distribution expenses  Administrative expenses  Operating losses  Finance costs  income tax expense | 5,595,264/389,397,836 x100%=**1.4%**  11,707,308/389,397,836 x100%=**3%**  4,989,445/389,397,836 x100%=**1.3%**  24,941,948/389,397,836 x100%=**6%**  4,909,254/389,397,836 x100%=**1.3%** | 43,489,890/ 266,274,621x100%=**16%**  9,789,555/266,274,621x100%=**4%**  2,606,774/266,274,621x100%=**1%**  16,742,820/266,274,621x100**%=6%** |
| **Investors/Shareholder Ratios**  ●EPS= PAT-Preference dividend/ No of Ordinary Shares x 100 | 9,244,729/2,624,253=**352kobo** | 43,008,026/792,656 x100%=**5426kobo** |
| ●Price Earnings Ratio= MPS/EPS | 20.40/3.52=**6years** | 1095/54=**20years** |
| ●Earning Yield=EPS/MPS x 100% | 3.52/20.40 x100%=**17%** | 54/1095 x100%=**5%** |
| ●Net Asset per Share=Net Asset- Preference share/ No of Ordinary Shares | 322,604,582-0/2,624,253=**₦123** | 162,334,422/792,656=**₦205** |
| ●Dividend Per Share=Gross Dividend/No of Ordinary Shares | 1,312,127/2,624,253=**₦0.5** | 396,328/792,656=**₦0.5** |
| ●Dividend Payout Ratio=DPS/EPS x100% | 50/352 x100%=**14%** | 50/5426 x100%=**1%** |
| ● Dividend Yield=DPS/MPSX100% | 0.5/20.40 x100%=**2%** | 0.5/1095 x100%=**0.05%** |
| ●Dividend Covered= EPS/DPS | 352/50=**7times** | 5426/50=**109times** |
| **Long Term Solvency Ratios** |  |  |
| ●Gearing Ratio=Debt/Equity | 171,158,286/151,446,296=**1.13** | 112,113,936/ 50,220,486 =**2.2** |
| ●Total Debt to Shareholder Fund=Non-Current liabilities+ Current liabilities/Equity | 31,083,760+140,074,526/151,446,296=**1.13** | 19,996,435+ 92,117,501/50,220,486 =**2.2** |
| ●Fixed Interest Covered=PBIT/Finance cost | 14,153,983/24,941,948=**0.57times** | 59,750,846/2,606,774=**30times** |

**Interpretation and Comparison for companies in Consumer Goods Sector**

a) **Current Ratio:** From both companies, i can say that FMN plc has a better ratio since it meets the general rule of 2:1 that is its current assets can adequately cover its current liabilities. But Nestle plc ratio implies that the company will find it hard to meet there short term liabilities from current asset, since there short term debt exceed their current asset. FMN plc has a better Current ratio.

b) **Acid Test Ratio:** From both companies, i can that both companies did not perform well under this ratio since it’s not in line with the general rule of 1:1, that is if liquid asset such as inventory is removed from the current asset there find it hard to meet their short term debt. But Nestle ratio is better since it’s higher than that of FMN plc.

c) **Receivable Collection Period**: From the ratio Nestle plc have short receivable collection period as compared to its payment period which means that there can get their money back from their debtors in time to meet their own creditors. But FMN ratio is not good because its payable payment period is lower than receivable which means that their creditors demand for their money to be paid in a shorter period before their receive their own money being owed by their debtors.

d) **Payable Payment Period:** From the ratio Nestle plc have long payables payment period as compared to its receivable collection period which means there are running fine margin. But FMN ratio is not good because its payable payment period is lower than receivable which means that their creditors demand for their money to be paid in a shorter period before their receive their own money being owed by their debtors.

e) **Inventory Turnover Period**: From my analysis Nestle plc is better since it has much lower than FMN meaning that their goods sell out at a much shorter period.

f) **Receivables Turnover:** This expresses the number of times it takes receivables to turnover during a period. From both companies FMN ratio is better since it is higher

g) **Payables Turnover:** This ratio measures the no of times trade payables are turnover during the period. From both companies ratio Nestle ratio is better since the lower the better

h) **Inventory Turnover:** From both companies Nestle plc is better because it has higher inventory turnover and is backed up with a good receivable collection and payables payment period, meaning that their company is selling goods very fast and high demand for their product exist. In the Short term solvency ratios Nestle plc performed better.

i) **ROCE:** From the analysis from both companies Nestle plc is better than FMN because it has a higher return on capital employed, meaning for every capital employed more profit is being generated.

j) **Gross Profit Margin:** It shows the average gross profit as a percentage of goods sold. From the ratios of both companies Nestle plc has a better ratio over FMN.

k) **Net Profit Margin:** It expresses the relative profitability of the business after taking into account all income and expenses for that period. From the ratios of both companies Nestle plc has a better Net profit as a percentage of sales.

l) **Expenses Percentage:** This ratio shows the relative weight of each item of expense in relation to total expenses.

m) **Expenses to Sales:** This ratio helps to highlight the sources of the improvement or deterioration in the net profit to sales percentage, from both companies you can see that it shows a deterioration in net profit percentage, meaning that the expenses has risen at more proportion making profit to reduce in relation to sales. But FMN still has a better ratio. In General in the area of Profitability ratios Nestle plc performed better than FMN plc

n) **Earnings per Share:** This ratio gives an indication of the amount of the PAIT and preference dividend attributable to each ordinary share in issue. So from the analysis Nestle plc has a better EPS ratio than FMN since theirs is higher.

