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MATRIC NO: 17/SMS07/007

DEPARTMENT: ACCOUNTING

COURSE: ACC302 INTERMIDIATE FINANCIAL ACCOUNTING

TITLE: ACCOUNTING RATIOS

NAME OF COMPAMIES ANALYESED:

BASIC MATERIALS : PORTLAND PAINT AND THOMAS WYATT NIGERIA PLC

OIL AND GAS: CONOIL AND MOBIL

INDUSTRIAL: DANGOTE AND JULIUS BEGER

CONSUMER SERVICES: TRANSCORP AND DAAR

**SECTOR: BASIC MATERIALS**

**COMPANIES: PROTLAND PAINT 2018 AND THOMAS WYATT NIGERIA PLC 2018**

1. SHORT TERM SOLVENCY AND LIQUIDITY

 PORTLAND PAINT THOMAS WYATT

 2018 2018

 ₦ ₦

1. Working capital ratio: current asset 1,718,570 26,194,088

 / current liabilities 700,439 215,678,121

 Total = 2.4 0.1

 Thomas wyatt has a lower current ratio the company maybe unable to pay future bills on time. While Portland has an higher current ratio because of the excess amount of current asset. Portland is more acceptable because it has a higher ratio of approximately 2:1

1. Acid test ratio: current asset-inv 1718570-728047 26194088-4435797

 / current liabilities 700439 215678121

Total= 1.4 0.1

The company with ratio 1:1 is more acceptable so therefore Portland paint has a better quick ratio.

1. Receivable collection: average receivable 491655 18121449

 /credit sales 1753972 86359615

Total= 102 days 77days

These ratio measures the average number of days for which trade receivables remain uncollected.

1. Payables payment period: average payab501988 193849291

 /credit purchas 1753972 85199110

Total= 104days 830days

This ratio measures the average number of days for which trade payables remains unpaid.

1. Inventory turnover: average inventory 728047 4435797

 /cost of sales 1753972 85199110

Total= 152 days 19days

This measures the average number of days inventory remains in store before been sold.

1. Receivables turnover: credit sales 1753972 4435797

 / average receivables 491655 18121449

Total= 3.6 times 0.2 times

 This expresses the number of times trade receivables are turned were during the reporting period.

1. Payables turnover: credit purchases 1753972 4435797

 /average payables 501988 193849291

Total= 3.4 times 0.022 times

This ratio measures the number of times trade payables are turned over during the period.

1. Inventory turnover: cost of sales 1753972

 /average inventory

Total=

This measures the fiscal turnover of trade in inventory during the period.

1. Efficiency and profitability ratio:
2. Return on capital employed:

 Profit/ 305533

 Capital employed

Total=

1. Gross profit percentage or gross margin:

 Gross profit/

**SECTOR:OIL AND GAS**

**COMPANIES: CONOIL 2018AND MOBIL 2018**

1. **OIL AND GAS** CONOIL MOBIL OIL

 **2018 2018**

 **₦’000 ₦’000**

1. **CURRENT RATIO;** current assets 54908451 34183632

 Current liabilities 41641699 19327761

Total= 1.3 1.7

Current ratio measures how many times you can cover your current liabilities, it tells investors and analysts how a company can maximize the current assets on the statement of financial position to satisfy its current debt and payables.

1. Acid test ratio:current assets – inventory 54908451- 9141599 34183632-17918599

 Current liabilities 41641699 19327761

 Total= 1.09 0.8

Acid test ratio measures how many times you can cover your current liabilities without selling any inventory and is a more stringent measure of liquidity.

