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Tittle of Term Paper: Accounting Ratios

Names of Analysed Companies:

1. Basic Materials:

a) Cap Plc

b) Portland Paints

1. Consumer Goods:

 a) Presco

 b) Nestle

1. Industrial:
2. Cutix
3. Grief
4. Oil and Gas:
5. Total Plc
6. Conoil
7. Health Care:

 a) May and Baker

 b) Glaxosmithkline pharmaceuticals ltd

1. Financials
2. Zenith Bank
3. Union Bank
4. Consumer Services
5. Ikeja Hotel
6. Transcorp
7. Telecommunication
8. E- Tranzact International
9. Chams PLC

**BASIC MATERIAL SECTOR**

 Cap PLC Portland Paint

 N’000 N’000

1. Current Ratio/ Working Capital Ratio

 = Current Assets

 Current Liabilities =5,545,093 =1,718,570

 3,375,307 700,439

 = 1.64 = 2.45

 = 1.64: 1 = 2.45:1

Portland Paint has a higher ratio and is therefore more liquid than Cap PLC. The general rule for current ratio is 2:1 and Portand Paint is closer to that meaning it has a stronger ability to meets its current liabilities out of its current assets.

1. Quick Asset Ratio

= Current Asset – Inventory

Current Liabilities = 5,545,093 – 884,115 =1,718,570-728,047

 3,375,307 700,439

 = 4,660,978 = 990,523

 3,375,307 700,439

 = 1.38:1 = 1.41:1

Both companies fall closely to the general rue of 1:1. Cap Plc and Portland Paints has a ratio of 1.38 and 1.41 respectively meaning its easily convertible assets to cash are available to meet its current liabilities.

1. Receivables Collection Period

= Average Trade Receivables

 Credit Sales X 365 days = 172,488 = 476,180

 7,764,534 X 365 2,829,262 X 365

 = 8.1084 = 61.43

 = 8 days = 61 days

Portland Paint takes a longer period of 61 days for the receivables to remain uncollected and Cap Plc takes 8 days to collect its receivables. This shows the amount of days the debtors take before they pay their debts.

1. Payables Collection Period

= Average Trade Payables

 Credit Purchases X 365 days = 1,559,016 = 501,988

 4,034,561 X 365 1,753,972 X 365

 = 141.0416 = 104.4633

 = 141 days = 104 days

Cap Plc and Portland Paint take 141 and 104 days respectively to pay their creditors the amount due. However excessive delays in payment may result in a reduction in the general terms of trade that suppliers are prepared to offer.

1. Inventory Turnover Period

= Average Inventory

 Cost of Sales X 365 days =1,035,760 = 728,047

 4,034,561 X 365 1,753,972 X 365

 = 93.7034 = 151.5059

 = 94 days = 152 days

This shows the amount of time inventory stays in the store unsold. Cap Plc has a shorter period than Portland Paints and the shorter the period the better it is.

1. Receivables Turnover

= Credit Sales

 Average Trade Receivables = 7,764,534 = 2,829,262

 172,488 476,180

 = 45.0149 = 5.9416

 = 45 times = 6 times

This shows how many times these companies can turn their account receivables into cash during this period. It represents the money owed to the business. The higher the turnover the more efficient, therefore Portland is more efficient.

1. Payables Turnover

= Credit Purchases

 Average Trade Payables = 4,034,561 = 1,753,972

 1,559,061 501,988

 = 2.5878 = 3.4941

 = 3 times = 3 times

This shows the number of times the trade payables are turned over during the period and the lower the better. It indicates the amount of times a company can pay-off its suppliers.

1. Inventory Turnover

= Cost of Sales

 Average Inventory =4,034,561 =1,753,972

 1,035,760 728,047

 =3.8953 = 2.4091

 = 4 times = 2 times

This measures the physical turnover of trading inventory during the period. The more times the better. Portland appears to have a more inventory turnover than Cap Plc meaning it has a higher reported profit.

EFFICIENCY AND PROFITABILITY RATIOS

1. Return on Capital Employed (ROCE)

= Profit after Tax

Ordinary Shareholder’s Fund =2,029,343 = 206, 693

 2,808,939 1,081,131

 = 0.7225 = 0.1912

 = 0.72 = 0.20

This is a financial ratio that measures a company's profitability and the efficiency with which its capital is used. In other words, the ratio measures how well a company is generating profits from its capital. Therefore Cap Plc has more profit than Portland that can be invested back to the benefit of the company.

1. Gross Profit Margin

= Gross Profit

 Sales X 100 = 3,729,973 = 1,075,290

 7,764,534 X 100 2,829,262 X 100

 = 48.04 = 38.0060

 = 48% = 38%

For every Naira generated Portland has 48% and Cap Plc has 38% left over to cover basic operating [costs](https://strategiccfo.com/marginal-cost-definition/) and profit. It basically shows the average gross profit as a percentage of goods sold.

1. Net Profit Margin

= Net Profit

 Sales X 100 = 2,029,343 = 206,693

 7,764,534 X 100 2,829,262 X 100

 = 26.14 = 7.31

 = 26% = 7%

It shows the profitability of the companies after all expenses have been deducted. Portland has a higher margin and this means that it is more efficient at converting its sales to actual profit.

INVESTORS/SHAREHOLDER RATIOS

1. Earnings per Share

= Profit after Tax – Preference Dividend

 Number of ordinary shares issued = 2,029,343 =206,693

 700,000 793,000

 = 2.90 = 0.26

 = 290 kobo = 26 kobo

Both companies don’t have preference shares therefore this ratio indicates the amount of profit after tax attributable to each issued ordinary share during this period. The higher the EPS, the more profitable it is and investors tend to invest in them. Portland has a higher EPS than Cap PLC.

1. Price Earning Ratio

= Market Price per share (MPS)

 Earnings Per Share (EPS) = 20.65 = 2.80

 2.90 0.26

 = 7.12 = 10.78

The P/E ratio helps investors determine the market value of a stock as compared to the company's earnings. The higher the P/E ratio, the higher the expected earnings. Portland has a higher ratio and therefore its earnings will be more than Cap Plc.

1. Earnings Yield

= EPS

 MPS X 100 = 2.9 = 0.26

 20.65 X 100 2.80 X 100

 = 14.04 = 9.29

 = 14% = 9%

This shows the potential return of investment of the shareholder. Portland Paints has a higher return on its investments and an investor is most likely to invest there instead of Cap Plc.

1. Net Assets per share (NAPS)

= Net Assets – Preference Share Capital

 Number of Ordinary Shares = 2,808,939 = 1,536,981

 700,000 793,000

 = 4.01 = 1.94

 = 401 kobo = 194 kobo

This indicates the amount of net asset attributable to each issued ordinary share. It shows the value at which investors can buy and sell units of the fund. Therefore Cap PLC can sell or buy its units at N4 and Portland at N1.94.

1. Dividend per Share (DPS)

= Gross Dividend

 Number of ordinary shares = 2,030,000 = 206,585

 700,000 793,000

 = 2.9 = 0.26

This is the amount of dividend attributable to each issued ordinary share in the period. Portland Paints has a higher dividend per share issued than Cap Plc.

1. Dividend Payout Ratio (DPR)

= DPS

 EPS X 100 = 2.9 = 0.26

 2.9 X 100 0.26 X 100

 = 100% = 100%

Both companies have the same ratio of 100% and this is the percentage of the company’s distributable earnings to be paid to ordinary shareholders in form of dividend.