o) **Price Earnings ratio:** From analysis FMN Plc is better since it takes 6years to recoup what shareholders have invested as compared to Nestle of 20years.

p) **Earning yield:** From analysis FMN has a better ratio than Nestle plc, meaning that shareholder gets a higher potential return on their investment of 17% as compared to Nestle plc at 5%.

q) **Net Asset Per share:** This ratio indicates the amount of net asset attributable to each ordinary share in issue. From the ratios Nestle plc has a better ratio since it is higher than that of FMN plc meaning that for every ordinary share in issue ₦205 is the per value in relation to Net asset.

r) **Dividend per share:** From the analysis for both companies their both have the same DPS that is at ₦0.5 which implies that for every dividend paid from the no of outstanding shares the value for one is ₦0.5/50kobo.

s) **Dividend Payout Ratio:** From analysis from both companies FMN plc has a higher DPR ratio than Nestle plc, which means FMN is better because it will indicate that Investors/shareholders get high pay in form of dividend as compared to Nestle plc that pays a low percentage which may not be attractive to investors

t) **Dividend yield:** This ratio Measures the current actual return on shareholders’ investment. From analysis FMN is better, since it has a higher percentage of return on shareholders’ investment.

u) **Dividend Covered:** From my analysis both companies have a good dividend covered ratio since both are greater than 1 but Nestle ratio is better as it has a higher ratio meaning that Earnings per share can cover the dividend per share about 109times or another way to is that profit after tax can cover the gross dividend about 109times as compared to that of FMN plc.

v) **Gearing ratio:** From my analysis both companies are highly geared since their ratios are greater than 1 (that is using more of debt capital to Equity/shareholder fund) which is a bad thing for both companies. But FMN ratio is still better as its debt capital can only cover its equity once as compared to Nestle plc of about 2.2

w) **Total Debt to Shareholder fund:** From the analysis FMN plc is still better due to the low ratio indicating that the company is stable while Nestle plc ratio is not good because it means the company may run into risk in the future of liquidating

x) **Fixed Interest Covered:** From my ratio analysis Nestle plc is better since its profit before interest and tax can cover its finance cost up to 30times.

**Ratio Analysis for Companies in Health Sector**

|  |  |  |
| --- | --- | --- |
| **Ratios/Formula** | **EKOCORP PLC** | **GSK PLC** |
| **Short term/Liquidity Ratios**  ● Current Ratio=Current Assets/Current Liabilities | 278,129/1,499,792 =**0.18:1** | 13,338,313/6,941,940 =**1.92:1** |
| ●Acid test ratio= Current Assets-inventory/Current Liabilities | 278,129-50,367/1,499,792= **0.15:1** | 13,338,313 -3,938,707/ 6,941,940  =**1.35:1** |
| ●Receivable Collection Period= Average Receivables/ Credit sales x 365days | 212,842/1,472,720x 365 days  = **53 days** | 5,240,325/ 18,411,475x 365days  =**104 days** |
| ● Payables Payment Period= Average Payables/ Cost of Sales x 365days | 1,258,913/1,289,095x365 days  = **357 days** | 6,434,732/11,654,657 x365 days  =**202 days** |
| ● Inventory turnover Period= Average Inventory/ Cost of Sales x 365days | 39,422.5/1,289,095x 365 days  =**11 days** | 3,653,566.5/11,654,657 x365 days  = **114 days** |
| ● Receivable Turnover= Credit Sales/ Average Receivables | 1,472,720/ 212,842=**7times** | 18,411,475/5,240,325 =**4times** |
| ● Payables Turnover= Cost of Sales**/**Average payables | 1,289,095/1,258,913 =**1time** | 11,654,657/6,434,732 =**2times** |
| ● Inventory Turnover= Cost of Sales**/**Average Inventory | 1,289,095 /39,422.5  =**38times** | 11, 654,657/3,653,566.5  =**3times** |
| **Efficiency/Profitability Ratios**  ● ROCE= PBIT/Capital Employed x100%  Capital Employed= Total Asset-Current Liabilities | (328468)/ 3,154,672 x100% =  **(10%)** | 618,389/8,651,191 x100% **=7%** |
| ● Gross Profit Margin= Gross profit/Sales x 100% | 183,625/1,472,720x 100  =**13%** | 6,756,778 /18,411475 x100%  = **37%** |
| ●Net Profit Margin= Net profit**/**Sales x100% | 328,468/1,472,720 x 100  = **22.3%** | 1,160,824/18,411,475x 100  = **6.3%** |
| ●Expense Percentage= Individual Expense/ Total Expense x 100%  Selling and Distribution expenses  Administration Expense  Other loss  Finance Cost  Operating Expense  Income Tax Expense | 11,084/632,721 x100%=**2%**  518,904/632,721 x100%=**82%**  102,733/632,721 x100%=**16%** | 3,096.566/6,517,799 x100%=**48%**  2,244,484/6,517,799 x100%=**34%**  634,314/6,517,799 x100%=**10%**  542,435/6,517,799 x100%=**8%** |
| ● Expense to Sales= Individual expense/ Sales x 100%  Selling and Distribution expenses  Administration Expense  Other loss  Finance Cost  Operating Expense  Income Tax Expense | 11,084/1,472,720 x100%=**0.8%**  518,904/1,472,720 x100%=**35%**  102,733/1,472,720 x100%=**7%** | 3,096.566/18,411,475 x100%=**17%**  2,244,484/18,411,475 x100%=**12%**  634,314/18,411,475 x100%=**3%**  542,435/18,411,475 x100%=**3%** |
| **Investors/Shareholder Ratios**  ●EPS= PAT-Preference dividend/ No of Ordinary Shares x 100 | (328,468)/498,601 x100**=(66kobo)** | 618,389/1,195,876 x100=**52kobo** |
| ●Price Earnings Ratio= MPS/EPS | 4.07/0.66 =**6years** | 6.3/0.52=**12year** |
| ●Earning Yield=EPS/MPS x 100% | 0.66/4.07 x100%=**16%** | 0.52/6.3 x100%=**8%** |
| ●Net Asset per Share=Net Asset- Preference share/ No of Ordinary Shares | 3,154,672/498,601=**₦6** | 15,700,216/1,195,876 =**₦13** |
| ●Dividend Per Share=Gross Dividend/No of Ordinary Shares | 249,301/498,601**=₦0.5** | 597,938/1,195,876 x100**=₦0.5** |
| ●Dividend Payout Ratio=DPS/EPS x100% | 50/ (66) x100 %=**( 75%)** | 50/52 x100%=**96%** |
| ● Dividend Yield=DPS/MPSX100% | 0.5/4.07 x100%=**12%** | 0.5/6.3 x100%=**8%** |
| ●Dividend Covered= EPS/DPS | 66/50=**1.3times** | 52/50=**1times** |
| **Long Term Solvency Ratios** |  |  |
| ●Gearing Ratio=Debt/Equity | 1,298,611/3,154,672 =**0.41** | 107,085/15,700,216 = **0.007** |
| ●Total Debt to Shareholder Fund=Non-Current liabilities+ Current liabilities/Equity | 2,798,403/3,154,672 =**0.88** | 7,049,025/15,700,216= **0.45** |

