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TERM PAPER: ACCOUNTING RATIOS

TREND ANALYSIS OF COMPANIES LISTED ON THE NIGERIAN STOCK EXCHANGE

NAMES OF COMPANIES ANALYSED:

* Meyer Paint- Basic Materials
* Cadbury Nigeria- Consumer Goods
* Med-view Airline- Consumer Services
* Guaranteed Trust Bank- Financials
* Evans Medicals- Health Care
* John Holt- Industrials
* Conoil- Oil and Gas
* Chams- Technology/Telecommunication

FORMULAS:

Current ratio=

Acid test ratio=

Receivables collection period= ×12

Payables payment period= ×12

Inventory turnover period= ×12

Receivables turnover=

Payables turnover=

Inventory turnover=

Return on Capital Employed=

Gross profit margin=

Net profit margin=

Expenses percentage=

Expenses to sales=

Earning/share=

P/E ratio=

Earnings yield=

Net assets/share=

Dividend/share=

Dividend payout ratio=

Dividend yield=

Debt to funds ratio=

Gearing ratio=

Dividend cover=

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| Meyers Paint | | | |
| Ratio | 2017 | 2016 | Interpretation |
| Current ratio |  |  | These ratios indicate that the firm may not be able to pay their debt on time |
| Acid test ratio |  |  | With the ratios being so significantly low, the firm will have troubles with their payables |
| Receivables period |  |  | The firm has a good period as they get their money back fairly quickly |
| Payables period |  |  | The longer the period the better, but this may be too long a time |
| Inventory turnover |  |  | This turnover period is rather ideal for the firm in relation to the receivables period |
| Receivables turnover |  |  | This figure isn’t as ideal as it should be, the shorter the times the better |
| Payables turnover |  |  | Conversely, the longer the turnover the better |
| Inventory turnover |  |  | It can be seen that the turnover period has increased which has led to increased profit |
| Gross profit margin |  |  | This is the average profit shown as a percentage of goods sold |
| Expenses percentage | Selling & distribution | Selling & distribution | Not a lot of money is spent on the selling and distribution of goods |
|  | Admin expenses | Admin expenses | Administrative expenses takes a lot of money |
| Expenses to sales percentage | Selling & distribution | Selling & distribution | The percentage of expenses to sales has reduced in a year |
|  | Admin expenses | Admin expenses | Admin expenses have risen in relation to sales percentage |
| Net asset/shares |  |  | The net assets/shares ratios are rather low |
| Gearing ratio |  |  | It can be seen that the firm is a highly geared company |
| Total debt to fund |  |  | The ratios could be seen as relatively high for this company |