1. Dividend Yield

= DPS

 MPS X 100 =2.9 = 0.26

 20.65 X 100 2.80 X 100

 = 14.04 = 9.29

 = 14% = 9%

Portland Paints has a higher yield than Cap Plc which means its cost of equity is higher. This ratio measure the current actual return on the shareholder’s investment.

1. Dividend Cover

= EPS

 DPS = 2.9 = 0.26

* 1. 2.9 0.26

 = 1 = 1

Both company have a dividend of 1 times(once) which shows the number of times ordinary dividend is covered by distributable earning. A low dividend cover ratio suggests that the company is paying out a large proportion of its earnings as dividends

LONG TERM SOLVENCY ANDSTABILITY RATIOS

1. Gearing Ratio

=Debt

 Equity

The gearing ratio is a financial ratio that compares some form of owner's equity (or capital) to debt, or funds borrowed by the company. It measures the degree of vulnerability of the company to its financial risk.

1. Total Debt to shareholder’s fund

= Non-current + Current Liabilities

 Shareholder’s Fund = 120,053+ 3,375,307 = 529,796 + 1,299,954 2,808,939 2,662,537

 = 3,502,307 = 1,829,750

 2,808,939 2,662,537

 = 1.2468 = 0.69

This ratio measures the solvency of the companies and shows the extent of cover for external liabilities. Therefore, the liabilities of Cap Plc are more than its Shareholder’s fund unlike in Portland Paints Plc.

**CONSUMER GOODS**

 PRESCO NESTLE

 N’000 N’000

SHORT TERM SOLVENCY AND LIQUIDITY RATIO

1. Current Ratio/ Working Capital Ratio

 = Current Assets

 Current Liabilities =15,506,385 = 82,734,317

 22,186,865 92,117,501

 = 0.6989 = 0.8981

 = 0.70: 1 = 0.90:1

Both companies did not reach the general rule of 2:1 which means their liabilities exceed their assets and their assets can cover the liabilities.

1. Quick Asset Ratio

= Current Asset – Inventory

 Current Liabilities = 15,506,386 – 4,631,715 =82,734,317-23,124,020

22,186,865 92,117,501

= 10,874,671 =59,610,297

 22,186,865 92,117,501

 = 0.4901 = 0.6471

 = 0.49:1 = 0.65:1

The general ratio acceptable for quick asset ratio is 1:1 was not reached by the both companies. This means that its easily convertible assets cannot meet up its current liabilities.

1. Receivables Collection Period

= Average Trade Receivables

 Credit Sales X 365 days = 5,062,572 =42,175,062

 21,344,730 X 365 266,274,621 X 365

 = 86.57 = 57.81

 = 87 days = 58 days

This is the amount of days it takes the debtors to pay their amount due. Presco receivables remain unpaid for 87 days while that of Nestle for 58 days .

1. Payables Collection Period

= Average Trade Payables

 Credit Purchases X 365 days = 8,034,144 = 60,384,454

 4,753,275 X 365 152,354,445 X 365

 = 616.94 = 144.66

 = 617 days = 145 days

This shows the amount of time payables are yet to be paid for. This ratio is important to suppliers. Excessive delay in payment like in Presco LTD may result to general terms of trade that suppliers are prepared to offer.

1. Inventory Turnover

= Average Inventory

 Cost of Sales X 365 days

 =4,668,211 = 23,124,020

 4,753,275 X 365 152,354,445 X 365

 = 358.47 = 55.40

 = 358 days = 55 days

This ratio indicates the amount of days the inventory of a company remains in the stores unsold before sales are made. Nestle has a shorter inventory turnover which is better than that of Presco.

1. Receivables Turnover

= Credit Sales

 Average Trade Receivables = 21,344,730 = 266,274,621

 5,062,572 42,175,062

 = 4.22 = 6.31

 = 4 times = 6 times

This shows the number of times trade receivables are turned over in the period. The higher the turnover, the more efficient. Therefore from this ratio Nestle is more efficient than Presco.

1. Payables Turnover

= Credit Purchases

 Average Trade Payables = 4,753,275 =152,354,445

 8,034,144 60,384,454

 = 0.59 = 2.52

 = 1 time ( Once) = 3 times

This shows the number of times that trade payables are turned over in this year. The lesser the turnover, the better. The payable turnover for Presco is lower which is better.

1. Inventory Turnover

= Cost of Sales

 Average Inventory = 4,753,275 = 152,354,445

 4,688,211 23,124,020

 = 1.0182 = 6.58

 = 1 time (Once) = 7 times

This measures the physical turnover of trading inventory during the period. The more times the better. Nestle appears to have a more inventory turnover than Presco meaning it has a higher reported profit.

EFFICIENCY AND PROFITABILITY RATIO

1. Return on Capital Employed (ROCE)

= Profit after Tax

Ordinary Shareholder’s Fund = 4,284,188 = 59,750,846

 24,174,342 70,216,921

 = 0.1772 = 0.8509

 = 0.18 = 0.85

This is a financial ratio that measures a company's profitability and the efficiency with which its capital is used. In other words, the ratio measures how well a company is generating profits from its capital. Therefore Nestle has more profit than Presco that can be invested back to the benefit of the company.

1. Gross Profit Margin

= Gross Profit

 Sales X 100 = 16,591,455 = 113,920,176

 22,344,730 X 100 266,274,621 X100

 = 74.2522 = 42.7830

 = 78% = 43%

For every Naira generated Presco has 78% and Nestle has 43% left over to cover basic operating [costs](https://strategiccfo.com/marginal-cost-definition/) and profit. It basically shows the average gross profit as a percentage of goods sold. This shows whether a company is under pricing or over pricing. Presco has a high margin which means it can make a good profit depending on its overhead expenses. Nestle may also make a good amount of profit as well because its margin is neither low nor high.

1. Net Profit Margin

= Net Profit

 Sales X 100 = 4,299,806 = 43,008,026

 21,344,730 X 100 266,274,621 X 100

 = 20.1446 = 16.1518

 = 20% = 16%

This expresses the relative profitability of the business after all expenses are taken out. From the margin both companies made a profit. Presco makes 20% profit and nestle makes 16% for each sale and

INVESTORS/ SHAREHOLDER’S RATIOS

1. Earnings per Share (kobo)

= Profit after Tax – Preference Dividend

 Number of ordinary shares issued = 4,299,806 =43,008,026

 1,000,000 792,652.252

 = 4.30 = 54.2

This ratio indicates the amount of profit after tax attributable to each issued ordinary share during this period. Nestle’s EPS is more than that Presco’s EPS. An investor is more likely to invest in Nestle instead of Presco.

1. Price Earning Ratio

= Market Price per share (MPS)

 Earnings Per Share (EPS) = 45.25 =1200

 4.30 54.2

 = 10.52 =22.14

 = 11 = 22

The P/E ratio helps investors determine the market value of a stock as compared to the company's earnings. The higher the P/E ratio, the higher the expected earnings . Therefore Nestle has higher earnings than Presco.

1. Earnings Yield

= EPS

 MPS X 100 = 4.30 = 54.2

 45.25 X 100 1200 X 100

 = 9.5 % = 4.5%

This ratio shows the potential return of investment of the shareholder. It expresses in percentage how much the company earned per share. Therefore Presco earns 9.5% per share and Nestle earns 4.5% per share.

1. Net Assets per share (NAPS)

= Net Assets – Preference Share Capital

 Number of Ordinary Shares= 58678749 – 34504407 =162,334,422-112,113,936

 1,000,0000 792,652.252

 = 24,174,342 = 50,220,486

 1,000,000 792,652.252

 =N 24.17 = N63.36

This indicates the amount of net asset attributable to each issued ordinary share. It shows the value at which investors can buy and sell units of the fund. Therefore Presco can sell or buy its shares at N24.17 and Nestle at N63.36.

