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TERM PAPER ON ACCOUNTING RATIOS

Companies considered:

**Industrial sector: Financial sector:**

* Julius Berger plc (2018) Fidelity bank plc (2019)
* Cutix plc (2018) Zenith bank plc (2019)

**Basic materials:**

* CAP plc (2019)
* Portland paints plc (2019)

**Consumer goods:**

* Guinness Nigeria plc (2019)
* Nestle Nigeria plc (2019)

**Consumer services:**

* Ikeja hotel plc (2019)
* Daar communication plc (2019)

**Health care:**

* GlaxoSmithKline plc (2019)
* Ekocorp plc (2019)

**Technology and telecommunications:**

* E-tranzact international plc (2018)
* Chams plc (2018)

**Oil and gas:**

* Seplat plc (2018)
* Oando plc (2018)

Julius Berger plc

**2018**

Short term solvency and liquidity ratios:

* Current ratio=

 =

 =1.7:1

Interpretation: The company is not in the ideal situation but still an appropriate situation as it will be able to pay for its short term obligations.

* Quick test ratio=

 =

 =

 =1.6:1

Interpretation: The company has enough quick assets to pay for its current liabilities.

* Receivables collection period=

 =

 =

 =0.4

 =146 days

 Interpretation: it takes 146 days (5 months) to collect accounts receivable.

* Payables payment period=

 =

 =

 =119 days

Interpretation: it takes 119 days to pay accounts payable.

\*The company has a shorter payment period to its receivable period, which means the company might be in trouble when it’s time to pay its payables.

* Inventory turnover period=

 =

 =

 =28 days

Interpretation: This shows that inventory remains in the store for 28 days before being sold.

* Receivables turnover=

 =

 =

 =2.5times

Interpretation: Receivables are turned over 2.5times during the reporting period

* Payables turnover=

 =

 =

 =3.1times

Interpretation: Payables are turned over 3.1 times during the reporting period.

* Inventory turnover=

 =

 =

 =12.9

Interpretation: This means they were 12.9 inventory turns in the reporting period.

Efficiency/ profitability ratios:

* Return on capital employed=

 =

 =30%

Interpretation: the company has a 30% return on what was invested into the business

* gross profit percentage=

 =

 =22.4%

Interpretation: There is a 22.4% mark-up of inventory from its cost. This means that the company may reduce the selling price of its product by 22.4% without incurring any loss.

* net profit percentage=

 =

 =2.6%

Interpretation: there is 2.6% profitability in the business after taking into account its incomes and expenses.

* expenses percentage=
1. marketing expenses=

 =0.4%

1. administrative expenses=

 =99.6%

Interpretation: This shows that administrative expenses has a higher weight compared to marketing expenses in relation to total expenses.

* expenses to sales
1. marketing expenses=

 =0.05%

1. administrative expenses=

 =12.2%

Interpretation: This means that administrative expenses caused more deterioration to profit than marketing expenses.

Investors/ shareholders ratios:

* earnings per share=

 =

 =₦3.63k

Interpretation: ₦3.63k is the amount of net profit attributable to each ordinary share in issue during the period

* price earnings ratio=

 =

 =5.5 years

Interpretation: this shows that it will take 5.5 years to recoup shareholders’ investment either in the form of dividend received or in the form of capital growth arising from retained earnings.

* earnings yield=

 =100

 =18%

Interpretation: there is 18% potential return on the shareholders’ investment.

* net asset per share=

 =

 =₦26.8k

Interpretation: this shows that 26.8k is attributable to each ordinary share in issue

* dividend per share=

 =

 =₦1.00k

Interpretation: this shows that for every issued ordinary share, ₦1.00k is declared.

* dividend payout ratio=

 =

 =27.5%

Interpretation: This shows that 27.5%of distributive earnings is being paid out to shareholders in the form of dividend.

* dividend yield=

 =

 =5%

Interpretation: There is a 5% cash flow gotten by investors from their investment in stocks.

* dividend cover=

 =

 =3.5times

Interpretation: this shows that ordinary dividend is covered 3.5 times by distributable earnings.

Long term solvency and stability ratio:

* gearing ratio=

 =

 =0.81

* fixed interest cover=

 =

 =1.2times

Interpretation: this shows that fixed interest is covered 1.2 times by profit.

Cutix Plc

**2018**

Short term solvency and liquidity ratios:

* Current ratio=

 =

 =1.4:1

Interpretation: this shows that the company can pay out its current liabilities and still have current assets left over. This is not the best situation but it’s safe.

* Quick test ratio=

 =

 =

 =0.4:1

Interpretation: this shows that the quick assets are less than the current liability. This shows that the company may have to sell some long term assets to pay current liabilities.

* Receivables collection period=

 =365 days

 =×365 days

 =29 days

Interpretation: it takes 29 days to collect accounts receivables.

* Payables payment period=

 =×365

 =×365

 =44 days

Interpretation: it takes 44 days to pay accounts payables.

\*the company’s receivables collection period is shorter than its payables period. Therefore, the company should be able to pay its payables when necessary.

* Inventory turnover period= ×365

 =×365

 =×365

 =124 days

Interpretation: inventory remains in the store for 124 days before being sold out.

* Receivables turnover=

 =

 =

 =12 times

Interpretation: Receivables are turned over 12 times during the reporting period i.e. the company collects its receivable 12 times a year.