**Interpretation and Comparison for companies in Health Sector**

a) **Current Ratio:** From both companies, i can say that GSK has a better ratio since it meets the general rule of 2:1 that is its current assets can adequately cover its current liabilities. But Ekocorp plc ratio implies that the company will find it hard to meet there short term liabilities from current asset, since there short term debt exceed their current asset. GSK plc has a better Current ratio.

b) **Acid Test Ratio:** From both companies, i can that GSK performed better since its ratio meets the general rule of 1:1 but Ekocorp ratio was not good since it was below 1:1 that is if liquid asset such as inventory is removed from the current assets there find it hard to meet their short term debt.

c) **Receivable Collection Period:** From the ratio both companies have short receivable collection period as compared to their payment period which means that there can get their money back from their debtors in time to meet their own creditors. But Ekocorp has a better ratio.

d) **Payable Payment Period:** From both companies there are actually running fine margins since their receivables collection period has shorter days. But Ekocorp has a better ratio

e) **Inventory Turnover Period:** From my analysis Ekocorp is better since it has much lower than GSK meaning that their goods sell out at a much shorter period.

f) **Receivables Turnover:** This expresses the number of times it takes receivables to turnover during a period. From both companies Ekocorp ratio is better since it is higher

g) **Payables Turnover:** This ratio measures the no of times trade payables are turnover during the period. From both companies ratio Ekocorp ratio is better since the lower the better

h) **Inventory Turnover:** From both companies Ekocorp is better because it has higher inventory turnover and is backed up with a good receivable collection and payables payment period, meaning that their company is selling goods very fast and high demand for their product exist. In the Short term solvency ratios Ekocorp plc performed better.

i) **ROCE:** From the analysis from both companies GSK plc is better than Ekocorp because it has a higher return on capital employed, meaning for every capital employed more profit is being generated.

j) **Gross Profit Margin:** It shows the average gross profit as a percentage of goods sold. From the ratios of both companies GSK has a better ratio over Ekocorp since it is higher.

k) **Net Profit Margin:** It expresses the relative profitability of the business after taking into account all income and expenses for that period. From the ratios of both companies Ekocorp plc has a better Net profit as a percentage of sales since it is higher.

l) **Expenses Percentage:** This ratio shows the relative weight of each item of expense in relation to total expenses.

m) **Expenses to Sales:** From both companies you can see that it shows a deterioration in net profit percentage, meaning that the expenses has risen at more proportion making profit to reduce in relation to sales. But GSK still has a better ratio. In General in the area of Profitability ratios GSK plc performed better.

n) **Earnings per Share:** This ratio gives an indication of the amount of the PAIT and preference dividend attributable to each ordinary share in issue. So from the analysis GSK plc has a better EPS ratio than Ekocorp since theirs is higher.

o) **Price Earnings ratio:** From analysis Ekocorp Plc is better since it takes 6years to recoup what shareholders have invested as compared to GSK of 12years.

p) **Earning yield:** From analysis Ekocorp has a better ratio than GSK plc, meaning that shareholder gets a higher potential return on their investment of 16% as compared to GSK plc at 8%.

q) **Net Asset Per share:** This ratio indicates the amount of net asset attributable to each ordinary share in issue. From the ratios GSK plc has a better ratio since it is higher than that of Ekocorp plc meaning that for every ordinary share in issue ₦13 is the per value in relation to Net asset.

r) **Dividend per share:** From the analysis for both companies their both have the same DPS that is at ₦0.5 which implies that for every dividend paid from the no of outstanding shares the value for one is ₦0.5/50kobo.