1. Dividend per Share (DPS)

= Gross Dividend

 Number of ordinary shares = 2,000,000 = 37,661,172

 1,000,000 792,652.252

 = 2 = 47.5

 = 200 kobo

This is the amount of dividend attributable to each issued ordinary share in the period. Therefore, for each share bought in Presco, dividend payable is N2 and in Nestle, it is N47.5.

1. Dividend Payout Ratio (DPR)

= DPS

 EPS X 100 = 2.00 = 47.5

 4.30 X 100 54.2 X 100

 = 46.5 = 87.6

 = 47% = 88%

This is the percentage of the company’s distributable earnings to be paid to ordinary shareholders in form of dividend. Nestle has a higher dividend payout ratio than Presco.

1. Dividend Yield

= DPS

 MPS X 100 = 2.00 = 47.5

 45.25 X 100 1200 X 100

 = 46.5 =3.95

 = 47% = 4%

Presco has a higher yield than Nestle which means its cost of equity is higher. This ratio measures the current actual return on the shareholder’s investment.Higher yielding dividend stocks provide more income, but higher yield often comes with greater risk. Lower yielding dividend stocks equal less income, but they are often offered by more stable companies with a long record of consistent growth and steady payments.

1. Dividend Cover

= PAT – Preference Dividend

 Gross Dividend = 4,299,806 = 43,008,026

 2,000,000 37,661,172

 = 2.1499 = 1.1

 = 2 times = 1 time(once)

This shows number of times ordinary dividend is covered by distributable earning.  A low dividend cover ratio suggests that the company is paying out a large proportion of its earnings as dividends while a high ratio suggests that the company has plenty of earnings to spare after paying the dividend. Both companies have low dividend cover.

LONG TERM SOLVENCY AND STABILITY RATIO

1. Gearing Ratio

=Debt

 Equity = 15,273,152 = 19,996,435

 24,174,342 50,220,486

 = 0.63 = 0.40

The gearing ratio is a financial ratio that compares some form of owner's equity (or capital) to debt, or funds borrowed by the company. It measures the degree of vulnerability of the company to its financial risk. Presco is highly geared while Nestle is lowly geared which means Nestle has more equity than Presco to pay off its debts.

1. Total Debt to shareholder’s fund

= Non-current + Current Liabilities

 Shareholder’s Fund = 12317542 + 22186865 = 19996435+ 92117501

 24,174,342 50,220,486

 =34,504,407 =112,113,936 24,174,342 50,220,486

= 1.4273 = 2.2324

This ratio measures the solvency of the companies and shows the extent of cover for external liabilities. Therefore, the liabilities of Presco and Nestle are more than its Shareholder’s fund.

OIL AND GAS

 TOTAL PLC CONOIL

 N’000 N’000

1. Current Ratio/ Working Capital Ratio

 = Current Assets

 Current Liabilities = 89,912,403 =54,908,451

 95,984,054 41,641,699

 = 1:0.94 = 1.32: 1

Both companies did not reach the general rule of 2:1 which means their liabilities exceed their assets and their assets can cover the liabilities.

1. Quick Asset Ratio

= Current Asset – Inventory

 Current Liabilities = 89,912,403 – 30,045,177 = 54,908,451-9,141,599

 95,984,054 41,641,699

 = 59,867,226 =45,766,852

 95,984,054 41,641,699

 = 0.62:1 = 1.1:1

This means that in Conoil its easily convertible assets to cash are available to meet its current liabilities. On the other hand, Total didn’t reach the acceptable ratio of 1:1 as its liquid assets are less than its current liabilities.

1. Receivables Collection Period

= Average Trade Receivables

 Credit Sales X 365 days = 52,007,770 =30,295,096

 307,987,896 X 365 122,213,014 X 365

 = 61.64 =90.23

 = 62 days = 90 days

Conoil takes a longer period of 90 days for the receivables to remain uncollected and Total takes 62days to collect its receivables. This shows the amount of days the debtors take before they pay their debts.

1. Payables Collection Period

= Average Trade Payables

 Credit Purchases X 365 days = 61,583 ,881 =35,065,872

 273,202,676 X 365 109,442,111

 = 82.28 = 117.23

 =82 days = 117 days

Total and Conoil take 82 and 107 days respectively to pay their creditors the amount due. However excessive delays in payment may result in a reduction in the general terms of trade that suppliers are prepared to offer.

1. Inventory Turnover Period

= Average Inventory

 Cost of Sales X 365 days = 28,355,709 =9,141,599

 273,202,676 X 365 109,442,111 X 365

 = 37.88 = 30

 = 38 days = 30 days

This shows the amount of time inventory stays in the store unsold. Conoil has a shorter period than Total and the shorter the period the better it is.

1. Receivables Turnover

= Credit Sales

 Average Trade Receivables = 307,987,896 = 112,213,014

 52,007,770 30,295,096

 = 5.92 = 3.70

 = 6 times = 4 times

This shows how many times these companies can turn their account receivables into cash during this period. It represents the money owed to the business. The higher the turnover the more efficient, therefore Total is more efficient.

1. Payables Turnover

= Credit Purchases

Average Trade Payables = 273,202,676 =109,442,111

 61,583,881 35,065,872

 = 4.44 =3.12

 = 4 times =3 times

This shows the number of times the trade payables are turned over during the period and the lower the better. It indicates the amount of times a company can pay-off its suppliers

1. Inventory Turnover

= Cost of Sales

Average Inventory = 273,202,676 =109,442,111

 28,355,709 9,141,559

 = 9.63 = 11.97

 = 10 times = 12 times

This measures the physical turnover of trading inventory during the period. The more times the better. Conoil appears to have a more inventory turnover than Total meaning it has a higher reported profit.

1. Return on Capital Employed (ROCE)

= Profit after Tax

Ordinary Shareholder’s Fund = 7,960,893 = 1,796,042

 30,730,889 18,301,074

 = 0.26 = 0.09

This is a financial ratio that measures a company's profitability and the efficiency with which its capital is used. In other words, the ratio measures how well a company is generating profits from its capital. Therefore Total has more profit than Conoil that can be invested back to the benefit of the company.

1. Gross Profit Margin

= Gross Profit

 Sales X 100 = 34,785,220 = 12,770,902

 307,987,896 122,213,014 X 100

 = 11.29 = 10.4

 = 11% = 10%

For every Naira generated Total has 11% and Conoil has 10% left over to cover basic operating [costs](https://strategiccfo.com/marginal-cost-definition/) and profit. It basically shows the average gross profit as a percentage of goods sold.

1. Net Profit Margin

= Net Profit

 Sales X 100 = 7,960,893 = 1,796,042

 307,987,896 122,213,014

 = 2.58 = 1.47

 = 3% = 1%

 It shows the profitability of the companies after all expenses have been deducted. Total has a higher margin and this means that it is more efficient at converting its sales to actual profit.

1. Earnings per Share

= Profit after Tax – Preference Dividend

 Number of ordinary shares issued = 7,960,893 = 1,796,042

 339,521,837 693, 952

 =N 23.45 =N2.59

Both companies don’t have preference shares therefore this ratio indicates the amount of profit after tax attributable to each issued ordinary share during this period. The higher the EPS, the more profitable it is and investors tend to invest in them. Total has a higher EPS than Conoil.