* Payables turnover=

 =

 =

 =9 times

Interpretation: Payables are turned over 9 times during the reporting period. i.e. the company pays its payables 9 times a year (reporting period)

* Inventory turnover=

 =

 =

 =2.9times

Interpretation: This means they were 2.9 inventory turns in the reporting period.

Efficiency/ profitability ratios:

* Return on capital employed=×100

 =×100

 =33%

Interpretation: The company has a 33% return on what was invested into the business.

* gross profit percentage=

 =

 =30%

Interpretation: There is a 30% mark-up of inventory from its cost. This means that the company may reduce the selling price of its product by 30% without incurring any loss

* net profit percentage=

 =

 =8.7%

Interpretation: there is 8.7% profitability in the business after taking into account its incomes and expenses.

* expenses percentage=
1. distribution cost=

 =19%

1. administration expenses=

 =81%

Interpretation: This shows that administration expenses carry a higher weight than distribution cost/expenses in relation to the total expenses.

* expenses to sales
1. distribution cost=

 =2.8%

1. administration expenses=

 =12%

Interpretation: from the above, administration expenses caused a greater decrease in the reduction of profit than distribution cost.

Investors/ shareholders ratios:

* earnings per share=

 =

 =₦0.50k

Interpretation: ₦0.50k is the amount of net profit attributable to each ordinary share in issue during the period.

* price earnings ratio=

 =

 =3.3years

Interpretation: this shows that it will take 3.3 years to recoup shareholders’ investment either in the form of dividend received or in the form of capital growth arising from retained earnings.

* earnings yield= ×100

 =×100

 =30%

Interpretation: there is 30% potential return on the shareholders’ investment.

* net asset per share=

 =

 =₦1.5k

Interpretation: this shows that ₦1.5k is attributable to each ordinary share in issue.

* dividend per share=

 =

 =₦0.18k

Interpretation: this shows that for every issued ordinary share, ₦0.18k is declared.

* dividend pay-out ratio=

 =

 =36%

Interpretation: This shows that 36%of distributive earnings is being paid out to shareholders in the form of dividend.

* dividend yield=

 =

 =11%

Interpretation: There is a 11% cash flow gotten by investors from their investment in stocks.

* dividend cover=

 =

 =2.8times

Interpretation: this shows that ordinary dividend is covered 2.8 times by distributable earnings.

Long term solvency and stability ratio:

* gearing ratio=

 =

 =

 =0.49times

* fixed interest cover=

 =

 =5.8times

Interpretation: this shows that fixed interest is covered 5.8 times by profit.

**Conclusion;** an personally, I’ll advice an investor to choose Julius berger because its profitability ratios and investing ratios are more impressive than cutix’s.

CAP plc

2019

Short term solvency and liquidity ratios:

* Current ratio=

 =

 =1.4:1

 Interpretation: this shows that the company can pay out its current liabilities once, and still have current assets left over. This is not the best situation but it’s safe.

* Quick test ratio=

 =

 =

 =1.2:1

Interpretation: this shows that the quick assets are more than the current liability. The company would not have to sell some long term assets to pay current liabilities.

* Receivables collection period=

 =

 =

 =12 days

Interpretation: It will take the company 12 days to collect accounts receivable.

* Payables payment period=

 =

 =

 =138 days

Interpretation: It will take the company 138 days to pay accounts payables.

\*the company would have no problem paying its payables as its receivables collection period is shorter than its payables collection period.

* Inventory turnover period=

 =

 =

 =80days

Interpretation: This means that inventory stays for 80 days in the warehouse before being sold

* Receivables turnover=

 =

 =

 =31times

Interpretation: Receivables are turned over 31 times during the reporting period i.e. the company collects its receivable 31 times a year.

* Payables turnover=

 =

 =

 =2.6times

Interpretation: Payables are turned over 2.6 times during the reporting period.

* Inventory turnover=

 =

 =

 =4.6times

Interpretation: This means they were 4.6 times inventory turns in the reporting period.

Efficiency/ profitability ratios:

* Return on capital employed= (×100)

 = (×100)

 =0.69 (69%)

Interpretation: the company has a 69% return on what was invested into the business

* gross profit percentage=

 =

 =47%

Interpretation: There is a 47% mark-up of inventory from its cost. This means that the company may reduce the selling price of its product by 47% without incurring any loss.

* net profit percentage=

 =

 =21%

Interpretation: there is 21% profitability in the business after taking into account its incomes and expenses.

* expenses percentage=
1. Selling and marketing expenses=

 =30%

1. Administrative expenses=

 =70%

Interpretation: This shows that administrative expenses has a higher weight compared to selling and marketing expenses in relation to total expenses.

* expenses to sales
1. Selling and marketing expenses= 100

 =6.9%

1. Administrative expenses=100

 =16.0%

Interpretation: This means that administrative expenses caused more deterioration to profit than selling and marketing expenses.

investors/ shareholders ratios:

* earnings per share=

 =

 =2.49k

Interpretation: ₦2.49k is the amount of net profit attributable to each ordinary share in issue during the period

* price earnings ratio=

 =

 =9.6years

Interpretation: this shows that it will take 9.6 years to recoup shareholders’ investment either in the form of dividend received or in the form of capital growth arising from retained earnings.