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| Cadbury Nigeria | | | | | |
| Ratio | 2017 | | 2018 | | Interpretation |
| Current ratio |  | |  | | The ratios are low which is not a good thing |
| Acid test ratio |  | |  | | The ratios are fairly high which is good |
| Receivables collect |  | |  | | They have maintained a low ratio which is very good |
| Payables payment |  | |  | | They have a nice ratio in both years |
| Inventory turnover |  | |  | | They have a good turnover period in both years |
| Receivables turnover |  | |  | | The turnover is quite high |
| Payable turnover |  | |  | | The rate is too low |
| Inventory turnover |  | | =4.6 | | The rate is fairly good |
| ROCE |  | |  | | The rate falls in 2017 which isn’t ideal |
| Gross profit margin |  | |  | | The rates are fairly low |
| Net profit margin |  | |  | | In 2018 there is a rise in the net profit which is good |
| P/E ratio | =92 | | =22 | | The ratio in 2017 is very bad but luckily it reduces in 2018 |
| Earning yield | =0.01 | | =0.04 | | The ratio in year 2018 is better than 2017 |
| Net asset/ store |  | | =0.16 | | 2018 figure s better |
| Dividend/store | - | | =0.16 | | Dividend was not paid in 2017 |
| Dividend payout ratio | - | | =0.94% | | Dividend was not paid in 2017 |
| Dividend yield | - | | =1.6% | | Dividend was not paid in 2017 |
| Dividend cover | - | | =1,0625 | | Dividend was not paid in 2017 |
| Gearing ratio | =0.307 | | - | | There was no debt in 2018 |
| Expenses percentage | Selling & distribution | | Selling & distribution | | This expense is fairly stable |
|  | Admin expenses | | Admin expenses | | Low admin expenses |
| Expenses to sales | Selling & distribution | | Selling & distribution | | This expense takes quite a bit of sales |
|  | Admin expenses | | Admin expenses | | Very low amount in relation to sales |
| Debt to funds |  | |  | | These are fairly dangerous figures |
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| Med-View Airline | | | | | |
| Ratios | | 2018 | | 2017 | Interpretation |
| Current ratio | | =0.14 | | =0.64 | The company seems to be declining |
| Acid test | | =0.11 | | =0.64 | They may find it difficult to pay debts |
| ROCE | | =0.17 | | =0.11 | The return gets better in 2018 |
| Gross profit margin | | - | | =16.6% | No profit in 2018 |
| Net profit margin | | - | | =4.07% | No profit in 2018 |
| Earnings/share | | (106.22) | | 12.86 | Negative ratio due to loss in 2018 |
| P/E ratio | | = -0.019 | | =0.15 | In 2017 the figure is acceptable |
| Earnings yield | | = -51.8 | | =6.46 | Negative figure in 2018 is unacceptable |
| Net assets/share | | =N 0.33 | | =N 0.76 | The decline in 2018 has affected many ratios |
| Dividend/share | | =N 0.03 | | =N 0.03 | Ratio is stable for both years |
| Dividend Payout | | =(0.028) | | =0.233 | Ratio is fairly good in 2017 |
| Dividend yield | | =1,46 | | =1.51 | Good is better is 2017 |
| Dividend cover | | =(3541) | | =429 | Ratio in 2017 is good |
| Gearing equity | | =(0.538) | | =0.17 | Ratio in 2017 is good |
| Debt to funds | | =(6.436) | | =1.65 | Ratio in 2017 is good |

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| Guaranteed Trust Bank | | | |
| Ratios | 2016(N) | 2015(N) | Interpretations |
| ROCE | =0.327 | =0.292 | The profitability increased in 2016 |
| Earning/share | 467 | 3.51 | The higher the better |
| P/E ratio | =5.29 | =5.18 | The time is fairly okay |
| Earnings yield | =0.19 | =0.19 | Amount is stable for these two years |
| Net assets/share | =0.017 | =0.014 | Amount is quite low |
| Dividend/share | =175k/share | =152k/share | Amount rises in 2016 |
| Dividend payout ratio | =7.09% | =43.3% | 2015 figure is more acceptable |
| Dividend Yield |  |  | The amount in 2015 is more acceptable |
| Dividend cover |  |  | The 2016 figure is better in this case |

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| Evans Medicals | | | |
| Ratios | 2014(N) | 2013(N) | Interpretation |
| Current ratio | =0.59 | =0.78 | The ratios are very low and not good |
| Acid test ratio | =0.414 | =0.47 | Company may not be able to pay debts |
| Receivable period | =4.9months | =5.9months | Figures are good |
| Payment period | =14months | =10.7months | The longer the better |
| Inventory period | =5.28months | =5.3months | The figures have been stable |
| Receivable turnover | =2.4times | =2.15times | The rate is acceptable |
| Payables turnover | =0.8times | =1.17times | The figures could be better |
| Inventory turnover | =2.27times | =2.26times | The rate is acceptable |
| Expenses percentage | Admin expense  =58.8% | Admin expense  =51% | A lot of money is spent on this expense |
|  | Marketing  =41.2% | Marketing  =49% | Expenses reduce in 2014 |
| Expenses to sales | Admin  =38.5% | Admin  =27.4% | Expenses reduce in 2014 |
|  | Marketing  =27% | Marketing  =26.3% | 2013 does not cost as much as 2014 |
| Earnings/share | (1.98) | (1.67) | Loss in both years |
| P/E ratio | =(1.15) | =(0.63) | There is a worse decline in 2014 |
| Earnings yield | =(0.87) | =(1.59) | Negative figure doesn’t tell good of firm |
| Net assets/shares | =2.72 | =3.72 | The figure in 2103 is better |
| Gearing ratio | =0.6 | =0.6 | Ratio is fairly high but stable in both years |
| Debt to fund | =4.5 | =3.3 | Company would be in trouble if it dissolves |