1. Price Earning Ratio

= Market Price per share (MPS)

 Earnings Per Share (EPS) = 97.5 = 21

 23.45 2.59

 = 4.16 = 8.11

 = 4 years = 8 years

The P/E ratio helps investors determine the market value of a stock as compared to the company's earnings. The higher the P/E ratio, the higher the expected earnings. Conoil has a higher ratio and therefore its earnings will be more than Total.

1. Earnings Yield

= EPS

 MPS X 100 = 23.45 = 2.59

 97.5 X 100 21 X 100

 = 24.05 = 12.30

 = 24% = 12%

This shows the potential return of investment of the shareholder. Total has a higher return on its investments and an investor is most likely to invest there instead of Conoil.

1. Net Assets per share (NAPS)

= Net Assets – Preference Share Capital

 Number of Ordinary Shares =30,730,888

 339,521,837

 = 0.0905

1. Dividend per Share (DPS)

= Gross Dividend

 Number of ordinary shares = 5,771,871,229 =

 339,521,837

 = 17.0

1. Dividend Payout Ratio (DPR)

= DPS

 EPS X 100 =17.0 = 2

 23.45 X 100 2.59 X 100

 =72.5% = 77%

This is the percentage of the company’s distributable earnings to be paid to ordinary shareholders in form of dividend. Conoil has a higher percentage payable than Total.

1. Dividend Yield

= DPS

 MPS X 100 = 17.0 = 2 97.5 X 100 21 X 100

 = 17% = 10%

 Total has a higher yield than Conoil which means its cost of equity is higher. This ratio measure the current actual return on the shareholder’s investment

1. Dividend Cover

= EPS

 DPS =23.45 = 2.59

 17.0 2

 = 1.38 =1.3

This shows the number of times ordinary dividend is covered by distributable earning. A low dividend cover ratio suggests that the company is paying out a large proportion of its earnings as dividends. Conoil has a slightly lower Dividend cover than Total.

1. Gearing Ratio

=Debt

 Equity

1. Total Debt to shareholder’s fund

= Non-current + Current Liabilities

 Shareholder’s Fund = 5,805,841+95,984,054 =954,473+41,641,699

 30,730,889 18,301,074

 = 101,789,895 = 42,596,172

 30,730,889 18,301,074

 = 3.31 = 2.33

This ratio measures the solvency of the companies and shows the extent of cover for external liabilities.

**INDUSTRIAL SECTOR**

 **CUTIX GREIF**

 **N’000 N’000**

1. Current Ratio/ Working Capital Ratio

 = Current Assets

 Current Liabilities =1,957,976 = 377,300

 1,359,513 376,896

 = 1.44: 1 = 1.001

A current ratio of 2:1 is accepted as ideal. Both companies do not reach this. However their assets exceed their liabilities but are not up to double of the current asset. The low current ratio shows that the company may not be able to pay its future bills in the future.

1. Quick Asset Ratio

= Current Asset – Inventory

 Current Liabilities = 1,957,975 – 1,317,955 = 377,300- 63,874

 1,359,513 376,896

 = 640,021 = 313,426

 1, 359,513 376,896

 = 0.4708 = 0.8316

 = 1:0.47 = 1:0.83

The general rule for quick ratio is 1:1 and Greif and Cutix did not attain this ratio. This ratio shows the amount of cash and other asstes that can be easily converted to cash to meet available current liabilities.

1. Receivables Collection Period

= Average Trade Receivables

 Credit Sales X 365 days = 525,058 = 168938

 5,057,374 X 365 534,611 X 365

 = 37.89 = 115.34

 = 38 days = 115 days

This shows the number of days that receivables remain uncollected. It shows the amount of days it take the debtors to pay their amount due.

1. Payables Collection Period

= Average Trade Payables

 Credit Purchases X 365 days = 499,300 = 376,896

 3,536,685 X 365 649,287 X 365

 = 51.53 = 211.87

 = 51 days = 212 days

It takes Greif more time to pay up the money owed to its creditors than it will take Cutix to do so. It shows the amount of time that the trade payables remain unpaid for.

1. Inventory Turnover

= Average Inventory

 Cost of Sales X 365 days =1,210,558 = 123,000

 3,536,685 X 365 649,287 X 365

 = 124.93 = 69.15

 = 125 days 69 days

The shorter the days, the better. Inventory turnover shows the amount of times inventory remains in store unsold for. Cutix’s stock will spend more time unsold than grief’s stock.

1. Receivables Turnover

= Credit Sales

 Average Trade Receivables = 5,057,374 = 169,938

 525,058 84,469

 = 9.63 = 2.0118

 = 10 times = 2 times

This shows how many times the companies can turn their receivables into cash during the year. Cutix has a more turnover period and is therefore more efficient than Greif.

1. Payables Turnover

= Credit Purchases

 Average Trade Payables = 3,536,685 =376,896

 499,300 188,488

 = 7.08 ` = 3.18

 = 7 times = 3 times

This shows the amount of times payables are turned over in the period. The lower the amount of times the batter and Greif has a lower turnover period than Cutix.

1. Inventory Turnover

= Cost of Sales

 Average Inventory = 3,536,685,000 = 649,287

 1,210,558,000 123,000

 = 2.92 = 5.3

 = 3 times = 5 times

The more times, the better. This measures the physical turnover of trading inventory during the period. . The more times the better. Nestle appears to have a more inventory turnover than Presco meaning it has a higher reported profit.

1. Return on Capital Employed (ROCE)

= Profit after Tax

Ordinary Shareholder’s Fund = 440,295

 440,331

 = 0.99

Cutix made profit in this year

1. Gross Profit Margin

= Gross Profit

 Sales X 100 = 1,520,689 =114676

 5,057,374 X 100 534611 X 100

 = 30.07 = 21.54

 = 30% = 22%

For every Naira generated Cutix has 30% and Greif has 22% left over to cover basic operating [costs](https://strategiccfo.com/marginal-cost-definition/) and profit. It basically shows the average gross profit as a percentage of goods sold. This shows whether a company is under pricing or over pricing. Cutix has a high margin which means it can make a good profit depending on its overhead expenses. Greif may also make a good amount of profit as well because its margin is neither low nor high.

1. Net Profit Margin

= Net Profit

 Sales X 100 = 440,295 = (262,589) 5,057,374 X 100 534,611 X 100

 = 8.71 = 49.14

 = 9% = 49%

This expresses the relative profitability of the business after all expenses are taken out. From the margin only Cutix made profit while Greif has a net loss margin of 49% which means after all expenses had been deducted they made a loss.

1. Earnings per Share/Loss per share

= Profit after Tax – Preference Dividend

 Number of ordinary shares issued = 440,495 =(262,589)

 880,661.013 42,640

 = 0.4999 = 6.1583

 = 0.50 = (6.16)

This ratio indicates the amount of profit after tax attributable to each issued ordinary share during this period. Cutix makes an earnings of 50 kobo on each ordinary share issued while Grief losses N6.16 on every share issued.

1. Price Earning Ratio

= Market Price per share (MPS)

 Earnings Per Share (EPS) = 1.6 = 9.1

 0.50 (6.16)

 = 3.2 = 1.48

The P/E ratio helps investors determine the market value of a stock as compared to the company's earnings. The higher the P/E ratio, the higher the expected earnings. Cutix will therefore bring forth a higher earnings than Greif.

1. Earnings Yield

= EPS

 MPS X 100 = 0.50 = (6.16)

 1.6 X 100 9.1 X 100

 = 31.25 = 67.6923

 = 31% = 67%

This shows the potential return of investment of the shareholder. Cutix has a higher return on its investments and an investor is most likely to invest there instead of Grief which made a loss in this period.