* earnings yield=

 =

 =10.3%

Interpretation: there is 10.3% potential return on the shareholders’ investment.

* net asset per share=

 =

 =3.6k

Interpretation: this shows that 3.6k of net assets is attributable to each ordinary share in issue

* dividend per share=

 =

 =₦2.90k

Interpretation: this shows that for every issued ordinary share, ₦2.90k is declared.

* dividend payout ratio=

 =

 =116%

Interpretation: This shows that 116%of distributive earnings is being paid out to shareholders in the form of dividend.

* dividend yield=

 =

 12%

Interpretation: There is a 12% cash flow gotten by investors from their investment in stocks.

* dividend cover=

 =

 =0.86times

Interpretation: this shows that ordinary dividend is covered 0.86 times by distributable earnings

Long term solvency and stability ratio:

* gearing ratio= ×100

 =×100

 = 71%

 Interpretation: the company is lowly geared

* fixed interest cover=

 =

 =2440 times

Interpretation: this shows that fixed interest is covered 2440 times by profit.

Portland paints plc

**2019**

Short term solvency and liquidity ratios:

* Current ratio=

 =

 =2.62:1

Interpretation: The company is in an ideal situation as it will be able to pay twice as much for its short term obligations.

* Quick test ratio=

 =

 =

 =1.3:1

Interpretation: The company has enough quick assets to pay for its current liabilities.

* Receivables collection period=

 =

 =

 =69 days

Interpretation: it takes 69 days to collect accounts receivable.

* Payables payment period=

 =

 =

 =117 days

Interpretation: it takes 117 days to pay accounts payable.

* Inventory turnover period=

 =

 =

 =179 days

Interpretation: This shows that inventory remains in the store for 179 days before being sold.

* Receivables turnover=

 =

 =

 =5.2 times

Interpretation: Receivables are turned over 5.2 times during the reporting period

* Payables turnover=

 =

 =

 =3.1 times

Interpretation: Payables are turned over 3.1 times during the reporting period

* Inventory turnover=

 =

 =

 =2.0 times

Interpretation: This means they were 2.0 inventory turns in the reporting period.

Efficiency/ profitability ratios:

* Return on capital employed=×100)

 =×100)

 =0.05 (5%)

Interpretation: the company has a 5% return on what was invested into the business

* gross profit percentage=

 =

 =36.8%

Interpretation: There is a 36.8% mark-up of inventory from its cost. This means that the company may reduce the selling price of its product by 36.8% without incurring any loss.

* net profit percentage=

 =

 =3.3%

Interpretation: there is 3.3% profitability in the business after taking into account its incomes and expenses.

* expenses percentage=
1. Selling and distribution expenses=

 =35%

1. Administrative expenses=

 =65%

Interpretation: This shows that administrative expenses has a higher weight compared to selling and distribution expenses in relation to total expenses.

* expenses to sales
1. Selling and distribution expenses=

 =11%

1. Administrative expenses=

 =21%

Interpretation: This means that administrative expenses caused more deterioration to profit than marketing expenses.

investors/ shareholders ratios:

* earnings per share=

 =

 =₦0.11k

Interpretation: ₦0.11k is the amount of net profit attributable to each ordinary share in issue during the period

* price earnings ratio=

 =

 =20.2 years

Interpretation: this shows that it will take 20.2 years to recoup shareholders’ investment either in the form of dividend received or in the form of capital growth arising from retained earnings.

* earnings yield= ×100

 =×100

 =4.9%

Interpretation: there is 4.9% potential return on the shareholders’ investment.

* net asset per share=

 =

 =1.99k

Interpretation: this shows that 1.99k of net assets is attributable to each ordinary share in issue

* dividend per share=

 =

 =₦0.05k

Interpretation: this shows that for every issued ordinary share, ₦0.05k is declared.

* dividend payout ratio=

 =

 =45.5%

Interpretation: This shows that 45.5%of distributive earnings is being paid out to shareholders in the form of dividend.

* dividend yield=

 =

 =2.2%

Interpretation: There is a 2.2% cash flow gotten by investors from their investment in stocks.

* dividend cover=

 =

 =2.1times

Interpretation: this shows that ordinary dividend is covered 2.1times by distributable earnings.

Long term solvency and stability ratio:

* gearing ratio=

 =

 =0%

* fixed interest cover=

 =

 =30.9 times

Interpretation: this shows that fixed interest is covered 30.9 times by profit.

**Conclusion;** an investor is advised to invest in CAP plc because its profitability ratios are good as well as the investing ratios compared to Portland paints, it has a higher dividend per share, earning per share etc.

Guinness plc

2019

Short term solvency and liquidity ratios:

* Current ratio=

 =

 =1.2:1

Interpretation: The company is not in the ideal situation but still an appropriate situation as it will be able to pay for its short term obligations.

* Quick test ratio=

 =

 =

 =0.7:1

Interpretation: The company does not have enough quick assets to pay for its current liabilities. It will have to sell some long term assets to pay its short term obligations.

* Receivables collection period=

 =

 s

 =139 days

Interpretation: it takes 139 days to collect accounts receivable

* Payables payment period=

 =

 =252days

Interpretation: it takes 252 days to pay accounts payable.

\*the company would have no problem paying it accounts payable as it’s it will collect it’s receivables before it’s time to pay its payables.