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| John Holt | | | |
| Ratios | 2018 | 2017 | Interpretation |
| Current ratio |  |  | 2017 ratio is better but both are good |
| Quick ratio |  |  | Both ratios are good and stable |
| Receivables period |  |  | The ratios are not good when looking at the payables period |
| Payables period |  |  | Not good when looking at the receivables period |
| Inventory period |  |  | This figure is okay when looking at the industry |
| Receivables turnover |  |  | Figures are acceptable |
| Payables turnover |  |  | Figures are acceptable |
| Inventory turnover |  |  | Figures are acceptable |
| ROCE |  |  | Negative figure in 2017 is no good |
| Gross profit margin |  |  | Margin of 2017 is better than 2018 |
| Expenses percentage | Distribution | Distribution | Amount spent has reduced in 2018 |
|  | Admin expenses | Admin expenses | 2017 has a higher amount spent on expenses |
| Expenses to sales % | Distribution | Distribution | Relatively low percentages |
|  | Admin expenses | Admin expenses | 2017 takes up more of the profit |
| Earnings/share | 42.31 | (186.67) | Negative figure |
| P/E ratio |  |  | The figure in 2018 is good |
| Earnings yield |  |  | Negative figure in 2017 not good |
| Net assets/share |  |  | Amount rises in 2018 |
| Gearing ratio |  |  | Ratios are low and good |
| Debt to funds ratio |  |  | Ratios are too high |

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| Conoil | | | |
| Ratios | 2016 | 2015 | Interpretation |
| Current ratio |  |  | Ratios are good and stable |
| Quick ratio |  |  | Stable but not good |
| Receivables period |  |  | Figure in 2015 is not good |
| Payables period |  |  | Figures are okay and somewhat stable |
| Inventory period |  |  | Figure are both stable and good |
| Receivables turnover |  |  | Figures are good |
| Payables turnover |  |  | Figures are good |
| Inventory turnover |  |  | Figures are good |
| ROCE |  |  | 2016 figure is better |
| Gross profit margin |  |  | The margin in 2016 is better |
| Net profit margin |  |  | Figures are good and stable |
| Earning/share | 4.09 | 3.33 | Both good |
| P/E ratio |  |  | Figures are not good but 2016 is better |
| Earnings yield |  |  | Ratio is stable |
| Net asset/share |  |  | 2016 is better |
| Dividend/share |  |  | Ratio is stable |
| Dividend payout |  |  | 2015 has a better ratio |
| Dividend yield |  |  | 2015 has a better ratio |
| Dividend cover |  |  | Ratio is stable |
| Gearing ratio |  |  | 2016 has a better ratio |
| Debt to fund ratio |  |  | Both ratios are too high but 2016 is better |

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| Chams | | | |
| Ratios | 2018 | 2017 | Interpretation |
| Current ratio |  |  | Both ratios are too low |
| Quick ratio |  |  | 2018 has a better value |
| Receivables period |  |  | Both unacceptable and high |
| Inventory period |  |  | Both too low |
| Receivables turnover |  |  | The values are good |
| Inventory turnover |  |  | Both values are good |
| ROCE |  |  | Negative figure in 2017 not good |
| Gross profit margin |  |  | Figure in 2017 is higher |
| Earnings/share | 0.07 | (0.27) | Negative 2017 figure not good |
| P/E ratio |  |  | Negative 2017 figure not good |
| Earnings yield |  |  | Negative 2017 figure not good |
| Net assets/share | 0.35 | 0.12 | 2018 value is better |
| Gearing ratio |  |  | Bother years are low, perhaps too low |
| Debt to funds ratio |  |  | The figure in 2018 is more acceptable |