s) **Dividend Payout Ratio:** From analysis from both companies GSK plc has a higher DPR ratio than Ekocorp plc, which means GSK is better because it will indicate that Investors/shareholders get high pay in form of dividend as compared to Ekocorp plc that pays a low percentage which may not be attractive to investors

t) **Dividend yield:** This ratio Measures the current actual return on shareholders’ investment. From analysis Ekocorp is better, since it has a higher percentage of return on shareholders’ investment.

u) **Dividend Covered:** From my analysis both companies have a good dividend covered ratio since both are greater than 1 but Ekocorp ratio is better as it has a higher ratio meaning that Earnings per share can cover the dividend per share about 1.3times or another way to is that profit after tax can cover the gross dividend about 1.3times as compared to that of GSK plc.1n the area of investors ratio Ekocorp has better ratios than GSK plc.

v) **Gearing ratio:** From my analysis both companies are lowly geared since their ratios are less than 1 (that is using more of Equity capital to Debt Capital) which is a Good thing for both companies. But GSK ratio is still better.

w) **Total Debt to Shareholder fund:** From the analysis both companies are good since there have a low ratio indicating that the company is stable while GSK ratio is better. In this area of ratios GSK performed better.

**Ratio Analysis for Companies in Technology Sector**

|  |  |  |
| --- | --- | --- |
| **Ratios/Formula** | **CHARMS PLC** | **OMATEK PLC** |
| **Short term/Liquidity Ratios**  ● Current Ratio=Current Assets/Current Liabilities | 607,801/1,478,060=**0.41:1** | 3,487,000/4,425,000=**0.78:1** |
| ●Acid test ratio= Current Assets-inventory/Current Liabilities | 607,801-67,648/1,478,060=**0.37:1** | 3,487,000-0/4,425,000=**0.78:1** |
| ●Receivable Collection Period= Average Receivables/ Credit sales x 365days | 510,446/584,392 x365days=**319days** | 3,487,000/80,000,000 x365days= **16days** |
| ● Payables Payment Period= Average Payables/ Cost of Sales x 365days | 1,246,204/346,230 x365days=**1314days** | 4,357,000/ 5,000,000x 365days  =**379days** |
| ● Inventory turnover Period= Average Inventory/ Cost of Sales x 365days | 67,648/346,230 x365days=**71days** |  |
| ● Receivable Turnover= Credit Sales/ Average Receivables | 584,392/510,446 =**1.1times** | 80,000,000/3,487,000  =**23times** |
| ● Payables Turnover= Cost of Sales**/**Average payables | 346,230/1,246,204=**0.27times** | 5,000,000/ 4,357,000  =**1.1times** |
| ● Inventory Turnover= Cost of Sales**/**Average Inventory | 346,230/67,648=**5times** |  |
| **Efficiency/Profitability Ratios**  ● ROCE= PBIT/Capital Employed  Capital Employed= Total Asset-Current Liabilities | 269,440/3,727,899 x100% =**0.7** | (1,042,000)/863,000x 100%=**(1.2)** |
| ● Gross Profit Margin= Gross profit/Sales x 100% | 238,162/584,392 x100%=**41%** | (80,000,000)/(80,000,000) x 100%=**100%** |
| ●Net Profit Margin= Net profit**/**Sales x100% | 385,796/584,392 x100%=**66%** | (1,045,000)/(80,000,000) x100%=**1.3%** |
| ●Expense Percentage= Individual Expense/ Total Expense x 100%  Administration Expense  Finance Cost  Income Tax Expense | 817,142/817,142 x100%=**100%** | 43,000,000/966,000,000 x100%=**4%**  919,000,000/966,000,000 x100%=**95%**  4,000,000/966,000,000=**0.4%** |
| **Investors/Shareholder Ratios**  ●EPS= PAT-Preference dividend/ No of Ordinary Shares x 100 | 385,796/4,696,060 x100=**8kobo** |  |
| ●Price Earnings Ratio= MPS/EPS | 0.36/0.08=**4years** |  |
| ●Earning Yield=EPS/MPS x 100% | 0.08/0.36 x100%=**22%** |  |
| ●Net Asset per Share=Net Asset- Preference share/ No of Ordinary Shares | 5,205,959/4,696,060=**₦1** | 5,288,000/2,941,789=**₦2** |
| ●Dividend Per Share=Gross Dividend/No of Ordinary Shares | 2,348,030/4,696,060=₦**0.5** | 1,470,895/2,941,789**=₦0.5** |
| ●Dividend Covered= EPS/DPS | 8/50=**0.16times** |  |
| **Long Term Solvency Ratios** |  |  |
| ●Gearing Ratio=Debt/Equity | 1,478,060/3,727,899=**0.39** | 8,335,000/3,046,000=**3** |
| ●Total Debt to Shareholder Fund=Non-Current liabilities+ Current liabilities/Equity | 1,478,060 +0/3,727,899=**0.39** | 8,335,000/3,046,000=**3** |

**Interpretation and Comparison for companies in Technology Sector**

a) **Current Ratio:** From both companies there ratio is not good since it is not in line with the general rule of 2:1 that is its current assets cannot adequately cover its current liabilities. But Omatek plc is better

b) **Acid Test Ratio:** From both companies, i can that both companies did not perform well under this ratio since it’s not in line with the general rule of 1:1, that is if liquid asset such as inventory is removed from the current asset there find it hard to meet their short term debt. But Omatek plc ratio is better.