1. Net Assets per share (NAPS)

= Net Assets – Preference Share Capital

 Number of Ordinary Shares = 1,299,292 =(98,835)

 880,661.013 42,640

 = 1.4754 = 2.32

 = 1.48

This indicates the amount of net asset attributable to each issued ordinary share. It shows the value at which investors can buy and sell units of the fund. Therefore Cutix can sell or buy its units at N1.48 and Portland at N2.32.

1. Dividend per Share (DPS)

= Gross Dividend

 Number of ordinary shares = 176,132 NIL

 880,661.013

 = 0.1999

 = 0.20

This is the amount of dividend attributable to each issued ordinary share in the period. Therefore for each share bought in Cutix, the dividend payable is 20 kobo while in Greif dividend was not recommended by the board of directors.

1. Dividend Payout Ratio (DPR)

= DPS

 EPS X 100 = 0.20 NIL

 0.50 X 100

 = 40%

This is the percentage of the company’s distributable earnings to be paid to ordinary shareholders in form of dividend. In Cutix 40% of the company’s distributable earnings is to be paid to its ordinary shareholders while in Greif,dividend was not recommended by the board of directors.

1. Dividend Yield

= DPS

 MPS X 100 = 0.20 NIL

 1.6 X 100

 = 12.5

 = 13%

This ratio measures the current actual return on the shareholder’s investment.. Lower yielding dividend stocks equal less income, but they are often offered by more stable companies with a long record of consistent growth and steady payments. Cutix cost of equity is low. Grief did not pay dividend as recommended by the board of directors.

1. Dividend Cover

= EPS

 DPS = 0.50 NIL

 0.2

 = 2.5

 = 3 times

This shows number of times ordinary dividend is covered by distributable earning.  A low dividend cover ratio suggests that the company is paying out a large proportion of its earnings as dividends while a high ratio suggests that the company has plenty of earnings to spare after paying the dividend. Cutix’s dividend cover is not so low neither is it high.

1. Total Debt to shareholder’s fund

= Non-current + Current Liabilities

 Shareholder’s Fund = 117,457 + 1,359,513 = 376,896

 440,331 98,835

 = 3.3542 = 3.8

 = 3 times = 4 times

This ratio measures the solvency of the companies and shows the extent of cover for external liabilities. Therefore, the liabilities of Cutix and Greif are more than its Shareholder’s fund.

**HEALTH CARE**

 MAY& BAKER GLAXOSMITHKLINE

 N’000 N’00

1. Current Ratio/ Working Capital Ratio

= Current Assets = 3,306,328 =13,338,313

Current Liabilities 3,107,810 6,941,940

 = 1.0639 : 1 = 1.9214 :1

 = 1.1 : 1 = 1.9 : 1

Glaxosmithkline has a higher ratio and is therefore more liquid than May & Baker. The general rule for current ratio is 2:1 and Glaxo is closer to that meaning it has a stronger ability to meets its current liabilities out of its current assets.

1. Quick Asset Ratio

= Current Asset – Inventory = 3,306,328 ­­– 1,463,949 =13,338,313-3,938,707

 Current Liabilities 3,107,810 6,941,940

 = 1,842,379 = 9,399,606

 3,107,810 6,941,940 = 0.5928 =1.3540

 = 1:0.6 = 1.3:1

This means that in Glaxo its easily convertible assets to cash are available to meet its current liabilities. On the other hand, May &Baker didn’t reach the acceptable ratio of 1:1 as its liquid assets are les than its current liabilities.

1. Receivables Collection Period

= Average Trade Receivables = 1,482,954 = 5,740,325

Credit Sales X365 days 8,249,947 X 365 18,411,475 X365

 = 65.6099 = 113.7996

 =66 days = 114 days

Glaxo takes a longer period of 114 days for the receivables to remain uncollected and May&Baker takes 66days to collect its receivables. This shows the amount of days the debtors take before they pay their debts.

1. Payables Payment Period

= Average Trade Payables = 1,400,616 = 6,434,732

Credit Purchases X 365 days 5,241,910 X 365 11,654,697 X 365 = 97.5264 = 201.5219

 = 98 days = 202 days

May&Baker and Glaxo take 98 and 202 days respectively to pay their creditors the amount due. However excessive delays in payment may result in a reduction in the general terms of trade that suppliers are prepared to offer.

1. Inventory Turnover Period

= Average Inventory = 1,463,949 = 3,938,707

 Cost of Sales X 365 5,241,910 X 365 11,654,697 X 365

 = 101.0364 =123.3518

 = 101 days = 123 days

This shows the amount of time inventory stays in the store unsold. May&Baker has a shorter period than Glaxo and the shorter the period the better it is.

1. Receivables Turnover

= Credit Sales = 8,249,947 = 18,411,475

Average Trade Receivables 1,482,954 5,740,325

 = 5.5632 = 3.2074

 = 6 times = 3 times

This shows how many times these companies can turn their account receivables into cash during this period. It represents the money owed to the business. The higher the turnover the more efficient, therefore May&Baker is more efficient.

1. Payables Turnover

= Credit Purchases = 5,241,910 = 11,654,697

 Average Trade Payables 1,400,616 6,434,732

 = 3.7426 = 1.8112

 = 4 times = 2 times

This shows the number of times the trade payables are turned over during the period and the lower the better. It indicates the amount of times a company can pay-off its suppliers.

1. Inventory Turnover

= Cost of Sales = 5,241,910 =11,654,697

 Average Inventory 1,463,949 3,938,707

 = 3.5807 = 2.9590

 = 4 times = 3 times

This measures the physical turnover of trading inventory during the period. The more times the better. May&Baker appears to have a more inventory turnover than Glaxo meaning it has a higher reported profit.

1. Return on Capital Employed (ROCE)

= Profit after Tax = 617,073 = 618,389

Ordinary Shareholder’s Fund 3,708,011 8,651,191

 = 0.17 = 0.07

This is a financial ratio that measures a company's profitability and the efficiency with which its capital is used. In other words, the ratio measures how well a company is generating profits from its capital. Therefore May&Baker has more profit than Glaxo that can be invested back to the benefit of the company.

1. Gross Profit Margin

= Gross Profitx 100 = 3,008,037 = 6,756,778

Sales 8,249,947 x 100 18,411,475 X 100

 = 36.4613 = 36.7045

 = 36% = 37%

For every Naira generated May&Baker has 36% and Glaxo has 37% left over to cover basic operating [costs](https://strategiccfo.com/marginal-cost-definition/) and profit. It basically shows the average gross profit as a percentage of goods sold.

1. Net Profit Margin

= Net Profitx 100 = 617,073 = 618,389

 Sales 8,249,947 x 100 18,411,475 X 100

 = 7.48 = 3.35

 =7% = 3%

It shows the profitability of the companies after all expenses have been deducted. May&Baker has a higher margin and this means that it is more efficient at converting its sales to actual profit.

1. Earnings per Share

= Profit after Tax – Preference Dividend = 617,073 = 618,389

 Number of ordinary shares issued 1,725,234.886 1,195,876

 = 0.3577 = 0.5171

 = 0.36 = 0.52

Both companies don’t have preference shares therefore this ratio indicates the amount of profit after tax attributable to each issued ordinary share during this period. The higher the EPS, the more profitable it is and investors tend to invest in them. Glaxo has a higher EPS than May&Baker.