1. Recevable collection period

Total receivables 30295096 11513890

  **×** 365 days X365days X365days

 Credit Sales 122213014 164609535

 Total= 90 days 26 days

1. PAYABLES PAYMENT PERIOd

 Total payables 35065872 8212101

 × 365 days X365days X365days

Credit purchases 109442111 148015916

 Total 117 days 20 days

1. INVENTORY TURNOVER;

Average inventory

 X 365 days

Cost of sales

Average inventory = opening inventory+ closing inventory

 2

For Conoil

5661155+9141599 = 4853877

 2

1. **RECEIVABLES TURNOVER;**

Credit sales 122213014 164609535

Total receivables 30295096 11513890

1. **PAYABLES TURNOVER;**

Credit purchases 109442111 148015916

Total payables 35065872 8212101

 Total= 3.1 times 18 times

1. **INVENTORY TURNOVER;**

Cost of sales

Average inventory

1. **ROCE**

Profit 1796042 9328935

Capital employed 19255547 51333037

 Total= 0.1 0.18

1. **GROSS PROFIT MARGIN**

Gross profit 12770902 16593619

 X 100% X100% X100%

Sales 122213014 164609535

 Total: 10.4% 10%

1. **NET PROFIT MARGIN**

Net profit 1796042 9328935

 X 100% X100% X100%

Sales 122213014 164609535

 Total= 1.4% 5.7%

1. **EXPENSES PERCENTAGE** FOR ADMINISTRATIVE EXPENSES

Individual expenses 6238524 5024634

 X 100% X100% X100%

Total expenses 8809784 11977991

Total 70% 41%

 FOR SELLING AND DISTRIBUTION

 2571260 6924989

 X100% X100%

 8809784 11977991

Total= 29% 57%

1. **EXPENSES TO SALES**  FOR ADMINISTRATIVE EXPENSES

Individual expenses 6238524 5024634

 X 100% X100% X100%

Sales 122213014 164609535

Total = 5% 3%

 FOR SELLINIG AND DISTRIBUTION EXPENSE

 2571260 6924989

 X100% X100%

 122213014 164609535

Total = 2.1% 4.2%

1. **EARNINGS PER SHARE;**

PAT- preference dividend 1796042-0 9328935-0

Number of ordinary shares 6939521 3605953

Total= 0.25 2.6

1. **P.E/RATIO;**

MPS 18.5 147.9

EPS 25.9 2.587

Total= 0.71 57.1

1. **EARNINGS YIELD**;

EPS 25.9 2.587

 X 100% X100% X100%

MPS 18.5 147.9

Total= 140% 1.7%

1. **NET ASSETS PER SHARE**

Net asset- preference dividend 18301074-0 33772775-0

Number of ordinary shares 6939521 3605953

Total= 2.6 9.3

1. **DIVIDEND PER SHARE**

 Gross dividend 13879042 29749112

 Number of shares 6939521 3605953

Total= 2 8.24

1. **DIVIDEND PAYOUT**

DPS 2 8.25

 X100 X100 X100

EPS 25.9 2.587

Total= 7.7 318

1. **DIVIDEND YIELD**

DPS 2 8.25

 X100% X100% X100%

MPS 18.5 147.9

Total= 10.8 5.5

1. **DIVIDEND COVER**

PAT- preference dividend 1796042-0 9328935-0

 X 100 X100 X100

Total dividend 13879042 29749112

Total= 12.9 31.3

1. **GEARING RATIO**;

Debt

Equity

1. **TOTAL DEBT TO SHAREHOLDERS FUND**

Non-current liabilities + current liabilities 954473+41641699 17560262+19327761

 Shareholders fund 18301074 33772775

**SECTOR: CONSUMER SERVICES**

**COMPANIES: TRANSCORP AND DAAR**

1. **CONSUMER SERVICES TRANSCORP DAAR**

 **HOTELS COMMUNICATIONS**

 **2018 2018**

 **₦’000 ₦’000**

1. **CURRENT RATIO;** current assets 5722247 3714296

 Current liabilities 19621972 10011355

Current ratio measures how many times you can cover your current liabilities, it tells investors and analysts how a company can maximize the current assets on the statement of financial position to satisfy its current debt and payables.

1. **ACID TEST RATIO;** current assets – inventory 5722247- 526851 3714296 - 0

 Current liabilities 19621972 10011355

Acid test ratio measures how many times you can cover your current liabilities without selling any inventory and is a more stringent measure of liquidity.