c) **Receivable Collection Period:** From the ratio both companies have short receivable collection period as compared to their payment period which means that there can get their money back from their debtors in time to meet their own creditors. But Omatek plc has a better ratio.

d) **Payable Payment Period:** From both companies there are actually running fine margins since their receivables collection period has shorter days. But Charms plc has a better ratio.

e) **Inventory Turnover Period:** From my analysis it takes Charms 71days before their product are sold.

f) **Receivables Turnover:** This expresses the number of times it takes receivables to turnover during a period. From both companies Omatek plc ratio is better since it is higher

g) **Payables Turnover:** This ratio measures the no of times trade payables are turnover during the period. From both companies ratio Charms ratio is better since the lower the better

h) **Inventory Turnover:** From my analysis Charms inventory turnover period of 71days occurs 5times in a year period. In the area of short term solvency ratios Omatek has a better ratio

i) **ROCE:** From the analysis from both companies Charms plc is better than Omatek because it has a higher return on capital employed, meaning for every capital employed more profit is being generated.

j) **Gross Profit Margin:** From the ratios of both companies Omatek has a better ratio over Charms since it is higher.

k) **Net Profit Margin:** From the ratios of both companies Charms plc has a better Net profit as a percentage of sales since it is higher.

l) **Expenses Percentage:** This ratio shows the relative weight of each item of expense in relation to total expenses.

m) **Earnings per Share**: From Charms ratio it shows that 8kobo of profit after tax is attributable to each ordinary share in issue.

n) **Price Earnings ratio:** From Charms ratio it shows that it takes 4years before shareholder recoups the amount invested.

o) **Earning yield:** From Charms ratio it shows that shareholders get up to 22% return from what there have invested.

p) **Net Asset Per share:** From the ratios Omatek plc has a better ratio since it is higher than that of Charms plc meaning that for every ordinary share in issue ₦2 is the per value in relation to Net asset.

q) **Dividend per share:** From the analysis for both companies their both have the same DPS that is at ₦0.5 which implies that for every dividend paid from the no of outstanding shares the value for one is ₦0.5/50kobo.

r) **Dividend Covered:** From Charms ratio it shows that its earnings per share can cover its dividend per share for only 0.16times.

s) **Gearing ratio**: From my analysis Charms plc has a better Gearing ratio by far since is less than 1 which means that it is lowly geared (that is has more of equity capital in relation to fixed interest capital) while Omatek has a ratio greater than 1 meaning it has highly geared (that is has more of fixed interest capital to equity) which is very bad for the company

t) **Total Debt to Shareholder fund:** From the analysis Charms is still better due to the low ratio indicating that the company is stable while Omatek ratio is not good because it means the company may run into risk in the future of liquidating. In the long term solvency ratios Charms plc performed better.

**Ratio Analysis for Companies in Industrial Sector**

|  |  |  |  |
| --- | --- | --- | --- |
| **Ratios/Formula** | **DANGOTE CEMENT PLC** | | **CUTIX PLC** |
| **Short term/Liquidity Ratios**  ● Current Ratio=Current Assets/Current Liabilities | 441,026/  284,759=**1.55:1** | | 1,957,976/1,359,513  =**1.44:1** |
| ●Acid test ratio= Current Assets-inventory/Current Liabilities | 441,026-59,820/284,759=**1.34:1** | | 1,957,976-1,317,958/1,359,513=**0.47:1** |
| ●Receivable Collection Period= Average Receivables/ Credit sales x 365days | 11,046/618,301 x365days=**7days** | | 525,058/5,057,374×365 days  =**38days** |
| ● Payables Payment Period= Average Payables/ Cost of Sales x 365days | 92,879/170,288 x365days=**199days** | | 499,300/ 3,536,685×365 days  =**51days** |
| ● Inventory turnover Period= Average Inventory/ Cost of Sales x 365days | 59,820/170,288 x365days=**128days** | | 1,317,958/3,536,685× 365 days  =**135days** |
| ● Receivable Turnover= Credit Sales/ Average Receivables | 618,301/11,046=**56times** | | 5,057,374/525,058  =**9 times** |
| ● Payables Turnover= Cost of Sales**/**Average payables | 170,288/92,879=**2times** | | 3,536,658/ 499,300  =**7 times** |
| ● Inventory Turnover= Cost of Sales**/**Average Inventory | 170,288/59,820=**3times** | | 3,536,658/1,317,958  =**2.6 times** |
| **Efficiency/Profitability Ratios**  ● ROCE= PBIT/Capital Employed x100%  Capital Employed= Total Asset-Current Liabilities | 392,223/1,437,215 x100%=**27%** | | 799,070/1,476,749×100%  =**54%** |
| ● Gross Profit Margin= Gross profit/Sales x 100% | 448,013/ 618,301 x100%=**72%** | | 1,520,689/3,536,685×100%  =**40%** |
| ●Net Profit Margin= Net profit**/**Sales x100% | 481,456/618,301 x100%=**78%** | | 440,295/3,536,685×100%  =**12%** |
| ●Expense Percentage= Individual Expense/ Total Expense x 100%  Selling and Distribution expenses  Administration Expense  Finance Cost  Income Tax Expense | 89,278/139,251 x100%=**64%**  27,108/139,251 x100%=**19%**  22,565/139251 x100%=**16%** | | 142,212/1,114,291×100%  =**13%**  613,304/1,114,291×100%  =**55%**  137,507/1,114,291×100%  =**12%**  221,268/1,114,291×100%  =**20%** |
| ● Expense to Sales= Individual expense/ Sales x 100%  Selling and Distribution expenses  Administration Expense  Finance Cost  Income Tax Expense | 89,278/ 618,301 x100%=**14%**  27,108/618,301 x100%=**4%**  22,565/618,301 x100%=**4%** | | 142,212/5,057,374×100%  =**3%**  613,304/5,057,374×100%  =**12%**  137,507/5057,374×100%  =**2%**  221,268/5,057,374×100%  =**4%** |
| **Investors/Shareholder Ratios**  ●EPS= PAT-Preference dividend/ No of Ordinary Shares x 100 | 481,456/17,041 x 100=**2825kobo** | | 440,295/880,662 x100=**50kobo** |
| ●Price Earnings Ratio= MPS/EPS | 130/28.25=**5years** | | 1.47/0.5  =**3years** |
| ●Earning Yield=EPS/MPS x 100% | 28.25/130 x100%=**22%** | | 50/1.47 x100%  =**34.0%** |
| ●Net Asset per Share=Net Asset- Preference share/ No of Ordinary Shares | 1,721,974/17,041=**₦101** | | 2,836,262/880,662=**₦3** |
| ●Dividend Per Share=Gross Dividend/No of Ordinary Shares | 8521/17041=**₦0.5** | | 440,331/880,662**=₦0.5** |
| ●Dividend Payout Ratio=DPS/EPS x100% | 50/2825 x100%=**2%** | | 50/50 x100%=**100%** |
| ● Dividend Yield=DPS/MPSX100% | 0.5/130 x100%=**0.38%** | | 0.5/1.47 x100%=**74%** |
| ●Dividend Covered= EPS/DPS | 2825/50=**56times** | | 50/50=**1times** |
| **Long Term Solvency Ratios** |  | |  |
| ●Gearing Ratio=Debt/Equity | 212,344 /1,293,548=**0.16** | | 177457/1,299,292  =**0.13** |
| ●Total Debt to Shareholder Fund=Non-Current liabilities+ Current liabilities/Equity | 143,667+ 284,759/1,293,548=**0.33** | | 177,457+1,359,513/1,299,292  =**1.18** |
| ●Fixed Interest Covered=PBIT/Finance cost | 392,223/22,565=**17times** | 799,070/137,507  =**6times** | |

