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TITLE OFTERM PAPER – ACCOUNTING RATIOS

NAMES OF COMPANIES ANALYSED:

CAPITAL HOTELS PLC

TRANSCORP HOTELS PLC

BETA GLASS PLC.

CUTIX PLC.

BOC GASES NIGERIA PLC

PORTLAND PAINTS AND PRODUCTS

CHAMS NIGERIA

MTN NIGERIA

PHARMA DEKO PLC

FIDSON HEALTHCARE PLC

CONOIL

11PLC (MOBIL)

NESTLE NIGERIA PLC

PRESCO PLC

COMPUTATION AND INTERPRETATION OF ACCOUNTING RATIOS

SECTOR: OIL AND GAS (CONOIL AND 11PLC (MOBIL)

1. Short term solvency and Liquidity ratios

a) Current Ratio = Current Assets

 Current Liabilities

For conoil (₦’000)

= 54908451

 41641699

= 1.32

For 11plc (₦’000)

= 34183632

 19327761

= 1.77

b) Quick test Ratio = current assets- inventories

 Current liabilities

For conoil (₦’000)

= 54908451- 9141599

 41614699

= 45766852

 41614699

 = 1.10

For 11plc (₦’000)

= 34183632 - 17918599

 19327761

= 16265033

19327761

= 0.84

c) Receivables collection period = Average trade receivables x 365days

 Credit sale

For conoil (₦’000)

= 15147548 × 365 days

 122213014

= 0.1239 × 365 days

= 45.24 days

For 11plc (₦’000)

= 575694 x 365days

 164609535

= 0.003497 x 365days

= 1.28 days

d) Payables payment period = average trade payables

 Cost of sales

For conoil (₦’000)

= 17532936

 109442111

= 0.16

For 11plc (₦’000)

= 4106050

 148015916

= 0.028

e) Inventory turnover period = Average inventory

 Cost of sales

For conoil (₦’000)

 = 4570799.5

 109442111

 = 0.042

For 11plc (₦’000)

= 8959299.5

 148015916

= 0.061

f) Receivables turnover = credit sales

 Average trade receivable

For conoil (₦’000)

 = 122213014

 15147548

=8.07

For 11plc (₦’000)

= 164609535

 15147548

 = 10.87

g) Payables turnover = credit purchases

 Average trade payables

For conoil (₦’000)

= 109442111

 17532936

= 0.62

For 11plc (₦’000)

=148015916

 4106050

= 36.05

h) Inventory turnover = cost of sales

 Average inventory

For conoil (₦’000)

= 109442111

 4570799.5

 =23.9

For 11plc (₦’000)

= 148015916

 8959299.5

= 16.52

2. Efficiency/profitability ratios

a. Return on capital employed = profit (return)

 Capital employed

For conoil (₦’000)

= 2566765

 60897246

= 0.042

For 11plc (₦’000)

= 13695459

 164609535

= 0.083

b. Gross profit percentage = gross profit x 100

 Sales

For conoil (₦’000)

= 12770902 x 100

 122213014

= 0.1045 x 100

= 10.45%

For 11plc (₦’000)

= 16593619 x 100

 164609535

= 0.1008 x 100

=10.08%

c. Net profit percentage = net profit x 100

 Sales

For conoil (₦’000)

= 1796042 x 100

 122213014

= 0.0150 x 100

= 1.50%

For 11plc (₦’000)

= 9328935 x 100

 164609535

= 0.05667 x 100

=5.67%

d. Expenses percentage = individual expenses x 100

 Total expenses

For conoil (₦’000)

Distribution expense

= 2571260 x 100

 8809784

= 0.2919 x 100

= 29.19 %

Administrative expenses

=6238524 ×100

 8809784

= 0.7081 x 100

= 70.81%

For 11plc (₦’000)

Selling and distribution expenses

= 6924989 x 100

 11949623

= 0.5795 x 100

= 57.95%

Administrative expenses

= 5024634 x 100

 11949623

= 0.4205 x 100

= 42.05%

e. Expenses to sales = individual expenses x 100

 Sales

For conoil (₦’000)

Distribution expense

= 2571260 X 100

 122213014

= 0.02104 x 100

= 2.104%

Administrative expenses

= 6238524 ×100

 122213014

=0.05105 x 100

=5.11%

For 11plc (₦’000)

Selling and distribution expenses

= 6924989 x 100

 164609535

= 0.04207 x 100

= 4.21%

Administrative expenses

= 5024634 x 100

 164609535

= 0.03052 x 100

= 3.052%

3. Investors/ shareholders ratios

a) Earnings per share = PAT – preference dividend

 No. of ordinary shares issued

For conoil (₦’000)

= 1796042 - 1387904

346976

= 408138

 346976

= 1.18

For 11plc (₦’000)

= 9328935 - 2884762

 194677

= 6444173

 194677

=33.10

b) Price earnings ratio = Market price per share

 Earnings per share

For conoil (₦’000)

= 2637kobo

 259kobo

= 1.01

For 11plc (₦’000)

= 50kobo

 2587

= 0.019

c) Earnings yield = Earnings per share

 Market price per share

For conoil (₦’000)