* Inventory turnover period=

 =

 =177 days

Interpretation: This shows that inventory remains in the store for 177 days before being sold.

* Receivables turnover=

 =

 =2.6times

Interpretation: Receivables are turned over 2.6times during the reporting period.

* Payables turnover=

 =

 =2.9 times

Interpretation: Payables are turned over 2.9 times during the reporting period.

* Inventory turnover=

 =

 =4.1 times

Interpretation: This means they were 4.1 inventory turns in the reporting period.

Efficiency/ profitability ratios:

* Return on capital employed=×100

 =×100

 =6.1%

Interpretation: the company has a 6.1% return on what was invested into the business

* gross profit percentage=

 =

 30.5%

Interpretation: There is a 30.5% mark-up of inventory from its cost. This means that the company may reduce the selling price of its product by 30.5% without incurring any loss.

* net profit percentage=

 =

 =4.2%

Interpretation: there is 4.2% profitability in the business after taking into account its incomes and expenses.

* expenses percentage=
1. Marketing and distribution expenses=

 =69%

1. Administrative expenses=

 =31%

Interpretation: This shows that administrative expenses has a higher weight compared to marketing and distribution expenses in relation to total expenses.

* expenses to sales
1. Marketing and distribution expenses=

 =17%

1. Administrative expenses=

 =7%

Interpretation: This means that administrative expenses caused more deterioration to profit than marketing and distribution expenses.

investors/ shareholders ratios:

* earnings per share=

 =

 =₦2.50k

Interpretation: ₦2.50k is the amount of net profit attributable to each ordinary share in issue during the period

* price earnings ratio=

 =

 =12.02 years

Interpretation: this shows that it will take 12.02 years to recoup shareholders’ investment either in the form of dividend received or in the form of capital growth arising from retained earnings.

* earnings yield= ×100

 =×100

 =8%

Interpretation: there is 8% potential return on the shareholders’ investment.

* net asset per share=

 =

 =14.4k

Interpretation: this shows that 14.4k of net assets is attributable to each ordinary share in issue

* dividend per share=

 =

 = ₦1.84k

Interpretation: this shows that for every issued ordinary share, ₦1.84k is declared.

* dividend payout ratio=

 =

 =73.6%

Interpretation: This shows that 73.6% of distributive earnings is being paid out to shareholders in the form of dividend.

* dividend yield=

 =

 =6.1%

Interpretation: There is a 6.1% cash flow gotten by investors from their investment in stocks.

* dividend cover=

 =

 =1.4times

Interpretation: this shows that ordinary dividend is covered 1.4 times by distributable earnings.

Long term solvency and stability ratio:

* gearing ratio=

 =

 =0.75

* fixed interest cover=

 =

 =4.8times

Interpretation: this shows that fixed interest is covered 4.8 times by profit.

Nestle Nigeria plc

2019

Short term solvency and liquidity ratios:

* Current ratio=

 =

 =0.9:1

Interpretation: The company will not be able to pay for its short term obligations as it has more liabilities than its current assets

* Quick test ratio=

 =

 =0.6:1

Interpretation: The company does not have enough quick assets to pay for its current liabilities.

* Receivables collection period=

 =

 =69 days

Interpretation: it takes 69 days to collect accounts receivable.

* Payables payment period=

 =

 =162 days

Interpretation: it takes 162 days to pay accounts payable.

\*the company would not have a problem paying its payables.

* Inventory turnover period=

 =

 =66 days

Interpretation: This shows that inventory remains in the store for 66 days before being sold.

* Receivables turnover=

 =

 =5.2 times

Interpretation: Receivables are turned over 5.2 times during the reporting period

* Payables turnover=

 =

 =2.2 times

Interpretation: Payables are turned over 2.2 times during the reporting period.

* Inventory turnover=

 =

 =5.5 times

Interpretation: This means they were 5.5 inventory turns in the reporting period.

Efficiency/ profitability ratios:

* Return on capital employed=

 =

 =1.0 (100%)

Interpretation: the company has a 100% return on what was invested into the business.

* gross profit percentage=

 =

 =45%

Interpretation: There is a 45% mark-up of inventory from its cost. This means that the company may reduce the selling price of its product by 45% without incurring any loss.

* net profit percentage=

 =

 =16%

Interpretation: there is 16% profitability in the business after taking into account its incomes and expenses.

* expenses percentage=
1. Marketing and distribution expenses=

 =82%

1. Administrative expenses=

 =18%

Interpretation: This shows that marketing and distribution expenses has a higher weight compared to administrative expenses in relation to total expenses.

* expenses to sales
1. Marketing and distribution expenses=

 =16%

1. Administrative expenses

 =4%

Interpretation: This means that marketing and distribution expenses caused more deterioration to profit than administrative expenses.

investors/ shareholders ratios:

* earnings per share=

 =

 =57.63 (5763 kobo)

Interpretation: ₦57.63k is the amount of net profit attributable to each ordinary share in issue during the period

* price earnings ratio=

 =

 =26

Interpretation: this shows that it will take 26 years to recoup shareholders’ investment either in the form of dividend received or in the form of capital growth arising from retained earnings.

* earnings yield= ×100

 =×100

 =3.9%

Interpretation: there is 3.9% potential return on the shareholders’ investment.