**Interpretation and Comparison for companies in Industrial Sector**

a) **Current Ratio:** From both companies I can say that both are doing well since their current ratio meets the general rule of 2:1 that is its current assets can adequately cover its current liabilities. But Dangote Cement plc performed better than Cutix plc since its ratio was higher.

b) **Acid Test Ratio:** From both companies, i can that Dangote Cement performed better since its ratio meets the general rule of 1:1 but Cutix ratio was not good since it was below 1:1 that is if liquid asset such as inventory is removed from the current assets there find it hard to meet their short term debt**.**

c) **Receivable Collection Period:** From the ratio both companies have short receivable collection period as compared to their payment period which means that there can get their money back from their debtors in time to meet their own creditors. But Dangote Cement plc has a better ratio.

d) **Payable Payment Period:** From both companies there are actually running fine margins since their receivables collection period has shorter days. But Dangote Cement plc has a better ratio.

e) **Inventory Turnover Period:** From my analysis Dangote Cement plc is better since it has lower ratio than Cutix plc meaning that their goods sell out at a much shorter period.

f) **Receivables Turnover:** From both companies Dangote Cement ratio is better since it is higher

g) **Payables Turnover:** From both companies ratio Dangote Cement is better since the lower the better

h) **Inventory Turnover:** From both companies Dangote Cement is better because it has higher inventory turnover and is backed up with a good receivable collection and payables payment period, meaning that their company is selling goods very fast and high demand for their product exist. In the Short term solvency ratios Dangote Cement plc performed better.

i) **ROCE:** From the analysis from both companies Cutix plc is better than Dangote Cement because it has a higher return on capital employed, meaning for every capital employed more profit is being generated.

j) **Gross Profit Margin:** It shows the average gross profit as a percentage of goods sold. From the ratios of both companies Dangote Cement plc has a better ratio.

k) **Net Profit Margin:** From the ratios of both companies Dangote Cement plc has a better Net profit as a percentage of sales.

l) **Expenses Percentage:** This ratio shows the relative weight of each item of expense in relation to total expenses.

m) **Expenses to Sales:** From both companies you can see that it shows an Improvement in net profit percentage for Dangote Cement plc, meaning that the expenses has falling at less proportion making profit to increase in relation to sales. While that of Cutix plc it shows a deterioration in net profit percentage meaning that the expenses has risen at more proportion making profit to reduce in relation to sales. In the profitability ratios Dangote cement performed better.

n) **Earnings per Share:** From the analysis Dangote Cement plc has a better EPS ratio than Cutix since theirs is higher.

o) **Price Earnings ratio:** From analysis Cutix Plc is better since it takes 3years to recoup what shareholders have invested as compared to Dangote of 5years.

p) **Earning yield:** From analysis Cutix has a better ratio than Dangote plc, meaning that shareholder gets a higher potential return on their investment of 34% as compared to Dangote Cement plc at 22%.

q) **Net Asset Per share:** From the ratios Dangote Cement plc has a better ratio since it is higher than that of Cutix plc meaning that for every ordinary share in issue ₦101 is the per value in relation to Net asset.