= 259kobo

 2637kobo

= 0.098

For 11plc (₦’000)

= 2587

 50

= 51.74

d) Net asset per share = net asset – preference share capital

 No. of ordinary share in issue

For conoil (₦’000)

= 60897246 - 346976

 693952117

= 60550270

 693952117

= 0.08725

For 11plc (₦’000)

= 1109177 - 180298

 360595261

= 928879

 360595261

= 0.00258

e) Dividend payout ratio = dividend per share x 100

 Earnings per share

For conoil (₦’000)

= 200 x 100

 259

= 0.7722 x 100

= 77.22%

For 11plc (₦’000)

= 825 x 100

 2587

= 0.3189 x 100

= 31.89%

f) Dividend yield = DPS x 100

 MPS

For conoil (₦’000)

= 200 x 100

 50

= 400%

For 11plc (₦’000)

= 825 x 100

 50

=1650%

The shareholders ratios shows that 11plc shareholders will gain good returns on their investments in the company

4. Long term solvency and stability ratios

a) Gearing ratio = long term and short term borrowings

 Equity

For conoil (₦’000)

= 4766240

 18301074

= 0.26

For 11plc (₦’000)

= 1248892

 33772775

= 0.037

b) Total debt to shareholders fund = non-current liabilities + current liabilities

 Equity/ shareholder’s fund

For conoil (₦’000)

= 954473 - 41641699

 18301074

= 42596172

 18301074

For 11plc (₦’000)

= 17560262 - 19327761

 33772775

= 36888023

 33772775

= 1.09

Conoil investors and lenders have a higher level of confidence in the ability of the company to pay back their debt.

COMPUTATION AND INTERPRETATION OF ACCOUNTING RATIOS

SECTOR: CONSUMER GOODS (NESTLE NIGERIA PLC AND PRESCO PLC)

1. Short term solvency and Liquidity ratios
2. Current Ratio = Current Assets

 Current Liabilities

For nestle (₦’000)

= 82734317

 92117501

= 0.90

For presco (₦’000)

= 15506385

 22186865

= 0.70

1. Quick test Ratio = current assets- inventories

 Current liabilities

For nestle (₦’000)

= 82734317 - 23124020

 92117501

= 59610297

 92117501

= 0.65

For presco (₦’000)

= 15506385 – 4631715

 22186865

= 10874670

 22186865

= 0.49

1. Receivables collection period = Average trade receivables x 365days

 Credit sales

For nestle (₦’000)

= 21087531 x 365days

 266274621

= 0.07917 x 365days

= 28.90days

For presco (₦’000)

= 2531286 x 365days

 21344730

= 0.1186 x 365days

= 43.39 days

d) Payables payment period = average trade payables

 Cost of sales

For nestle (₦’000)

= 30192227

 152354445

=0.20

For presco (₦’000)

= 4017057

 4753275

= 0.85

e) Inventory turnover period = Average inventory

 Cost of sales

For nestle (₦’000)

= 11562010

 152354445

= 0.076

For presco (₦’000)

= 2315857.5

 4753275

= 0.49

f) Receivables turnover = credit sales

 Average trade receivable

For nestle (₦’000)

= 266274621

 30192227

= 8.82

For presco (₦’000)

= 21344730

 2531286

= 8.43

g) Payables turnover = credit purchases

 Average trade payables

For nestle (₦’000)

= 152354445

 30192227

= 5.05

For presco (₦’000)

= 4753275

 4017057

= 1.18

h) Inventory turnover = cost of sales

 Average inventory

For nestle (₦’000)

= 152354445

 11562010

= 13.18

For presco (₦’000)

= 4753275

 2315857.5

= 2.05

2. Efficiency/profitability ratios

a. Return on capital employed = profit (return)

 Capital employed

For nestle (₦’000)

= 59750846

 162334422

= 0.37

For presco (₦’000)

= 6321010

 58678749

= 0.11

b. Gross profit percentage = gross profit x 100

 Sales

For nestle (₦’000)

= 113920176 x 100

 266274621

= 0.4278 x 100

= 42.78%

For presco (₦’000)

= 16591455 x 100

 21344730

= 0.7773 x 100

= 77.73%

c. Net profit percentage = net profit x 100

 Sales

For nestle (₦’000)

= 43008026 x 100

 266274621

= 0.1615 x 100

= 16.15%

For presco (₦’000)

= 4284188 x 100

 21344730

= 0.2007 x 100

=20.07%

d. Expenses percentage = individual expenses x 100

 Total expenses

For nestle (₦’000)

Marketing and distribution expenses

= 43489890 x 100

 53279445

= 0.8163 x 100

= 81.63%

Administrative expenses

= 9789555 x 100

 53279445

= 0.1837 x 100

=18.37%

For presco (₦’000)

Distribution expenses

= 366923 x 100

 6751352

= 0.05435 x 100

= 5.44%

Administrative expenses

= 6384429 x 100

 6751352

= 0.94565 x 100

= 94.57%

e. Expenses to sales = individual expenses x 100

 Sales

For nestle (₦’000)