1. **RECEIVABLES COLLECTION PERIOD**;

Total receivables 2051882 3478759

  **×** 365 days X365days X365days

 Credit Sales 16475720 4637217

1. **PAYABLES PAYMENT PERIOD**

 Total payables 7804949 8300980

 × 365 days X365days X365days

Credit purchases 4233787 2653994

1. **INVENTORY TURNOVER;**

Average inventory

 X 365 days

Cost of sales

Average inventory = opening inventory+ closing inventory

 2

 For Transcorp hotels

 526851+666150

 2

 For Daar communications

 0+0

 2

1. **RECEIVABLES TURNOVER;**

Credit sales 16475720 4637217

Total receivables 2051882 3478759

1. **PAYABLES TURNOVER;**

Credit purchases 4233787 2653994

Total payables 7804949 8300980

1. **INVENTORY TURNOVER;**

Cost of sales

Average inventory

1. **ROCE**

Profit 3876300 2169580

Capital employed 89163718 9797053

1. **GROSS PROFIT MARGIN**

Gross profit 12241933 1983223

 X 100% X100% X100%

Sales 16475720 4637217

1. **NET PROFIT MARGIN**

Net profit 3876300 2169580

 X 100% X100% X100%

Sales 16475720 4637217

1. **EXPENSES PERCENTAGE** FOR ADIMNISTRATIVE EXPENSES

Individual expenses 7835534 1913465

 X 100% X100% X100%

Total expenses 7835534 2007523

 FOR SELLING AND DISTRIBUTION EXPENSES

 0 94058

 X100% X100%

 7835534 2007523

1. **EXPENSES TO SALES** FOR ADIMINISTRATIVE EXPENSES

Individual expenses 7835534 1913465

 X 100% X100% X100%

Sales 16475720 4637217

1. **EARNINGS PER SHARE;**

PAT- preference dividend 3876300-0 2169580-0

Number of ordinary shares 7600404 8000000

1. **P.E/RATIO;**

MPS 5.4 0.4

EPS 0.51 0.27

1. **EARNINGS YIELD**;

EPS 0.51 0.27

 X 100% X100% X100%

MPS 5.4 0.4

1. **NET ASSETS PER SHARE**

Net asset- preference dividend 57637528-0 7366594-0

Number of ordinary shares 7600404 8000000

1. DIVIDEND PER SHARE

Gross dividend 1140061 0

Number of ordinary shares 7600404 8000000

1. **DIVIDEND PAYOUT**

DPS 0.15 0

 X100 X100 X100

EPS 0.51 0.27

1. **DIVIDEND YIELD**

DPS 0.15 0

 X100% X100% X100%

MPS 5.4 0.4

1. **DIVIDEND COVER**

PAT- preference dividend 3876300-0 2169580-0

Total dividend 1140061 0

1. **GEARING RATIO**;

Debt

Equity

1. **TOTAL DEBT TO SHAREHOLDERS FUND**

Non-current liabilities + current liabilities 31526190+19880187 2430459+10011355

 Shareholders fund 57637528 7366594

 **SECTOR: INDUSTRIAL**

**COMPANIES: DANGOTE AND JULIUS BEGER**

 JULIUS BEGER DANGOTE

 ₦ ₦

 2018 2018

SHORT TERM SOLVENCY /LIQUIDITY RATIOS

1. Current Ratio= Current Assets

 Current Liabilities

 =125,039,446

 73,196,234

 = 1.71

1. Quick Assets ratio or Acid Test Ratio = Current Assets-Inventory

 Current Liabilities

 = 125,039,446- 11,304,296

 73,196,234

 =1.55

1. Receivables Collection Period = Average Trade Receivables × 365 days

 Credit Sales

 = 91,108,522 × 365 days

 170,326, 746

 =195.2

 =195days

1. Payables Payment Period = Average Trade Payables × 365 days

 Credit Purchases

 =8,471,491 × 365 days

 132,254,711

 =23.4

 = 23 day

1. Inventory Turnover Period = Average Trade Inventory × 365 days

 Cost of Sales

 = 11,304,296 × 365 days

 132,254,711

 = 31.2

 =32 days

Interpretation

1. Receivables Turnover = Credit Sales × 365 days

 Average Receivables

 = 170,326, 746 × 365 days

 91,108,522

 =682.3

 = 682 days

 Interpretation:

1. Payables Turnover = Credit Purchases × 365 days

 Average Payables

 =132,254,711 × 365 days

 8,471,491

 =5698.2

 = 5698 days

Interpretation:

1. Inventory Turnover = Cost of Sales × 365 days

 Average Inventory

 = 132,254,711 × 365 days

 11,304,296

 = 4270.3

 =4270days

 Interpretation:

EFFICIENCY/PROFITABILITY RATIO

1. Return on Capital Employed = Profit (Return)

 Capital Employed

 = 6,630,667

 194,864,153

 = 0.03

Capital Employed = Total Assets – Current Liabilities

 =268,060,387 – 73,196,234

 =194,864,153

1. Gross Margin= Gross Profit × 100%

 Sales

 = 38,072,035 × 100%

 170,326,746

 = 22.3%

Interpretation:

1. Net Profit Margin = Net Profit × 100%

 Sales

 = 4,641,627 × 100%

 132,254,711

 = 3.51%

1. Expenses Percentage= Individual Expenses × 100%

 Total Expenses

 =78,012 × 100%

 20,834,381

 = 3.74

 =4%

1. Expenses to Sales = Individual Expenses × 100%

 Sales

 =78,012 × 100%

 170,326,746

 =4.58

 =5%

INVESTORS/SHAREHOLDERS RATIOS

1. Earnings Per Share= Profit after Tax – Preference Dividend

 Number of Ordinary Shares

 = 4,641,627- 1,322,000

 1,320,000

 =2.51

1. Price Earnings Ratios = Market Per Share

 Earnings Per Share

 = 0.50

 2.51

 = 0.20

1. Earnings Yield = Earnings Per Share

 Market Per Share

 = 2.51

 0.50

 = 5.02

1. Net Assets Per Share = Net Assets-Preference Share Capital

 No. of Ordinary Shares

 = 16,710,922

 1,320,000

 = 12.66

Net Assets= (Total Fixed Assets + Total Current Assets) – ( Total Current Liabilities + Total Long term Liabilities)