r) **Dividend per share:** From the analysis for both companies their both have the same DPS that is at ₦0.5 which implies that for every dividend paid from the no of outstanding shares the value for one is ₦0.5/50kobo.

s) **Dividend Payout Ratio:** From analysis from both companies Cutix plc has a higher DPR ratio than Dangote Cement plc, which means Cutix is better because it will indicate that Investors/shareholders get high pay in form of dividend as compared to Dangote Cement plc that pays a low percentage which may not be attractive to investors

t) **Dividend yield:** This ratio Measures the current actual return on shareholders’ investment. From analysis Cutix is better, since it has a higher percentage of return on shareholders’ investment.

u) **Dividend Covered:** From the ratios Dangote Cement plc has a better ratio since its earnings per share can cover its dividend per share about 56times as compared to Cutix plc. In the area of Investors ratio Cutix plc performed better.

v) **Gearing ratio:** From my analysis both companies are lowly geared since their ratios are less than 1 (that is using more of Equity capital to Debt Capital). But Dangote Cement plc ratio is still better.

w) **Total Debt to Shareholder fund:** From the analysis Dangote Cement plc is still better due to the low ratio indicating that the company is stable while Cutix ratio is not good because it means the company may run into risk in the future of liquidating

x) **Fixed Interest Covered:** From my ratio analysis Dangote Cement plc is better since its profit before interest and tax can cover its finance cost up to 17times as compared to Cutix plc of 6times.

**Ratio Analysis for Companies in Consumer Service Sector**

|  |  |  |
| --- | --- | --- |
| **Ratios/Formula** | **ABC TRANSPORT COMPANY** | **CAPITAL HOTELS PLC** |
| **Short term/Liquidity Ratios**  ● Current Ratio=Current Assets/Current Liabilities | 751,579/1,392,383 =**0.5:1** | 5,698,295/2,630,478 =**2.2:1** |
| ●Acid test ratio= Current Assets-inventory/Current Liabilities | 751,579 - 224,394/1,392,383 = **0.31:1** | 5,698,295- 141,990/2,630,478=**2.1:1** |
| ●Receivable Collection Period= Average Receivables/ Credit sales x 365days | 279,637/4,083,653x 365  = **25days** | 1,620,077/5,977,436x 365  = **99days** |
| ● Payables Payment Period= Average Payables/ Cost of Sales x 365days | 678,920/3,314,542x 365  =**75days** | 2,378,096/ 4,869,732x 365  = **178days** |
| ● Inventory turnover Period= Average Inventory/ Cost of Sales x 365days | 198,194/3,314,542x365  =**22days** | 196,610/4,869,732 x 365  =**15days** |
| ● Receivable Turnover= Credit Sales/ Average Receivables | 4,083,653/279,637  =**15times** | 5,977,436/1,620,077  =**4times** |
| ● Payables Turnover= Cost of Sales**/**Average payables | 3,314,542/678,920  =**5times** | 4,869,732/2,378,096 =**2times** |
| ● Inventory Turnover= Cost of Sales**/**Average Inventory | 3,314,542/198,194  =**17times** | 4,869,732/196,610=**25times** |
| **Efficiency/Profitability Ratios**  ● ROCE= PBIT/Capital Employed x100%  Capital Employed= Total Asset-Current Liabilities | (175,523) /1,564,582 **= (11%)** | 379,946/6,416,983=**5%** |
| ● Gross Profit Margin= Gross profit/Sales x 100% | 769,112/4,083,653x100% =**18.8%** | 1,107,704/5,977,436 x100%  = **18.5%** |
| ●Net Profit Margin= Net profit**/**Sales x100% | 175,523/ 4,083,653 x100  = **4.3%** | 379,946/5,977,436 x100 =**6.4 %** |
| ●Expense Percentage= Individual Expense/ Total Expense x 100%  Administration Expense  Finance Cost  Income Tax Expense | 856,871/1,072,858 x100%  =**80%**  137,518/1,072,858 x100%  =**13%**  78,469/1,072,858 x100%  =**7%** | 721,477/849,312 x100%  =**85%**  127,835/849,312 x100%=**15%** |
| ● Expense to Sales= Individual expense/ Sales x 100%  Administration Expense  Finance Cost    Income Tax Expense | 856,871/4,083,653 x100%=**21%**  137,518/4,083,653x100%=**3%**  78,469/4,083,653 x100%=**2%** | 721,477/5,977,436 x100%=**12%**  127,835/5,977,436x 100%=**2%** |
| **Investors/Shareholder Ratios**  ●EPS= PAT-Preference dividend/ No of Ordinary Shares x 100 | (175,523)/1,657,700 x100**=(11kobo)** | 379,946/1,548,780 x100=**25kobo** |
| ●Price Earnings Ratio= MPS/EPS | 0.41/0.11=**4years** | 2.75/0.25=**11years** |
| ●Earning Yield=EPS/MPS x 100% | (0.11)/0.41 x 100 %= **(27%)** | 0.25/2.75 x100%=**9%** |
| ●Net Asset per Share=Net Asset- Preference share/ No of Ordinary Shares | 3,330,473/1,657,700=**₦2** | 10,076,819/1,548,780=₦7 |
| ●Dividend Per Share=Gross Dividend/No of Ordinary Shares | 82,885/1,657,700**=₦0.05** | 77,439/1,548,780**=₦0.05** |
| ●Dividend Payout Ratio=DPS/EPS x100% | 0.05/ (0.11) x100%= (**45%)** | 0.05/0.25 x100%=**20%** |
| ● Dividend Yield=DPS/MPSX100% | 0.05/0.41 x100%=**12%** | 0.05/2.75 x100=**2%** |
| ●Dividend Covered= EPS/DPS | 11/5=**2.2times** | 25/5=**5times** |
| **Long Term Solvency Ratios** |  |  |
| ●Gearing Ratio=Debt/Equity | 373,508/3,330,473=**0.11** | 1,029,358/10,076,819=**0.10** |
| ●Total Debt to Shareholder Fund=Non-Current liabilities+ Current liabilities/Equity | 1,765,892/3,330,473=**0.53** | 3,659,836/ 10,076,819=**0.36** |