1. Price Earning Ratio

= Market Price per share (MPS) = 3.0 = 6.45

 Earnings Per Share (EPS) 0.36 0.52

 = 8.3 = 12.4

The P/E ratio helps investors determine the market value of a stock as compared to the company's earnings. The higher the P/E ratio, the higher the expected earnings. Glaxohas a higher ratio and therefore its earnings will be more than May&Baker..

1. Earnings Yield

= EPS = 0.36 = 0.52

 MPS X 100 3.0 x 100 6.45 X 100

 = 12% = 8%

This shows the potential return of investment of the shareholder. May&Baker has a higher return on its investments and an investor is most likely to invest there instead of Glaxo.

1. Net Assets per share (NAPS)

= Net Assets – Preference Share Capital = 3,708,011 = 8,651,191

 Number of Ordinary Shares 1,725,234.886 1,195,876

 = 2.15 = 7.23

This indicates the amount of net asset attributable to each issued ordinary share. It shows the value at which investors can buy and sell units of the fund. Therefore May&Baker can sell or buy its units at N2.15 and Glaxo at N7.23.

1. Dividend per Share (DPS)

= Gross Dividend = 345,046,977 =598,00

 Number of ordinary shares 1,725,234.886 1,195,876

 = 0.1999 = 0.50

 = 0.20

 = 20 kobo = 50 kobo

This is the amount of dividend attributable to each issued ordinary share in the period. Portland Paints has a higher dividend per share issued than Cap Plc.

1. Dividend Payout Ratio (DPR)

= DPS x 100 = 0.20 x 100 = 0.50

 EPS 0. 36 0.52

 = 55.5 =96.15

 = 56% = 96%

This is the percentage of the company’s distributable earnings to be paid to ordinary shareholders in form of dividend. Glaxo has a higher percentage payable than May&Baker.

1. Dividend Yield

= DPSx 100 = 0.2 = 0.50

 MPS 0.3 x 100 6.45 X 100

 = 6.6% = 7.75

 = 7% = 8%

Glaxo has a higher yield than May&Baker which means its cost of equity is higher. This ratio measure the current actual return on the shareholder’s investment.

1. Dividend Cover

=EPS = 0.36 = 0.52

 DPS 0.2 0.50

 =1.8 = 1.04

 = 2 times = Once

This shows the number of times ordinary dividend is covered by distributable earning. A low dividend cover ratio suggests that the company is paying out a large proportion of its earnings as dividends. Glaxo has a lower Dividend cover than May&Baker.

1. Gearing Ratio

=Debt = 353,013

 Equity 3,708,011

 = 0.0952

The gearing ratio is a financial ratio that compares some form of owner's equity (or capital) to debt, or funds borrowed by the company. It measures the degree of vulnerability of the company to its financial risk.

1. Total Debt to shareholder’s fund

= Non-current + Current Assets = 1,319,745 + 3,107,810

 Shareholder’s Fund 862,617,445

 = 4,427,555

 862,617,445

 = 0.0051

This ratio measures the solvency of the companies and shows the extent of cover for external liabilities.

FINANCIAL SECTOR

 ZENITH UNI0N

 N’000,000 N’000,000

1. Current Ratio/ Working Capital Ratio

 = Current Assets

 Current Liabilities =4,995,445 = 1,324,297

 4,280,413 1,124,210

 = 1.16:1 = 1.18:1

Union has a higher ratio and is therefore more liquid than Zenith. The general rule for current ratio is 2:1 and Union is closer to that meaning it has a stronger ability to meets its current liabilities out of its current assets.

1. Quick Asset Ratio

= Current Asset – Inventory

Current Liabilities = 4,995,445 = 1,324,297

 4,280,413 1,124,210

 = 1.16:1 = 1.18:1

This shows both banks its easily convertible assets to cash are available to meet its current liabilities.. Both banks do not have inventory as it provides financial services.

1. Return on Capital Employed (ROCE)

= Profit after Tax

Ordinary Shareholder’s Fund = 165,480 = 18,438

 675,032 200,087

 = 0.25 = 0.08

This is a financial ratio that measures a company's profitability and the efficiency with which its capital is used. In other words, the ratio measures how well a company is generating profits from its capital. Therefore Zenith has more profit than Union that can be invested back to the benefit of the company.

1. Earnings per Share

= Profit after Tax – Preference Dividend

 Number of ordinary shares issued = 165,480 = 18,438

 31,396.493787 29,120.752788

 = 5.27 = 0.63

This ratio indicates the amount of profit after tax attributable to each issued ordinary share during this period. The higher the EPS, the more profitable it is and investors tend to invest in them. Zenith has a higher EPS than Union.

1. Price Earning Ratio

= Market Price per share (MPS)

 Earnings Per Share (EPS) =16.2 = 5.9

* 1. 0.63

 = 3.07 = 9.36

 = 3 years = 9 years

 The P/E ratio helps investors determine the market value of a stock as compared to the company's earnings. The higher the P/E ratio, the higher the expected earnings . Therefore Union has higher earnings than Zenith.

1. Earnings Yield

= EPS

 MPS X 100 = 5.27 = 0.63

 16.2 X 100 5.9 X 100

 = 33% = 11%

This ratio shows the potential return of investment of the shareholder. It expresses in percentage how much the company earned per share. Therefore Zenith earns 33% per share and Nestle earns 11% per share.

1. Net Assets per share (NAPS)

= Net Assets – Preference Share Capital

 Number of Ordinary Shares = 4,955,445-4,280,413 = 235,976,190

 31,396 5,844,669

 = 675,032 = 40.38

 31,396

 = 21.5

This indicates the amount of net asset attributable to each issued ordinary share. It shows the value at which investors can buy and sell units of the fund. Therefore Zenith can sell or buy its shares at N21.5 and Nestle at N40.38

1. Dividend per Share (DPS)

= Gross Dividend

 Number of ordinary shares = 87,910

 31,396 NIL

 = 2.80

 This is the amount of dividend attributable to each issued ordinary share in the period. Therefore, for each share bought in Zenith, dividend payable is N2.80 while in Union no gross dividend was shown.

1. Dividend Payout Ratio (DPR)

= DPS

 EPS X 100 = 2.80

 5.27 X 100

 = 53% NIL

This is the percentage of the company’s distributable earnings to be paid to ordinary shareholders in form of dividend. Therefore 53% of company’s earnings in Zenith bank is to be paid to ordinary shareholders and no percentage in Union bank.

1. Dividend Yield

= DPS

 MPS X 100 = 2.8

 18.65 X 100

 =15% NIL

This ratio measures the current actual return on the shareholder’s investment.Higher yielding dividend stocks provide more income, but higher yield often comes with greater risk. Lower yielding dividend stocks equal less income, but they are often offered by more stable companies with a long record of consistent growth and steady payments and Zenith has a low dividend yield while Union has NIL as a result of no gross dividend.

1. Dividend Cover

= PAT – Preference Dividend

 Gross Dividend = 165,480,000,000

 87,910,000 NIL

 = 1.88

 = 2 times

This shows number of times ordinary dividend is covered by distributable earning.  A low dividend cover ratio suggests that the company is paying out a large proportion of its earnings as dividends while a high ratio suggests that the company has plenty of earnings to spare after paying the dividend.

1. Gearing Ratio

=Debt

 Equity = 4,280,413 = 1,124,210

 675,032 200,087

 = 6.3 = 5.6

The gearing ratio is a financial ratio that compares some form of owner's equity (or capital) to debt, or funds borrowed by the company .Both companies are highly geared which means they have a high risk of being forced into liquidation.