Marketing and distribution expenses

= 43489890 x 100

 266274621

= 0.16 x 100

16.33%

Administrative expenses

= 9789555 x 100

 266274621

= 0.03676 x 100

= 3.68%

For presco (₦’000)

Marketing and distribution expenses

= 366923 x 100

 21344730

= 0.01719 x 100

= 1.72%

Administrative expenses

= 6384429 x 100

 21344730

= 0.2991 x 100

= 29.91%

3. Investors/ shareholders ratios

a) Earnings per share = PAT – preference dividend

 No. of ordinary shares issued

For nestle (₦’000)

= 43008026 – 44554195

 792656252

= 1546169

 792656252

= 0.00195

For presco (₦’000)

= 4284188 – 200000

 500000

= 4084188

 500000

=8.17

b) Price earnings ratio = Market price per share

 Earnings per share

For nestle (₦’000)

= 50kobo

 54.26kobo

= 0.92

For presco (₦’000)

= 50kobo

 430kobo

= 0.12

c) Earnings yield = Earnings per share

 Market price per share

For nestle (₦’000)

= 54.26kobo

 50kobo

= 1.09

For presco (₦’000)

= 430kobo

 50kobo

= 8.6

d) Net asset per share = net asset – preference share capital

 No. of ordinary share in issue

For nestle (₦’000)

= 162334422 - 396328

 792656252

= 161938094

 792656252

= 0.20

For presco (₦’000)

= 58678749 – 500000

 1000000

= 58178749

 1000000

= 58.18

e) Dividend payout ratio = dividend per share x 100

 Earnings per share

DPS = total dividend

 No. of shares

For nestle (₦’000)

DPR = 38.50 x 100

 54.26

= 70.96%

For presco (₦’000)

DPR = 200kobo x 100

 430kobo

= 46.51%

f) Dividend yield = dividend per share x 100

 Market price per share

For nestle (₦’000)

= 38.50 x 100

 50

=77%

For presco (₦’000)

= 200 x 100

 50

= 400%

The shareholders ratios shows that presco shareholders will gain good returns on their investments in the company

4. Long term solvency and stability ratios

a) Gearing ratio = long term and short term borrowings

 Equity

For nestle (₦’000)

= 96351900

 50220486

= 1.92

For presco (₦’000)

 = 15273152

 24174342

= 0.63

b) Total debt to shareholders fund = non-current liabilities + current liabilities

 Equity/ shareholder’s fund

For nestle (₦’000)

= 19996435 + 92117501

 50220486

= 112113936

 50220486

= 2.23

For presco (₦’000)

= 12317542 + 22186865

 24174342

= 34504407

 24174342

= 1.43

Nestle investors and lenders have a higher level of confidence in the ability of the company to pay back their debt.

Computation and interpretation of accounting ratios in the consumer services sector [Capital Hotels Plc. and Transcorp Hotels Plc.]

1. Short term solvency and liquidity ratios
2. Current ratio = $\frac{Current Asset}{Current Liability}$

For Capital Hotels Plc. = $\frac{5,698,295}{2,630,478}$

 = 2.17

For Transcorp Hotels Plc. = $\frac{108,785,690}{51,148,162}$

 = 2.13

2.17:2.13

The both companies have ability to meet its debt obligations using its current assets on time

1. Quick test ratio = $\frac{Current Assest -Investment }{Current Liabilities}$

For Capital Hotels Plc. = $\frac{5,698,295 - 141,990}{2,630,478}$

 = $\frac{5,556,305}{2,630,478}$

 = 2.11

For Transcorp Hotels Plc. = $\frac{108,785,690 - 526, 851}{51,148,162}$

 = $\frac{108,258,839}{51,148,162}$

 = 2.12

2.11:2.12

The both companies have ability to meet its debt obligations using its current assets on time

1. Receivables collection period = $\frac{Average Trade Receivables}{Credit Sales}\*365 days$

For Capital Hotels Plc. = $\frac{810,038.5}{5,977,436}\* 365 days $

 = 0.1355 \* 365 days

 = 49.46 days

For Transcorp Hotels Plc. = $\frac{1,025,941}{16,475,720}\*365 days$

 = 0.06227 \*365 days

 = 22.73 days

Transcorp hotels receivable’s collection period is earlier than that of capital hotels

1. Payables payment period = $\frac{Average Trade Payables}{Cost of Sales}$

For Capital Hotels Plc. = $\frac{1,189,048}{4,869,732}$

 = 0.24

For Transcorp Hotels Plc. = $\frac{3,902,474.5}{4,233,787}$

 = 0.92

It will take transcorp hotel a longer time to pay back in cash while it will take capitals hotel a shorter time