* net asset per share=

 =

 =57.5k

Interpretation: this shows that 57.5k of net assets is attributable to each ordinary share in issue.

* dividend per share=

 =

 =63.50k

Interpretation: this shows that for every issued ordinary share, ₦63.50k is declared.

* dividend payout ratio=

 =

 =110%

Interpretation: This shows that 110%of distributive earnings is being paid out to shareholders in the form of dividend.

* dividend yield=

 =

 =4.3%

Interpretation: There is a 4.5% cash flow gotten by investors from their investment in stocks.

* dividend cover=

 =

 =0.91times

Interpretation: this shows that ordinary dividend is covered 0.9times by distributable earnings.

Long term solvency and stability ratio:

* gearing ratio=

 =

 =3.09

* fixed interest cover=

 =

 =76.8 times

Interpretation: this shows that fixed interest is covered 76.8times by profit.

**Conclusion;** Nestle plc is a better choice for investors. It has a 100% return on capital, a high EPS as well as dividend per share Etc.

Ikeja hotel plc

2019

Short term solvency and liquidity ratios:

* Current ratio=

 =

 =1.9:1

Interpretation: The company is not in the ideal situation but still an appropriate situation as it will be able to pay for its short term obligations.

* Quick test ratio=

 =

 =

 =1.8:1

Interpretation: The company has enough quick assets to pay for its current liabilities.

* Receivables collection period=

 =

 =42 days

 Interpretation: it takes 42 days to collect accounts receivable.

* Payables payment period=

 =

 =96 days

Interpretation: it takes 96 days to pay accounts payable.

\*there was no problem paying payables as they collected receivables payment earlier than the payables was due.

* Inventory turnover period=

 =

 = 7 days

 Interpretation: This shows that inventory remains in the store for 7 days before being sold.

* Receivables turnover=

 =

 =8.8 days

Interpretation: Receivables are turned over 8.8 times during the reporting period

* Payables turnover=

 =

 =3.8 days

Interpretation: Payables are turned over 3.8 times during the reporting period.

* Inventory turnover=

 =

 =51.7 days

Interpretation: This means they were 51.7 inventory turns in the reporting period.

Efficiency/ profitability ratios:

* Return on capital employed=(×100)

 =(×100)

 =0.06 (6%)

Interpretation: the company has a 6% return on what was invested into the business

* gross profit percentage=

 =

 =34.4%

Interpretation: There is a 34.4% mark-up of inventory from its cost. This means that the company may reduce the selling price of its product by 34.4% without incurring any loss.

* net profit percentage=

 =

 =7.4%

Interpretation: there is 7.4% profitability in the business after taking into account its incomes and expenses.

* expenses percentage=
1. Sales and marketing expenses=

 =22%

1. Administrative expenses=

 =78%

Interpretation: This shows that administrative expenses has a higher weight compared to sales marketing expenses in relation to total expenses.

* expenses to sales
1. Sales and marketing expenses=

 =3.8%

1. Administrative expenses=

 =13.6%

Interpretation: This means that administrative expenses caused more deterioration to profit than marketing expenses.

 investors/ shareholders ratios:

* earnings per share=

 =

 =₦0.26k

Interpretation: ₦0.26k was the amount of net profit attributable to each ordinary share in issue during the period

* price earnings ratio=

 =

 =4.3

Interpretation: this shows that it will take 4.3 years to recoup shareholders’ investment either in the form of dividend received or in the form of capital growth arising from retained earnings.

* earnings yield=

 =×100

 =23%

Interpretation: there was 23% potential return on the shareholders’ investment.

* net asset per share=

 =

 =4.2k

Interpretation: this shows that 4.2k of net assets is attributable to each ordinary share in issue

* dividend per share=

 =

 =₦0.05k

Interpretation: this shows that for every issued ordinary share, ₦0.05k was declared.

* dividend payout ratio=

 =

 = 19.2%

Interpretation: This shows that 19.2% of distributive earnings was paid out to shareholders in the form of dividend.

* dividend yield=

 =

 =4.5%

Interpretation: There was a 4.5% cash flow gotten by investors from their investment in stocks.

* dividend cover=

 =

 =4.9times

Interpretation: this shows that ordinary dividend is covered 4.9times by distributable earnings.

Long term solvency and stability ratio:

* gearing ratio=

 =

 =--

* fixed interest cover=

 =

 =2.1times

Interpretation: this shows that fixed interest is covered 2.1times by profit.

Daar communications plc

2019

Short term solvency and liquidity ratios:

* Current ratio=

 =

 =0.2:1

Interpretation: The company was not able to pay for its short term obligations.

* Quick test ratio=

 =

 =0.2:1

Interpretation: The company was not able to pay for its short term obligations.

* Receivables collection period=

 =

 =200 days

Interpretation: it took 200 days to collect accounts receivable.

* Payables payment period=

 =

 176 days

Interpretation: it took 176 days to pay accounts payable.

Inventory turnover period=

 =

 =0

\*the company doesn’t deal with inventories

* Receivables turnover=

 =

 =1.8times

Interpretation: Receivables was turned over 1.8times during the reporting period

* Payables turnover=

 =

 =2.1 times

Interpretation: Payables was turned over 3.1 times during the reporting period.