1. Total Debt to shareholder’s fund

= Non-current + Current Liabilities

 Shareholder’s Fund = 4,280,413 = 1,124,210

 675,032 200,087

 = 6 times = 6 times

This ratio measures the solvency of the companies and shows the extent of cover for external liabilities. Therefore, the liabilities of Zenith and Union are more than its Shareholder’s fund.

**CONSUMER SERVICE**

 **Ikeja Hotel**

1. Current Ratio/ Working Capital Ratio

 = Current Assets

 Current Liabilities = 4,051,588 = 5,722,247

 6,754,209 19,627,117

 = 0.6:1 = 0.29: 1

Both companies did not reach the general rule of 2:1 which means their liabilities exceed their assets and their assets can cover the liabilities.

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1. Quick Asset Ratio

= Current Asset – Inventory

Current Liabilities = 4,501,588 – 53,333 = 5,722,247 – 526,851

 6,754,209 19,627,117

 = 0.59:1 = 0.27: 1

The general ratio acceptable for quick asset ratio is 1:1 was not reached by the both companies. This means that its easily convertible assets cannot meet up its current liabilities

1. Receivables Collection Period

= Average Trade Receivables

 Credit Sales X 365 days = 770,733 = 2,051,882

 7,290,231 X 365 16,475,720 X 365

 = 39 days = 46 days

This is the amount of days it takes the debtors to pay their amount due. Ikeja Hotel receivables remain unpaid for 39 days while that of Transcorp for 46 days .

1. Payables Collection Period

= Average Trade Payables

 Credit Purchases X 365 days = 1,252,102 = 7,804,949

 4,670,742 X 365 4,233,787 X 365

 = 98 days = 673 days

This shows the amount of time payables are yet to be paid for. This ratio is important to suppliers. Excessive delay in payment like in Transscorp may result to general terms of trade that suppliers are prepared to offer.

1. Inventory Turnover Period

= Average Inventory

 Cost of Sales X 365 days = 53,333 = 526,851

 4,670,742 X 365 4,233,787 X 365

 = 4 days = 45 days

This ratio indicates the amount of days the inventory of a company remains in the stores unsold before sales are made. Ikeja Hotel has a shorter inventory turnover which is better than that of Transcorp.

1. Receivables Turnover

= Credit Sales

 Average Trade Receivables = 7,290,231 = 16,475,720

 770,733 2,051,882

 = 9 times = 8 times

This shows the number of times trade receivables are turned over in the period. The higher the turnover, the more efficient. Therefore from this ratio Ikeja Hotel is more efficient than Transcorp.

1. Payables Turnover

= Credit Purchases

 Average Trade Payables = 4,670,742 = 4,233,787

 1,252,102 7,804,949

 = 4 times = 0.5 times

This shows the number of times that trade payables are turned over in this year. The lesser the turnover, the better. The payable turnover for Transcorp is lower which is better.

1. Inventory Turnover

= Cost of Sales

 Average Inventory = 4,670,742 = 4,233,787

 53,333 526,85 = 88 times = 8 times

This measures the physical turnover of trading inventory during the period. The more times the better. Ikeja Hotel appears to have a more inventory turnover than Transcorp Hotel meaning it has a higher reported profit.

1. Return on Capital Employed (ROCE)

= Profit after Tax

Ordinary Shareholder’s Fund = 677,034 = 5,187,367

 8,102,939 89,159,573

 = 0.84 = 0.05

 This is a financial ratio that measures a company's profitability and the efficiency with which its capital is used. In other words, the ratio measures how well a company is generating profits from its capital. Therefore Ikeja Hotel has more profit than Transcorp that can be invested back to the benefit of the company.

1. Gross Profit Margin

= Gross Profit

 Sales X 100 = 2,619,489 = 12,241,933

 7,290,231 X 100 16,475,720 X 100

 = 36% = 74%

For every Naira generated Ikeja Hotel has 36% and Transcorp has 74% left over to cover basic operating [costs](https://strategiccfo.com/marginal-cost-definition/) and profit. It basically shows the average gross profit as a percentage of goods sold. This shows whether a company is under pricing or over pricing. Transcorp has a high margin which means it can make a good profit depending on its overhead expenses. Ikeja Hotel may also make a good amount of profit as well because its margin is neither low nor high.

1. Net Profit Margin

= Net Profit

 Sales X 100 = 677,034 = 3,876,300

 7,290,231 X 100 16,475,720 X 100

 = 9% = 24%

This expresses the relative profitability of the business after all expenses are taken out. From the margin both companies made a profit. Ikeja Hotel makes 9% profit and nestle makes 24% for each sale.

1. Earnings per Share

= Profit after Tax – Preference Dividend

 Number of ordinary shares issued = 677,034 =3,876,300,000

 2,078,796 7,600,403,900

 = 0.33 = 0.51

This ratio indicates the amount of profit after tax attributable to each issued ordinary share during this period. Transcorp’s EPS is more than that Ikeja Hotel’s EPS. An investor is more likely to invest in Transcorp instead of Ikeja Hotel.

1. Price Earning Ratio

= Market Price per share (MPS)

Earnings Per Share (EPS) = 1.15 = 5.4

 0.33 0.51

 = 3 years = 11 years

The P/E ratio helps investors determine the market value of a stock as compared to the company's earnings. The higher the P/E ratio, the higher the expected earnings . Therefore Transcorp has higher P/E than Ikeja Hotel.

1. Earnings Yield

= EPS

 MPS X 100 = 0.33 = 0.51

 1.15 X 100 5.4 X 100

 = 28% = 9.4%

This ratio shows the potential return of investment of the shareholder. It expresses in percentage how much the company earned per share. Therefore Ikeja Hotel earns 28% per share and Nestle earns 9.4% per share.

1. Net Assets per share (NAPS)

= Net Assets – Preference Share Capital

 Number of Ordinary Shares = 8,102,939 = 57,636,528

 2,078,796 7,600,403

 = 3.90 = 7.6

This indicates the amount of net asset attributable to each issued ordinary share. It shows the value at which investors can buy and sell units of the fund. Therefore Ikeja Hotel can sell or buy its shares at N3.9 and Transcorp at N7.6

1. Dividend per Share (DPS)

= Gross Dividend

 Number of ordinary shares = 16,691 = 1,140,060,585

 2,078,796 7,000,403,900

 = 0.008 = 0.15

This is the amount of dividend attributable to each issued ordinary share in the period. Therefore, for each share bought in Ikeja Hotel, dividend payable is N0.008 and in Transcorp, it is N0.15.

1. Dividend Payout Ratio (DPR)

= DPS

 EPS X 100 = 0.008 = 0.15

 0.33 X 100 0.51 X 100

 = 2.43% = 29.4%

This is the percentage of the company’s distributable earnings to be paid to ordinary shareholders in form of dividend. Transcorp has a higher dividend payout ratio than Ikeja Hotel.

1. Dividend Yield

= DPS

 MPS X 100 = 0.008 = 0.15

 1.15 X 100 5.4 X 100

 = 0.7% = 2.8%

Transcorp has a higher yield than Ikeja Hotel which means its cost of equity is higher. This ratio measures the current actual return on the shareholder’s investment.Higher yielding dividend stocks provide more income, but higher yield often comes with greater risk. Lower yielding dividend stocks equal less income, but they are often offered by more stable companies with a long record of consistent growth and steady payments.

1. Dividend Cover

= EPS

DPS = 0.33 = 3,876,300

 0.008 1,140,060.900

 = 41 times = 3.4 times

This shows number of times ordinary dividend is covered by distributable earning.  A low dividend cover ratio suggests that the company is paying out a large proportion of its earnings as dividends while a high ratio suggests that the company has plenty of earnings to spare after paying the dividend.