1. Inventory turnover period = $\frac{Average Inventory}{Cost of Sales}$

For Capital Hotels Plc. = $\frac{70,995}{4,689,732}$

 = 0.015

For Transcorp Hotels Plc. = $\frac{263,425.5}{4,232,287}$

 = 0.062

1. Receivables turnover = $\frac{Credit Sales}{Average Trade Receivables}$

For Capital Hotels Plc. = $\frac{5,977,436}{810,038.5}$

 = 7.38

For Transcorp Hotels Plc. = $\frac{16,475,720}{1,025,941}$

 = 16.06

1. Payable turnover = $\frac{Credit purchases}{Average trade payables}$

For Capital Hotels Plc. = $\frac{4,896,732}{1,189,048}$

 = 4.10times

For Transcorp Hotels Plc. = $\frac{4,233,787}{3,902,474.5}$

 = 1.085times

1. Inventory turnovers = $\frac{Cost of sales}{Average inventory}$

For Capital Hotels Plc. = $\frac{4,869,732}{70,995}$

 = 68.59

For Transcorp Hotels Plc. = $\frac{4.233,787}{263,425.5}$

 = 16.07

At the end of analysing the two companies based on liquidity ratio we can conclude that the transcorp hotels has the ability to meet its current liabilities as they fall due than the capital hotel

1. Efficiency Ratio
2. ROCE = $\frac{Profit \left(return\right)}{Capital employed}$

For Capital Hotels Plc. = $\frac{507,871}{10,076,817}$

 = 0.05

For Transcorp Hotels Plc. = $\frac{5,187,367}{108,785,690}$

 = 0.048

b) Price earnings ratio = Market price per share

 Earnings per share

For Capital hotels (₦’000)

= 50kobo

 25kobo

= 2

For transcorp hotels (₦’000000)

= 50kobo

 49kobo

= 1.02

c) Earnings yield = Earnings per share

 Market price per share

For Capital hotels (₦’000)

= 25kobo

 50kobo

= 0.5

For transcorp hotels (₦’000000)

= 49kobo

 50kobo

= 0.98

d) Net asset per share = net asset – preference share capital

 No. of ordinary share in issue

For Capital hotels (₦’000)

= 10076819-774390

 1548780000

= 9302429

 1548780000

= 0.0060

For transcorp hotels (₦’000000)

= 108786 – 3800

 7600403900

= 104986

7600403900

= 0.0000014

The shareholders ratios shows that transcorp shareholders will gain good returns on their investments in the company

4. Long term solvency and stability ratios

b) Total debt to shareholders fund = non-current liabilities + current liabilities

 Equity/ shareholder’s fund

For Capital hotels (₦’000)

= 1029358 + 2630478

 6416983

= 3659836

 6416983

= 0.57

Capital hotels investors and lenders have a higher level of confidence in the ability of the company to pay back their debt.

Computation and interpretation of accounting ratios in the industrial sector [Beta Glass Plc. and CUTIX Plc.]