* Inventory turnover=

 =

 =--

Efficiency/ profitability ratios:

* Loss on capital employed=

 =×100

 =-23%

Interpretation: the company lost 23% of what was invested into the business

* gross profit percentage=

 =

 =50.8%

* net loss percentage=

 =

 =-26.8%

Interpretation: net loss for the period equalled 26.8% of sales.

* expenses percentage=
1. Selling Expenses=

 =6.8%

1. Administrative Expenses=

 =93.2%

Interpretation: This shows that administrative expenses has a higher weight compared to selling expenses in relation to total expenses.

* expenses to sales
1. Selling Expenses=

 =3.1%

1. Administrative Expenses=

 =41.6%

Interpretation: This means that administrative expenses caused more deterioration to profit than marketing expenses

investors/ shareholders ratios:

* Loss per share=

 =

 =-₦0.17k

Interpretation: ₦0.17k is the amount of net loss attributable to each ordinary share in issue during the period

* price earnings ratio=

 =

 =2.1years

Interpretation: this shows that it will take 2.1years to recoup shareholders’ investment either in the form of dividend received or in the form of capital growth arising from retained earnings.

* loss yield=

 =×100

 =5%

* net asset per share=

 =

 =

 =0.75k

Interpretation: this shows that 0.75k of net assets is attributable to each ordinary share in issue

* dividend per share=

 =--

* dividend payout ratio=

 =--

* dividend yield=

 =--

* dividend cover=

 =--

Long term solvency and stability ratio:

* gearing ratio=

 =×100

 =17%

* fixed interest cover=

 =

 =-27.9

Interpretation: loss cannot cover the fixed interest

**Conclusion;** investors should invest in ikeja plc as Daar communications is battling with a loss

GlaxoSmithKline

**2019**

Short term solvency and liquidity ratios:

* Current ratio=

 =

 =1.7:1

Interpretation: The company is not in the ideal situation but still an appropriate situation as it will be able to pay for its short term obligations.

* Quick test ratio=

 =

 =

 =1.1:1

Interpretation: The company has enough quick assets to pay for its current liabilities.

* Receivables collection period=

 =

 =111days

Interpretation: it takes 111days to collect accounts receivable.

* Payables payment period=

 =

 =190 days

Interpretation: it takes 190 days to pay accounts payable.

\*gsk is in a good condition to pay its payables as it collects its receivables earlier than when the payables are due.

* Inventory turnover period=

 =

 =117days

Interpretation: This shows that inventory remains in the store for 117 days before being sold.

* Receivables turnover=

 =

 =3.3 times

Interpretation: Receivables are turned over 3.3times during the reporting period

* Payables turnover=

 =

 =1.9 times

Interpretation: Payables are turned over 1.9 times during the reporting period.

* Inventory turnover=

 =

 =3.1 times

Interpretation: This means they were 3.1 inventory turns in the reporting period.

Efficiency/ profitability ratios:

* Return on capital employed=(×100)

 =(×100)

 =10%

Interpretation: the company has a 10% return on what was invested into the business

* gross profit percentage=

 =

 =29%

Interpretation: There is a 29% mark-up of inventory from its cost. This means that the company may reduce the selling price of its product by 29% without incurring any loss.

* net profit percentage=

 =

 =4.5%

Interpretation: there is 4.5% profitability in the business after taking into account its incomes and expenses.

* expenses percentage=
1. Selling and distribution costs=

 =63%

1. Administrative expenses=

 =37%

Interpretation: This shows that administrative expenses has a lower weight compared to selling and distribution expenses in relation to total expenses.

* expenses to sales
1. Selling and distribution costs=

 =16%

1. Administrative expenses=

 =9%

Interpretation: This means that selling and distribution expenses caused more deterioration to profit than marketing expenses.

investors/ shareholders ratios:

* earnings per share=

 =

 =₦0.77k

 Interpretation: ₦0.77k is the amount of net profit attributable to each ordinary share in issue during the period

* price earnings ratio=

 =

 =7.9

 Interpretation: this shows that it will take 7.9 years to recoup shareholders’ investment either in the form of dividend received or in the form of capital growth arising from retained earnings.

* earnings yield= (×100)

 =(×100)

 =0.13 (13%)

Interpretation: there is 13% potential return on the shareholders’ investment.

* net asset per share=

=

=7.4k

Interpretation: this shows that 7.4k of net assets is attributable to each ordinary share in issue

* dividend per share=

=

=₦0.55k

Interpretation: this shows that for every issued ordinary share, ₦0.55k is declared.

* dividend payout ratio=

=

=71%

Interpretation: This shows that 71% of distributive earnings is being paid out to shareholders in the form of dividend.

* dividend yield=

=

=9%

Interpretation: There is a 9% cash flow gotten by investors from their investment in stocks.

* dividend cover=

=

=1.4 times

Interpretation: this shows that ordinary dividend is covered 1.4 times by distributable earnings.

Long term solvency and stability ratio:

* gearing ratio=

=×100

=37%

* fixed interest cover=

 =

 =0

 \*there’s no fixed interest.

Ekocorp plc

**2019**

Short term solvency and liquidity ratios:

* Current ratio=

 =

 =0.2:1

Interpretation: The company was not able to pay for its short term obligations.

* Quick test ratio=

 =

 =

 =0.2:1

Interpretation: The company didn’t have enough quick assets to pay for its current liabilities.