 = 268,060,387 - 251,349,465 =16,710,922

 =16,710,922

1. Dividends Per Share = Gross Dividends

 No. of Ordinary Shares

 = 1,322,000

 1,320,000

 =1.00

1. Dividend Payout Ratio = Dividend Per Share × 100%

 Earnings Per Share

 = 1.00

 2.51

 = 0.40

1. Dividend Yield = Dividends Per Share

 Market Per Share

 = 1.00

 0.50

 = 2

1. Dividend Cover = Profit after Tax – Preference Dividend

 Gross Dividend

 = 4,641,627- 1,322,000

 1,322,000

LONG TERM SOLVENCY / STABILITY RATIOS

1. Gearing Ratio = Debt

 Total Capital

 = 194,864,153

 660,000

 =295.2

1. Fixed Interest Cover = Profit before Interest & Tax

 Fixed Interest

 = 6,630,667

1. Total Debt to Shareholders’ Fund = Non Current Liabilities + Current Liabilities

 Equity

 =178,153,231 +73,196,234

 16,710,922

 =251,349,465

 16,710,922

 =15.04

DANGOTE COMPANY

 SHORT TERM SOLVENCY /LIQUIDITY RATIOS

 ₦’million

1. Current Ratio= Current Assets

 Current Liabilities

 = 441,026

 284,759

 =1.55

 =>1

1. Quick Assets ratio or Acid Test Ratio = Current Assets-Inventory

 Current Liabilities

 = 441,026- 59,820

 284,759

 =1.34

1. Receivables Collection Period = Average Trade Receivables × 365 days

 Credit Sales

 = 11,046 × 365 days

 618,301

 = 6.52

 = 7 days

1. Payables Payment Period = Average Trade Payables × 365 days

 Credit Purchases

 = 92,879 × 365 days

 170,288

 = 199 days

1. Inventory Turnover Period = Average Trade Inventory × 365 days

 Cost of Sales

 = 59,820 × 365 days

 170,288

 = 128 days

1. Receivables Turnover = Credit Sales × 365 days

 Average Receivables

 =618,301 × 365 days

 11,046

 =20431 days

1. Payables Turnover = Credit Purchases × 365 days

 Average Payables

 = 170,288× 365 days

 92,879

 = 669 days

1. Inventory Turnover = Cost of Sales × 365 days

 Average Inventory

 = 170,288 × 365 days

 59,820

 =1039 days

EFFICIENCY/PROFITABILITY RATIO

1. Return on Capital Employed = Profit (Return)

 Capital Employed

 = 392,223

 1,437,215

 = 0.27

Capital Employed = Total Assets – Current Liabilities

 = 1,721,974 - 284,759

 = 1,437,215

1. Gross Margin= Gross Profit × 100%

 Sales

 = 448,013 × 365 days

 618,301

 =264 days

1. Net Profit Margin = Net Profit × 100%

 Sales

 = 481,456 × 100%

 618,301

 = 78%

1. Expenses Percentage= Individual Expenses × 100%

 Total Expenses

 = 27,108 × 100%

 116,386

 = 23.29 %

1. Expenses to Sales = Individual Expenses × 100%

 Sales

 = 27,108 × 100%

 618,301

 = 4.38%

INVESTORS/SHAREHOLDERS RATIOS

1. Earnings Per Share= Profit after Tax – Preference Dividend

 Number of Ordinary Shares

 = 481,456 – 178,925

 20,000

 = 15.12

1. Price Earnings Ratios = Market Per Share

 Earnings per Share

 = 0.50

 15.12

 = 0.03

1. Earnings Yield = Earnings Per Share

 Market Per Share

 = 15.12

 0.50

 = 30.24

1. Net Assets Per Share = Net Assets-Preference Share Capital

 No. of Ordinary Shares

Net Assets= (Total Fixed Assets + Total Current Assets) – ( Total Current Liabilities + Total Long term Liabilities)

= (1,280,948 + 441,026) – (284,759 + 143,667)