1. Short term solvency and liquidity ratios
2. Current ratio = $\frac{Current Asset}{Current Liability}$

For Beta Glass Plc. = $\frac{28,550,830}{13, 723,312}$

 = 20.79

For CUTIX Plc. = $\frac{1,957,976}{1,139,513}$

 = 1.44

1. Quick test ratio = $\frac{Current Assest -Investment }{Current Liabilities}$

For Beta Glass Plc. = $\frac{28,550,830 - 6,239,740}{13, 723,312}$

 = $\frac{22,311,090}{13,723,312}$

 = 1.63

For CUTIX Plc. = $\frac{1,957,976 - 1,317, 958}{1,359,513}$

 = $\frac{640,018}{1,317,513}$

 = 0.47

1. Receivables collection period = $\frac{Average Trade Receivables}{Credit Sales}\*365 days$

For Beta Glass Plc. = $\frac{6,719,146}{26,321,014}\* 365 days $

 = 0.2552 \* 365 days

 = 93.2 days

For CUTIX Plc. = $\frac{262,529}{5,057,374}\*365 days$

 = 0.05191 \*365 days

 = 18.95 days

1. Payables payment period = $\frac{Average Trade Payables}{Cost of Sales}$

For Beta Glass Plc. = $\frac{5,799,018.5}{19,940,375}$

 = 0.29

For CUTIX Plc. = $\frac{249,650}{3,536,685}$

 = 0.071

1. Inventory turnover period = $\frac{Average Inventory}{Cost of Sales}$

For Beta Glass Plc. = $\frac{3,119,870}{19,940,375}$

 = 0.16

For CUTIX Plc. = $\frac{658,979}{3,536,685}$

 = 0.19

1. Receivables turnover = $\frac{Credit Sales}{Average Trade Receivables}$

For Beta Glass Plc. = $\frac{26,321,014}{6,719,146}$

 = 3.92

For CUTIX Plc. = $\frac{5,057,374}{262,529}$

 = 19.26

1. Payable turnover = $\frac{Credit purchases}{Average trade payables}$

For Beta Glass Plc. = $\frac{19,940,375}{57,990,185}$

 = 0.34

For CUTIX Plc. = $\frac{3,536,685}{249,650}$

 = 14.17

1. Inventory turnovers = $\frac{Cost of sales}{Average inventory}$

For Beta Glass Plc. = $\frac{19,940,375}{3,119,870}$

 = 6.39

For CUTIX Plc. = $\frac{3,536,685}{658,979}$

 = 5.37

1. Efficiency Ratio
2. ROCE = $\frac{Profit \left(return\right)}{Capital employed}$

For Beta Glass Plc. = $\frac{7,188,181}{46,079,629}$

 = 0.16

For CUTIX Plc. = $\frac{661,563}{2,836,262}$

 = 0.23

1. Gross profit percentage = $\frac{Gross Profit}{Sales}\*100\%$

For Beta Glass Plc. = $\frac{6,380,639}{26,321,014}\*100\%$

 = 0.2424 \* 100%

 = 24.24%

For CUTIX Plc. = $\frac{1,529,689}{5, 057,374}\*100\%$

 = 0.3007 \* 100%

 = 30.07%

1. Net profit percentage = $\frac{Net profit}{Sales}\*100\%$

For Beta Glass Plc. = $\frac{5,052,805}{26,321,014}\*100\%$

 = 0.1920 \* 100%

 = 19.20%

For CUTIX Plc. = $\frac{440,295}{5,057,374}\*100\%$

 = 0.08706 \*100%

 = 8.706%

1. Expenses Percentage = $\frac{Individual expenses}{Total expenses}\*100\%$

Selling and Distribution Expenses = $\frac{Selling and distribution expense}{Total expense}\*100\%$

For Beta Glass Plc. = $\frac{81,161}{1,326,350}\*100\%$

 = 0.06119 \* 100%

 = 6.12%

For CUTIX Plc. = $\frac{142,212}{755,516}\*100\%$

 = 0.1882 \* 100%

 = 18.82%

 Administration Expenses = $\frac{Administration expense}{Total expense}\*100\%$

 For Beta Glass Plc. = $\frac{1,245,189}{1,326,350}\*100\%$

 = 0.9388 \* 100%

 = 93.88%

 For CUTIX Plc. = $\frac{613,304}{755,716}\*100\%$

 = 0.8118 \* 100%

 = 81.18%

Computation and interpretation of accounting ratios in the basic materials sector [BOC Gases Nigeria Plc and Portland Paints and Products

1. Short term solvency and liquidity ratios
2. Current ratio = $\frac{Current Asset}{Current Liability}$

For BOC Gases Nigeria Plc. = $\frac{2,119,056}{1, 298,954}$

 = 1.63

For Portland Paints and Products = $\frac{1,718,570}{700,439}$

 = 2.45

1. Quick test ratio = $\frac{Current Assest -Investment }{Current Liabilities}$

For BOC Gases Nigeria Plc. = $\frac{2,119,056 - 156,404}{1, 298,954}$

 = $\frac{1,962,652}{1,298,954}$

 = 1.51

For Portland Paints and Products = $\frac{1,718,570 - 728, 047}{700,439}$

 = $\frac{990,523}{700,439}$

 = 1.41

1. Receivables collection period = $\frac{Average Trade Receivables}{Credit Sales}\*365 days$

For BOC Gases Nigeria Plc. = $\frac{212,888}{2,869,713}\* 365 days $

 = 0.7418 \* 365 days

 = 27.1 days

For Portland Paints and Products = $\frac{238,090}{2,829,262}\*365 days$

 = 0.08415 \*365 days

 = 30.7 days

1. Payables payment period = $\frac{Average Trade Payables}{Cost of Sales}$

For BOC Gases Nigeria Plc. = $\frac{513,099}{1,425,622}$

 = 0.36

For Portland Paints and Products = $\frac{250,944}{1,753,972}$

 = 1.14

1. Inventory turnover period = $\frac{Average Inventory}{Cost of Sales}$

For BOC Gases Nigeria Plc. = $\frac{78,202}{1,425,662}$

 = 0.55

For Portland Paints and Products = $\frac{364,023.5}{1,753,972}$

 = 0.21

1. Receivables turnover = $\frac{Credit Sales}{Average Trade Receivables}$

For BOC Gases Nigeria Plc. = $\frac{2,869,713}{212,888}$

 = 13.48

For Portland Paints and Products = $\frac{2,829,262}{238,090}$

 = 11.88

1. Payable turnover = $\frac{Credit purchases}{Average trade payables}$

For BOC Gases Nigeria Plc. = $\frac{1,425,662}{513,099}$

 = 2.78

For Portland paints and Products = $\frac{1,753,972}{250, 994}$

 = 6.99

1. Inventory turnovers = $\frac{Cost of sales}{Average inventory}$

For BOC Gases Nigeria Plc. = $\frac{1,425,662}{78,202}$

 = 18.23

For Portland Paints and Products = $\frac{1,753,972}{364,023.5}$

 = 4.82

1. Efficiency Ratios
2. Return on capital employed = $\frac{PAT -Preference dividend}{Ordinary shareholders fund}$

= $\frac{Profit \left(return\right)}{Capital employed}$

For BOC Gases Nigeria Plc. = $\frac{558,569}{4,491,256}$

 = 0.12

For Portland paints and products = $\frac{302,533}{2,251,468}$

 = 0.14

1. Gross profit percentage = $\frac{Gross Profit}{Sales}\*100\%$

For BOC Gases Nigeria Plc. = $\frac{1,444,051}{2,869,713}\*100\%$

 = 0.5032 \* 100%

 = 50.32%

For Portland paints and products = $\frac{1,075,290}{2, 829,262}\*100\%$

 = 0.3801 \* 100%

 = 38.01%

1. Net profit percentage = $\frac{Net profit}{Sales}\*100\%$

For BOC Gases Nigeria Plc. = $\frac{357,604}{2,869,713}\*100\%$

 = 0.1246 \* 100%

 = 12.46%

For Portland paints and products = $\frac{206,693}{2,829,262}\*100\%$

 = 0.07306 \*100%

 = 7.31%

1. Expenses percentage = $\frac{Individual expenses}{Total expenses}\*100\%$

Selling and Distribution Expenses = $\frac{Selling and distribution expense}{Total expense}\*100\%$