* Receivables collection period=

 =

 =91 days

 Interpretation: it took 91 days to collect accounts receivable.

* Payables payment period=

 =

 =466 days

Interpretation: it takes 466 days to pay accounts payable.

\*receivables collection period was longer hence the should be able to pay their payables.

* Inventory turnover period=

 =

 =10 days

Interpretation: This shows that inventory remains in the store for 10 days before being sold.

* Receivables turnover=

 =

 =4 times

Interpretation: Receivables are turned over 4 times during the reporting period

* Payables turnover=

 =

 =0.8 days

Interpretation: Payables are turned over 0.8 times during the reporting period.

* Inventory turnover=

 =

 =35 days

Interpretation: This means they were 35 inventory turns in the reporting period.

Efficiency/ profitability ratios:

* Loss on capital employed=×100

 =×100

 =-3.2%

Interpretation: the company lost 3.2% of what was invested into the company

* gross profit percentage=

 =

 =12%

* net loss percentage=

 =

 =23%

Interpretation: net loss for the period equalled 23% of sales.

* expenses percentage=

\* There is only operating expense

* expenses to sales

 =

 =34%

investors/ shareholders ratios:

* loss per share=

 =

 =₦0.59k

Interpretation: ₦0.59k is the amount of net loss attributable to each ordinary share in issue during the period

* price earnings ratio=

 =

 =7.2

Interpretation: this shows that it will take 5.5 years to recoup shareholders’ investment either in the form of dividend received or in the form of capital growth arising from retained earnings.

* earnings yield= ×100

 =×100

 =13.9%

* net asset per share=

 =

 =18.01k

Interpretation: this shows that 26.8k of net assets is attributable to each ordinary share in issue

* dividend per share=

 =

* dividend payout ratio=

 =--

* dividend yield=

 =--

* dividend cover=

 =--

Long term solvency and stability ratio:

* gearing ratio=

 =

 =37%

* fixed interest cover=

 =

 =14.6 times

Interpretation: this shows that fixed interest is 14.6 times the amount of loss made during the reporting period.

**Conclusion;** investors should invest in GlaxoSmithKline.

E-tranzact international plc

**2018**

Short term solvency and liquidity ratios:

* Current ratio=

 =

 =0.7:1

Interpretation: The company was not able to pay for its short term obligations.

* Quick test ratio=

 =

 =0.7:1

Interpretation: The company didn’t have enough quick assets to pay for its current liabilities.

* Receivables collection period=

 =

 =22days

Interpretation: it takes 22 days to collect accounts receivable

* Payables payment period=

 =

 =86 days

Interpretation: it takes 86 days to pay accounts payable.

* Inventory turnover period=

 =

 =6.8 days

Interpretation: This shows that inventory remains in the store for 6.8 days before being sold.

* Receivables turnover=

 =

 =16.6 times

Interpretation: Receivables are turned over 16.6 times during the reporting period.

* Payables turnover=

 =

 =4.2 times

Interpretation: Payables are turned over 4.2 times during the reporting period.

* Inventory turnover=

 =

 =54 times

Interpretation: This means they were 54 inventory turns in the reporting period.

Efficiency/ profitability ratios:

* Loss on capital employed=

 =

 =19.6

Interpretation: the company has a 19.6 loss on what was invested into the business

* gross profit percentage=

 =

 =8.7%

* net loss percentage=

 =

 =17%

Interpretation: net loss for the period equalled 17% of sales.

* expenses percentage=
1. selling and marketing expenses=

 =3%

1. administrative expenses=

 =97%

Interpretation: This shows that administrative expenses has a higher weight compared to selling and marketing expenses in relation to total expenses.

* expenses to sales
* selling and marketing expenses=

 =0.4%

* administrative expenses=

 =12.7%

Interpretation: This means that administrative expenses caused more deterioration to profit than marketing expenses.

investors/ shareholders ratios:

* earnings per share=

 =

 =₦0.75k

 Interpretation: ₦0.75k is the amount of net loss attributable to each ordinary share in issue during the period

* price earnings ratio=

 =

 =3.48

Interpretation: this shows that it will take 3.48 years to recoup shareholders’ investment either in the form of dividend received or in the form of capital growth arising from retained earnings.

* earnings yield= ×100

 =×100

 =28.7%

* net asset per share=

 =

 =0.04k

Interpretation: this shows that 0.04k of net assets is attributable to each ordinary share in issue

* dividend per share=

 =--

* dividend payout ratio=

 =--

* dividend yield=

 =--

* dividend cover=

 =--

Long term solvency and stability ratio:

* gearing ratio=

 =--

* fixed interest cover=

 =

Chams plc

**2018**

 Short term solvency and liquidity ratios:

* Current ratio=

 =

 =0.4:1

Interpretation: The company was not able to pay for its short term obligations.

* Quick test ratio=

 =

 =0.4:1

Interpretation: The company was not able to pay for its short term obligations.

* Receivables collection period=

 =

 =397 days

 Interpretation: it takes 397 days to collect accounts receivable.

* Payables payment period=

 =

 =1761 days

Interpretation: it takes 1761 days to pay accounts payable.

* Inventory turnover period=

 =

 = 82 days

Interpretation: This shows that inventory remains in the store for 82 days before being sold.