1. Total Debt to shareholder’s fund

= Non-current + Current Liabilities

 Shareholder’s Fund = 9,751,962+6,754,209 = 31,521,045 + 19,627,117

 8,102,939 57,637,528

 =2.03 = 0.89

This ratio measures the solvency of the companies and shows the extent of cover for external liabilities. Therefore, the liabilities of Ikeja Hotel Plc are more than its Shareholder’s fund unlike in Transcorp.

TELECOMMUNICATION SECTOR

 E-Tranzact Chams PLC

 N’000 N’000

1. Current Ratio/ Working Capital Ratio

 = Current Assets

 Current Liabilities =4,105,003 = 607,801

 5,603,715 1,478,060

 =0.73:1 =0.41:1

Both companies did not reach the general rule of 2:1 which means their liabilities exceed their assets and their assets can cover the liabilities.

1. Quick Asset Ratio

= Current Asset – Inventory

Current Liabilities = 4,105,003 – 401,048 = 607,801-67,648

 5,603,715 1,478,060

 = 0.73:1 = 0.41:1

The general ratio acceptable for quick asset ratio is 1:1 was not reached by the both companies. This means that its easily convertible assets cannot meet up its current liabilities.

1. Receivables Collection Period

= Average Trade Receivables

 Credit Sales X 365 days = 1,075,193 = 510,446

 18,621,653 X 365 584,393 X 365

 = 21 days = 319 days

This is the amount of days it takes the debtors to pay their amount due. E-tranzact receivables remain unpaid for 21 days while that of Chams for 319 days.

1. Payables Collection Period

= Average Trade Payables

 Credit Purchases X 365 days =5,564,590 = 1,246,204

 16,997,019X 365 346,230X 365

 = 119 days = 1,313 days

This shows the amount of time payables are yet to be paid for. This ratio is important to suppliers. Excessive delay in payment like in Chams may result to general terms of trade that suppliers are prepared to offer.

1. Inventory Turnover Period

= Average Inventory

 Cost of Sales X 365 days = 316,742 =67,648

 16,997,019 X 365 346,230 X 365

 = 7 days = 71 days

This shows the amount of time inventory stays in the store unsold. E-tranzact has a shorter period than Chams and the shorter the period the better it is.

1. Receivables Turnover

= Credit Sales

 Average Trade Receivables = 18,621,653 = 584,392

 1,075,193 510,446

 = 17 times = 1time(Once)

This shows how many times these companies can turn their account receivables into cash during this period. It represents the money owed to the business. The higher the turnover the more efficient, therefore E-tranzact is more efficient.

1. Payables Turnover

= Credit Purchases

 Average Trade Payables = 16,997,019 = 346,230

 5,564,590 1,246,204

 = 3 times = 0.28 times

This shows the number of times the trade payables are turned over during the period and the lower the better. It indicates the amount of times a company can pay-off its suppliers.

1. Inventory Turnover

= Cost of Sales

 Average Inventory = 5,564,950 = 346,230

 316,742 67,648

 = 17.57 = 5.11

 = 18 times = 5 times

This measures the physical turnover of trading inventory during the period. The more times the better. E-tranzact appears to have a more inventory turnover than Chams meaning it has a higher reported profit.

1. Return on Capital Employed (ROCE)

= Profit after Tax

Ordinary Shareholder’s Fund = 3,136,413 = 385,796

 338,684 3,727,899 = 9.2 = 0.10

This is a financial ratio that measures a company's profitability and the efficiency with which its capital is used. In other words, the ratio measures how well a company is generating profits from its capital.

1. Gross Profit Margin

= Gross Profit

 Sales X 100 = 1,624,634 = 238,162

 18,621,653 584,392 X 100

 = 9% = 41%

For every Naira generated E-transact has 9% and Chams has 41% left over to cover basic operating [costs](https://strategiccfo.com/marginal-cost-definition/) and profit. It basically shows the average gross profit as a percentage of goods sold.

1. Net Profit Margin

= Net Profit

 Sales X 100 = 3,136,413 = 385,796

 18,621,653 584,392 X 100

 = 17% = 66%

It shows the profitability of the companies after all expenses have been deducted. Chams has a higher margin and this means that it is more efficient at converting its sales to actual profit.

1. Earnings per Share

= Profit after Tax – Preference Dividend

 Number of ordinary shares issued = (3,136,413) =386,796

 4,200,000 4,969,060

 = (0.74) = 0.08

This ratio indicates the amount of profit after tax attributable to each issued ordinary share during this period. The higher the EPS, the more profitable it is and investors tend to invest in them. Chams has a higher EPS than E-Tranzact as they made a loss.

1. Price Earning Ratio

= Market Price per share (MPS)

 Earnings Per Share (EPS) = 2.6 = 0.21

 (0.74) 0.08

 = 3.5 = 2.6

 = (4) years = 3 years

The P/E ratio helps investors determine the market value of a stock as compared to the company's earnings. The higher the P/E ratio, the higher the expected earnings . Chams has a higher P/E than E-Tranzact as they made a loss

1. Earnings Yield

= EPS

 MPS X 100 = (0.74) = 0.08

 2.6 X 100 0.21 X 100

 =(28%) = 38%

This ratio shows the potential return of investment of the shareholder. It expresses in percentage how much the company earned per share. Therefore E-transact losses 28% per share and Chams earns 38% per share.

1. Net Assets per share (NAPS)

= Net Assets – Preference Share Capital

 Number of Ordinary Shares = 159,667 =3,727,899

 4,200,000 4,969,060

 = 0.04 = 0.75

This indicates the amount of net asset attributable to each issued ordinary share. It shows the value at which investors can buy and sell units of the fund. Therefore E-transact can sell or buy its shares at N0.04 and Nestle at N0.75.

1. Dividend per Share (DPS)

= Gross Dividend

 Number of ordinary shares NIL = 149,072

 4,696,060

 = 0.03

This is the amount of dividend attributable to each issued ordinary share in the period. Therefore, for each share bought in Chams, dividend payable is N0.03 while in E-tranzact no gross dividend was shown.

1. Dividend Payout Ratio (DPR)

= DPS

 EPS X 100 NIL = 0.03

 0.08 X 100

 = 38%

This is the percentage of the company’s distributable earnings to be paid to ordinary shareholders in form of dividend. Therefore 38% of company’s earnings in Chams is to be paid to ordinary shareholders and no percentage in E-transact as a result of no dividend paid.

1. Dividend Yield

= DPS

 MPS X 100 NIL = 0.03

 0.21 X 100

 = 14%

This ratio measures the current actual return on the shareholder’s investment.Higher yielding dividend stocks provide more income, but higher yield often comes with greater risk. Lower yielding dividend stocks equal less income, but they are often offered by more stable companies with a long record of consistent growth and steady payments and Chams has a low dividend yield while E-tranzact has NIL as a result of no gross dividend,

1. Dividend Cover

= EPS

 DPS NIL = 0.08

 0.03

 = 3 times

This shows number of times ordinary dividend is covered by distributable earning.  A low dividend cover ratio suggests that the company is paying out a large proportion of its earnings as dividends while a high ratio suggests that the company has plenty of earnings to spare after paying the dividend

1. Total Debt to shareholder’s fund

= Non-current + Current Liabilities

 Shareholder’s Fund =177,017+ 5,630,715 =1,478,060

 159,667 3,727,899 =36.3 =0.39

This ratio measures the solvency of the companies and shows the extent of cover for external liabilities. Therefore, the liabilities of Chams Plc are more than its Shareholder’s fund.