For BOC Gases Nigeria Plc. = $\frac{509,929}{1,326,350}\*100\%$

 = 0.4901 \* 100%

 = 49.01%

For Portland paints and products = $\frac{264,619}{816,502}\*100\%$

 = 0.3241 \* 100%

 = 32.41%

 Administration Expenses = $\frac{Administration expense}{Total expense}\*100\%$

 For BOC Gases Nigeria Plc. = $\frac{530,625}{1,040,554}\*100\%$

 = 0.5099 \* 100%

 = 50.99%

 For Portland paints and products = $\frac{551,883}{816,502}\*100\%$

 = 0.6759 \* 100%

 = 67.59%

1. Expenses to sales = $\frac{Individual expenses}{Sales}\*100\%$

For Bocgas (₦’000)

Selling and distribution expenses

= 509929 x 100

 2869713

= 0.1777 x 100

= 17.77%

Administrative expenses

= 530625 x 100

2869713

= 0.1849 x 100

= 18.49%

For Portland paints (₦’000)

Selling and distribution expenses

= 264619 x 100

 2829262

= 0.09353 x 100

= 9.35

Administrative expenses

= 551883 x 100

 2829262

= 0.1951 x 100

= 19.51

Transcorp hotels has good efficiency ratios, the business stands to generate more revenues and profits while capital hotels does not.

3. Investors/ shareholders ratios

a) Earnings per share = PAT – preference dividend

 No. of ordinary shares issued

For Bocgas (₦’000)

= 357604 – 83249

 416244706

= 274355

 416244706

= 0.00059

For Portland paints (₦’000)

= 206693 – 39671

 793416

= 167022

 793416

= 0.21

b) Price earnings ratio = Market price per share

 Earnings per share

For Bocgas (₦’000)

= 50

 86

= 0.58

For Portland paints (₦’000)

= 50

 26

= 1.92

c) Earnings yield = Earnings per share

 Market price per share

For Bocgas (₦’000)

= 86

 50

= 1.72

For Portland paints (₦’000)

= 26

 50

= 0.52

d) Net asset per share = net asset – preference share capital

 No. of ordinary share in issue

For Bocgas (₦’000)

= 4491256 - 208122

 416244706

= 4283134

 416244706

= 0.010

For Portland paints (₦’000)

= 2251468 - 396708

 793416

= 1854760

 793416

= 2.34

e) Dividend payout ratio = dividend per share x 100

 Earnings per share

For Bocgas (₦’000)

= 20kobo x 100

 86kobo

= 0.2326 x 100

= 23.26%

For Portland paints (₦’000)

= 5kobo x 100

 26kobo

= 0.1923 x 100

= 19.23%

f) Dividend yield = DPS x 100

 MPS

For Bocgas (₦’000)

= 20kobo x 100

 50kobo

= 0.4 x 100

= 40%

For Portland paints (₦’000)

= 5kobo x 100

 2.80kobo

= 1.7857 x 100

= 178.6%

The shareholders ratios shows that transcorp shareholders will gain good returns on their investments in the company

4. Long term solvency and stability ratios

a) Gearing ratio = long term and short term borrowings

 Equity

For Bocgas (₦’000)

= 297723

 2662537

= 0.11

For Portland paints (₦’000)

= 43742

 1536981

= 0.028

b) Total debt to shareholders fund = non-current liabilities + current liabilities

 Equity/ shareholder’s fund

For Bocgas (₦’000)

= 529765 + 1298954

 2662537

= 1828719

 2662537

= 0.69

For Portland paints (₦’000)

= 14048 + 700437

 1536981

= 714487

 1536981

= 0.46

Bocgas investors and lenders have a higher level of confidence in the ability of the company to pay back their debt.

Computation and interpretation of accounting ratios in the telecommunication sector [Chams Nigeria and MTN Nigeria]