* Receivables turnover=

 =

 =0.92 times

Interpretation: Receivables are turned over 0.92 times during the reporting period

* Payables turnover=

 =

 =0.1 times

Interpretation: Payables are turned over 0.1 times during the reporting period.

* Inventory turnover=

 =

 =0.2 times

Interpretation: This means they were 0.2 inventory turns in the reporting period.

Efficiency/ profitability ratios:

* Return on capital employed=

 =

* gross profit percentage=

 =

 =41%

* net profit percentage=

 =

 =66%

* expenses percentage=
1. admin expenses=

 =100%

* expenses to sales
1. admin expenses=

 =140%

investors/ shareholders ratios:

* earnings per share=

 =

 =0.08k

* price earnings ratio=

 =

 =4.1

* earnings yield=

 =

 =0.2

* net asset per share=

 =

 =0.79k

* dividend per share=

 =

* dividend payout ratio=

 =--

* dividend yield=

 =--

* dividend cover=

 =

Long term solvency and stability ratio:

* gearing ratio=

 =--

* fixed interest cover=

 =

 \*There was no borrowing

Seplat plc

**2018**

N‘million

Short term solvency and liquidity ratios:

* Current ratio=

 =

 =2.7:1

* Quick test ratio=

 =

 =2.3:1

* Receivables collection period=

 =

 =109 days

* Payables payment period=

 =

 =358 days

* Inventory turnover period=

 =

 =104 days

* Receivables turnover=

 =

 =3.3 times

* Payables turnover=

 =

 =1.0 times

* Inventory turnover=

 =

 =3.5 times

Efficiency/ profitability ratios:

* Return on capital employed=

 =

* gross profit percentage=

 =

 =52%

* net profit percentage=

 =

* expenses percentage=
1. General and administrative expenses=

 =100%

* expenses to sales
1. General and administrative expenses=

 =11%

investors/ shareholders ratios:

* earnings per share=

 =

 =79

* price earnings ratio=

 =

 =8.3

* earnings yield= ×100

 =×100

 =12%

* net asset per share=

 =

 =865

* dividend per share=

 =

 =31.8

* dividend payout ratio=

 =

 =40%

* dividend yield=

 =

 =4.8%

* dividend cover=

 =

 =2.5times

Long term solvency and stability ratio:

* gearing ratio=

 =

* fixed interest cover=

 =

 =5.5 times

Oando plc

2019

Short term solvency and liquidity ratios:

* Current ratio=

 =

 =:1

Interpretation:

* Quick test ratio=

 =

 =

 =:1

Interpretation:

* Receivables collection period=

 =

* Payables payment period=

 =

* Inventory turnover period=

 =

* Receivables turnover=

 =

* Payables turnover=

 =

* Inventory turnover=

 =

Efficiency/ profitability ratios:

* Return on capital employed=

 =

* Gross loss percentage=

 =

* net loss percentage=

 =

* expenses percentage=
1. administrative expenses=

 =100%

* expenses to sales
1. administrative expenses=

 =2.2%

investors/ shareholders ratios:

* earnings per share=

 =

 =-1.47k

* price earnings ratio=

 =

 =3.4

* earnings yield= ×100

 =×100

 =29%

* net asset per share=

 =

 =-4.9k

* dividend per share=

 =--

* dividend payout ratio=

 =--

* dividend yield=

 =--

* dividend cover=

 =--

Long term solvency and stability ratio:

* gearing ratio=

 =--

* fixed interest cover=

 =

 =0.2 times

Fidelity bank plc

2019

Short term solvency and liquidity ratios:

* Current ratio=

 =

 =:1

* Quick test ratio=

 =

 =

 =:1

* Receivables collection period=

 =

* Payables payment period=

 =

* Inventory turnover period=

 =

* Receivables turnover=

 =

* Payables turnover=

 =

* Inventory turnover=

 =

Efficiency/ profitability ratios:

* Return on capital employed=

 =

* gross profit percentage=

 =

* net profit percentage=

 =

* expenses percentage=

 =

* expenses to sales

investors/ shareholders ratios:

* earnings per share=

 =

* price earnings ratio=

 =

* earnings yield=

 =

* net asset per share=

 =

* dividend per share=

 =

* dividend payout ratio=

 =

* dividend yield=

 =

* dividend cover=

 =

Long term solvency and stability ratio:

* gearing ratio=

 =

* fixed interest cover=

 =

Zenith bank plc

2019

Short term solvency and liquidity ratios:

* Current ratio=

 =

 =:1

Interpretation:

* Quick test ratio=

 =

 =

 =:1

Interpretation:

* Receivables collection period=

 =

* Payables payment period=

 =

* Inventory turnover period=

 =

* Receivables turnover=

 =

* Payables turnover=

 =

* Inventory turnover=

 =

Efficiency/ profitability ratios:

* Return on capital employed=

 =

* gross profit percentage=

 =

* net profit percentage=

 =

* expenses percentage=

 =

* expenses to sales

investors/ shareholders ratios:

* earnings per share=

 =

* price earnings ratio=

 =

* earnings yield=

 =

* net asset per share=

 =

* dividend per share=

 =

* dividend payout ratio=

 =

* dividend yield=

 =

* dividend cover=

 =

Long term solvency and stability ratio:

* gearing ratio=

 =

* fixed interest cover=