**Interpretation and Comparison for companies in Consumer Service Sector**

a) **Current Ratio:** From both companies, i can say that Capital Hotel plc has a better ratio since it meets the general rule of 2:1 that is its current assets can adequately cover its current liabilities. But ABC transport ratio implies that the company will find it hard to meet there short term liabilities from current asset, since there short term debt exceed their current asset. Capital Hotel plc has a better Current ratio.

b) **Acid Test Ratio:** From both companies, i can say that Capital Hotel plc has a better ratio since it meets the general rule of 1:1 that is its current assets can adequately cover its current liabilities if liquid asset such as inventory is removed. But ABC transport ratio implies that the company will find it hard to meet there short term liabilities from current asset if inventory is removed. Capital Hotel plc has a better Current ratio

c) **Receivable Collection Period:** From the ratio both companies have short receivable collection period as compared to their payment period which means that there can get their money back from their debtors in time to meet their own creditors. But ABC has a better ratio.

d) **Payable Payment Period:** From both companies there are actually running fine margins since their receivables collection period has shorter days. But Capital Hotel has a better ratio.

e) **Inventory Turnover Period:** From my analysis Capital Hotel plc is better since it has much lower than ABC meaning that their goods sell out at a much shorter period.

f) **Receivables Turnover:** This expresses the number of times it takes receivables to turnover during a period. From both companies ABC ratio is better since it is higher

g) **Payables Turnover:** This ratio measures the no of times trade payables are turnover during the period. From both companies ratio Capital Hotel ratio is better since the lower the better

h) **Inventory Turnover:** From both companies Capital Hotel is better because it has higher inventory turnover and is backed up with a good receivable collection and payables payment period, meaning that their company is selling goods very fast and high demand for their product exist. In the Short term solvency ratios Capital Hotel plc performed better.

i) **ROCE:** From the analysis from both companies Capital Hotel plc is better than ABC because it has a higher return on capital employed, meaning for every capital employed more profit is being generated.

j) **Gross Profit Margin:** It shows the average gross profit as a percentage of goods sold. From the ratios of both companies ABC has a better ratio over Capital Hotel.

k) **Net Profit Margin:** It expresses the relative profitability of the business after taking into account all income and expenses for that period. From the ratios of both companies Capital Hotel has a better Net profit as a percentage of sales.

l) **Expenses Percentage:** This ratio shows the relative weight of each item of expense in relation to total expenses.

m) **Expenses to Sales:** This ratio helps to highlight the sources of the improvement or deterioration in the net profit to sales percentage, from both companies you can see that it shows a deterioration in net profit percentage, meaning that the expenses has risen at more proportion making profit to reduce in relation to sales. But Capital Hotel still has a better ratio. In General in the area of Profitability ratios Capital Hotel performed better than ABC.

n) **Earnings per Share:** From the analysis Capital Hotel plc has a better EPS ratio than ABC since theirs is higher.

o) **Price Earnings ratio:** From analysis ABC is better since it takes 4years to recoup what shareholders have invested as compared to Capital Hotel of 11years.

p) **Earning yield:** From analysis Capital Hotel has a better ratio than ABC, meaning that shareholder gets a higher potential return on their investment of 9%.

q) **Net Asset Per share:** This ratio indicates the amount of net asset attributable to each ordinary share in issue. From the ratios Capital Hotel plc has a better ratio since it is higher than that of ABC meaning that for every ordinary share in issue ₦7 is the per value in relation to Net asset.

r) **Dividend per share:** From the analysis for both companies their both have the same DPS that is at ₦0.05 which implies that for every dividend paid from the no of outstanding shares the value for one is ₦0.05/5kobo.

s) **Dividend Payout Ratio:** From analysis from both companies Capital Hotel plc has a higher DPR ratio than ABC, which means Capital Hotel is better because it will indicate that Investors/shareholders get high pay in form of dividend as compared to ABC that pays a low percentage which may not be attractive to investors

t) **Dividend yield:** This ratio Measures the current actual return on shareholders’ investment. From analysis ABC is better, since it has a higher percentage of return on shareholders’ investment.

u) **Dividend Covered:** From my analysis both companies have a good dividend covered ratio since both are greater than 1 but Capital Hotel ratio is better as it has a higher ratio meaning that Earnings per share can cover the dividend per share about 5times or another way to is that profit after tax can cover the gross dividend about 5times as compared to that of ABC. In the area of Investors ratio Capital Hotel has a better ratio.

v) **Gearing ratio:** From my analysis both companies are lowly geared since their ratios are less than 1 (that is using more of Equity capital to Debt Capital). But Capital Hotel plc ratio is still better

w) **Total Debt to Shareholder fund:** From the analysis both companies are low that implies that there are stable, but Capital Hotel is better. In the area of Long term solvency ratios Capital Hotel has better ratio.