1. Short term solvency and liquidity ratios
2. Current ratio = $\frac{Current Asset}{Current Liability}$

For Chams Nigeria = $\frac{602,801}{870,259}$

 = 0.70

For MTN Nigeria = $\frac{195,474,252}{575,770,277}$

 = 0.34

1. Quick test ratio = $\frac{Current Assest -Investment }{Current Liabilities}$

For Chams Nigeria = $\frac{607,801 - 67,648}{870,259}$

 = $\frac{540,153}{870,259}$

 = 0.62

For MTN Nigeria = $\frac{195,474,252 - 1,545, 496}{577,770,277}$

 = $\frac{193,928,756}{577,770,277}$

 = 0.34

1. Receivables collection period = $\frac{Average Trade Receivables}{Credit Sales}\*365 days$

For Chams Nigeria = $\frac{255,223}{584,392}\* 365 days $

 = 0.4367 \* 365 days

 = 159.4 days

For MTN Nigeria = $\frac{19,242,644.5}{1,037,067,731}\*365 days$

 = 0.01846 \*365 days

 = 6.8 days

1. Payables payment period = $\frac{Average Trade Payables}{Cost of Sales}$

For Chams Nigeria = $\frac{623,102}{346,230}$

 = 1.80

For MTN Nigeria = $\frac{105,527,500.5}{305,244,580}$

 = 0.35

1. Inventory turnover period = $\frac{Average Inventory}{Cost of Sales}$

For Chams Nigeria = $\frac{33,824}{346,230}$

 = 0.098

For MTN Nigeria = $\frac{772,748}{305,244,580}$

 = 0.0025

1. Receivables turnover = $\frac{Credit Sales}{Average Trade Receivables}$

For Chams Nigeria = $\frac{584,392}{225,223}$

 = 2.29

For MTN Nigeria = $\frac{1,037,067,731}{19,242,644.5}$

 = 53.89

1. Payable turnover = $\frac{Credit purchases}{Average trade payables}$

For Chams Nigeria = $\frac{584,392}{623,102}$

 = 0.94

For MTN Nigeria = $\frac{305,244,580}{105,527, 500.5}$

 = 2.89

1. Inventory turnovers = $\frac{Cost of sales}{Average inventory}$

For Chams Nigeria = $\frac{346,230}{33,824}$

 = 10.24

For MTN Nigeria = $\frac{305,244,580}{772,748}$

 = 395.01

1. Efficiency Ratios
2. Return on capital employed = $\frac{PAT -Preference dividend}{Ordinary shareholders fund}$

= $\frac{Profit \left(return\right)}{Capital employed}$

For Chams Nigeria = $\frac{238,162}{3,727,899}$

 = 0.10

For MTN Nigeria = $\frac{225,524,876}{942,855,804}$

 = 0.29

1. Gross profit percentage = $\frac{Gross Profit}{Sales}\*100\%$

For Chams Nigeria = $\frac{238,162}{584,392}\*100\%$

 = 0.4086 \* 100%

 = 40.86%

For MTN Nigeria = $\frac{270,954,079}{1,037,067,73}\*100\%$

 = 0.2613 \* 100%

 = 26.13%

1. Net profit percentage = $\frac{Net profit}{Sales}\*100\%$

For Chams Nigeria = $\frac{385,796}{584,392}\*100\%$

 = 0.6602 \* 100%

 = 66.02%

For MTN Nigeria = $\frac{148,630,554}{1,037,067,73}\*100\%$

 = 0.1433 \*100%

 = 14.33%

1. Expenses Percentage = $\frac{Individual expenses}{Total Expenses}\*100\%$

 Administration Expenses = $\frac{Administration expense}{Total expenses}\*100\%$

 For Chams Nigeria = $\frac{817,142}{817,142}\*100\%$

 = 1 \* 100%

 = 100%

 Operating Expenses = $\frac{Operating expenses}{Total expenses}\*100\%$

For MTN Nigeria = $\frac{66,777,223}{66,777,223}\*100\%$

 = 1 \* 100%

 = 100%

1. Expense to sales = $\frac{Individual expenses}{Sales}\*100\%$

For Chams Nigeria = $\frac{817,142}{584,392}\*100\%$

 = 1.3983 \* 100%

 = 139.83%

For MTN Nigeria = $\frac{66,777,223}{1,037,067,731}\*100\%$

 = 0.06439 \* 100%

 = 6.44%

1. Investors and Shareholders ratios
2. Earnings per share =

For Chams Nigeria = $\frac{385,796 - 0}{4,696,060}$

 = $\frac{385,796 }{4,696,060}$

 = 0.082

For MTN Nigeria = $\frac{148,630,554 – 38,612,581 }{646,510}$

 = $\frac{110,017,973 }{646,510}$

 = 170.17

The shareholders ratios shows that MTN Nigeria shareholders will gain good returns on their investments in the company

COMPUTATION AND INTERPRETATION OF ACCOUNTING RATIOS

SECTOR: HEALTH CARE (PHARMA DEKO PLC AND FIDSON HEALTHCARE PLC)

1. Short term solvency and Liquidity ratios

a) Current Ratio = Current Assets

 Current Liabilities

For Pharma deko (₦’000)

=510849

 545790

=0.94

For Fidson (₦’000)

=7575483

 10535885

=0.72

b) Quick test Ratio = current assets- inventories

 Current liabilities

For Pharma deko (₦’000)

= 510849-255224

 545790

= 255625

 545790

=0.47

For Fidson (₦’000)

= 7575483 – 2875133

 10535885

= 4400350

 10535885

= 0.42

c) Receivables collection period = Average trade receivables x 365days

 Credit sales

For Pharma deko (₦’000)

= 84761 x 365days

 1023806

= 0.08277 x 365days

=30.22days

For Fidson (₦’000)