=1,721,974 – 428,426

= 1293548

1. Dividends Per Share = Gross Dividends

 No. of Ordinary Shares

 = 178,925

 20,000

 = 8.95

1. Dividend Payout Ratio = Dividend Per Share × 100%

 Earnings Per Share

 = 8.95

 30.24

 = 0. 30

1. Dividend Yield = Dividends Per Share

 Market Per Share

 = 8.95

 0.50

 = 17.9

1. Dividend Cover = Profit after Tax – Preference Dividend

 Gross Dividend

 = 481,456 – 178,925

LONG TERM SOLVENCY / STABILITY RATIOS

1. Gearing Ratio = Fixed Interest loans+ Preference share capital

 Ordinary shares capital + Reserves

 =

1. Fixed Interest Cover = Profit before Interest & Tax

 Fixed Interest

 = 392,223

1. Total Debt to Shareholders’ Fund = Non Current Liabilities + Current Liabilities

 Equity

 = 143,667 + 284,759

 1,293,548

 = 0.33

1. CURRENT RATIO = CURRENT ASSET/ CURRENT LIABILITIES

 = 13,338,313/6,941,940

 = 1.9214 : 1

1. ACID TEST RATIO= CURRENT ASSET- INVENTORY/ CURRENT LIABILITIES

 = 13,338,313- 3,938,707/ 6,941,940

 = 1.3540 : 1

1. RECEIVABLES TURNOVER = CREDIT SALES/ AVERAGE TRADE RECEIVABLES

 AVERAGE TRADE RECEIVABLES = RECEIVABLES AT THE BEGINNING + RECEIVABLES AT THE END/2

 = 5,740,325 + 6,811,164/2

 = 6,275,744.5

RECEIVABLES TURNOVER= 5,740,325/6,275,744.5

 = 0.9147 TIME

1. PAYABLES TURNOVER = CREDIT PURCHASES/ AVERAGE TRADE PAYABLES

 AVERAGE TRADE PAYABLES= PAYABLES AT THE BEGINNING + PAYABLES AT THE END/ 2

 6,434,732 + 9,120,596/2

 = 7,777,664

PAYABLES TURNOVER = 6,434,732/ 7,777,664

 = 0.8373

1. INVENTORY TURNOVER= COST OF SALES/ AVERAGE INVENTORY

AVERAGE INVENTORY = INVENTORY AT THE BEGINNING + INVENTORY AT THE END/2

 = 3,368,426 + 3,938,707/2

 = 3,653,567

INVENTORY TURNOVER = 11,654,697/3,653,567=3.19 TIMES

1. RECEIVABLES COLLECTION PERIOD= AVERAGE TRADE RECEIVABLES/CREDIT SALES \* 365 DAYS

 = 5,740,325/6,275,744.5 \* 365 DAYS

 = 333.86 DAYS

1. PAYABLES PAYOUT PERIOD = AVERAGE TRADE PAYABLES/ CREDIT PURCHASES \* 365 DAYS

 = 6,434,732/7,777,664 \* 365 DAYS

 = 301.97 DAYS

1. INVENTORY TURNOVER PERIOD = AVERAGE INVENTORY/ COST OF SALES \* 365 DAYS

 = 3,653,567/ 11,654,697 \* 365 DAYS

 = 114.42 DAYS

1. GROSS PROFIT PERCENTAGE = GROSS PROFIT/ REVENUE \* 100

 = 6,756,798/ 18,411,475 \* 100

 = 35.72%

1. NET PROFIT PERCENTAGE = NET PROFIT/REVENUE \* 100

 = 618,639/ 18,411,475 \* 100

 = 3.36 %

a. CURRENT RATIO = CURRENT ASSETS/ CURRENT LIABILITIES

 = 3,542,877/ 3,123,863

 = 1.13 : 1

1. ACID TEST RATIO = CURRENT ASSET – INVETORY/ CURRENT LIABILITIES

 = 3,542,877 – 1,238,994 / 4,976,598

 = 0.46 : 1

3 RECEIVABLES TURNOVER = CREDIT SALES / AVERAGE TRADE RECEIVABLES

AVERAGE TRADE RECEIVABLES = RECEIVABLES AT THE BEGINNING + RECEIVABLES AT THE END/ 2

 = 2,069,007 + 1,562,398 /2

 = 1,815,703

RECEIVABLES TURNOVER= 2,069,007/1,815,703

 = 1.14 TIME

4 PAYABLES TURNOVER = CREDIT PURCHASES/ AVERAGE TRADE PAYABLES

AVERGAE TRADE PAYABLES = PAYABLES AT THE BEGINNING + PAYABLES AT THE END/2

 1,040,990 + 1,089,298/2

 = 1,065,144

PAYABLES TURNOVER = 1,040,990/1,065,144

 = 0.98 TIME

5 INVENTORY TURNOVER = COST OF SALES/ AVERAGE INVENTORY

 AVERAGE INVENTORY = INVENTORY AT THE BEGININNG + INVENTORY AT THE END/2

 = 1,455,696 + 1,238,944/2

 = 1,347,320

INVENTORY TURNOVER= 4,384,639/1,347,320

 = 3.25 TIMES

6 RECEIVABLES COLLECTION PERIOD= AVERAGE TRADE RECEIVABLES/CREDIT SALES \* 365 DAYS

 = 1,815,703/2,069,007 \* 365 DAYS

 = 320.31 DAYS

7 PAYABLES PAYMENT PERIOD = AVERAGE TRADE PAYABLES/ CREDIT PURCHASES \* 365 DAYS

 = 1,065,144/ 1,040,990 \* 365 DAYS

 = 373.41 DAYS

8 INVENTORY TURNOVER PERIOD = AVERAGE INVENTORY /COST OF SALES \* 365 DAYS

 = 1,347,320/ 4,389,639 \* 365

 = 112.03 DAYS

9 GROSS PROFIT PERCENTAGE = GROSS PROFIT/ SALES \* 100