= 1901991

 16229903

=0.1172 x 365days

=42.77days

d) Payables payment period = average trade payables

 Cost of sales

For Pharma deko (₦’000)

= 34049

 622439

= 0.055

For Fidson (₦’000)

= 1841356

 9910219

=0.19

e) Inventory turnover period = Average inventory

 Cost of sales

For Pharma deko (₦’000)

= 127612

 622439

= 0.21

For Fidson (₦’000)

= 1437566.5

 9910219

= 0.15

f) Receivables turnover = credit sales

 Average trade receivable

For Pharma deko (₦’000)

= 1023806

 84761

=12.08

For Fidson (₦’000)

= 16229903

 1901991

= 8.53

g) Payables turnover = credit purchases

 Average trade payables

For Pharma deko (₦’000)

= 622439

 34049

= 18.28

For Fidson (₦’000)

= 9910219

 1841356

= 5.38

h) Inventory turnover = cost of sales

 Average inventory

For Pharma deko (₦’000)

= 622439

 127612

= 4.88

For Fidson (₦’000)

= 9910219

 1437566.5

= 6.89

2. Efficiency/profitability ratios

a. Return on capital employed = profit (return)

 Capital employed

For Pharma deko (₦’000)

= 255045

 2323137

= 0.11

For Fidson (₦’000)

= 160867

 20483325

= 0.0079

b. Gross profit percentage = gross profit x 100

 Sales

For Pharma deko (₦’000)

= 401367 x 100

 1023806

=0.3920 x 100

= 39.20%

For Fidson (₦’000)

= 6319684 x 100

 16229903

= 0.3894 x 100

= 38.94%

c. Net profit percentage = net profit x 100

 Sales

For Pharma deko (₦’000)

= 265260 x 100

 1023806

= 0.2591 x 100

= 25.91%

For Fidson (₦’000)

= 97447 x 100

 16229903

= 0.00600 x 100

= 0.60%

d. Expenses percentage = individual expenses x 100

 Total expenses

Selling and distribution expenses

For Pharma deko (₦’000)

= 92181 x 100

 667642

= 0.1381 x 100

= 13.81%

For Fidson (₦’000)

= 1905330 x 100

 4519684

= 0.42156 x 100

= 42.16%

Administration expenses

For Pharma deko (₦’000)

= 575461 x 100

 667642

= 0.8619 x 100

= 86.19%

For Fidson (₦’000)

= 2614354 x 100

 4519684

= 0.5784 x 100

=57.84%

e. Expenses to sales = individual expenses x 100

 Sales

Selling and distribution expenses

For Pharma deko (₦’000)

= 92181 x 100

 1023806

= 0.0900 x 100

= 9.00%

For Fidson (₦’000)

= 1905330 x 100

 16229903

= 0.1174 x 100

= 11.74%

Administration expenses

For Pharma deko (₦’000)

= 575461 x 100

 1023806

= 0.5621 x 100

= 56.21%

For Fidson (₦’000)

= 2614354 x 100

 16229903

= 0.1611 x 100

= 16.11%

3. Investors/ shareholders ratios

a) Earnings per share = PAT – preference dividend

 No. of ordinary shares issued

For pharma deko

= 265260 - 0

 216931596

= 0.0022

For fidson

= (97447) - 225000

 1500000000

= (322447)

 1500000000

= 0.000215

b) Price earnings ratio = Market price per share

 Earnings per share

For pharma deko

= 50

 122

= 0.41

For fidson

= 50kobo

 6kobo

= 8.3

c) Earnings yield = Earnings per share

 Market price per share

For Pharma deko

= 122

 50

= 2.44

For Fidson

= 6

 50

= 0.12

d) Net asset per share = net asset – preference share capital

 No. of ordinary share in issue

For pharma deko

= 2323137 - 108466

216931596

= 2214671

 216931596

= 0.010

For fidson

= 20483325 - 750000

 1500000000

= 19733325

 1500000000

= 0.013

e) Dividend payout ratio = dividend per share x 100

 Earnings per share

For pharma deko

= 5kobo x 100

 122kobo

= 0.04098 x 100

= 4.10

For fidson

= 15kobo x 100

 6kobo

= 2.5 x 100

= 250

f) dividend yield = DPS x 100

 MPS

For pharma deko

= 5kobo x 100

 50kobo

= 0.1 x 100

= 10

For fidson

= 15kobo x 100

 50kobo

= 0.3 x 100

= 30

The shareholders ratios shows that Fidson shareholders will gain good returns on their investments in the company

4. Long term solvency and stability ratios

a) Gearing ratio = long term and short term borrowings

 Equity

For pharma deko

= 50000

 1590356

= 0.0314

For fidson

= 5832975

 7153781

= 0.82

b) Total debt to shareholders fund = non-current liabilities + current liabilities

 Equity/ shareholder’s fund

For pharma deko

= 186991 + 545790

1590356

= 732781

 1590356

= 0.46

For Fidson

= 2793659 + 10535885

 7153781

= 13329544

 7153781

= 1.86

Fidson investors and lenders have a higher level of confidence in the ability of the company to pay back their debt.