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TERM PAPER ON ACCOUNTING RATIOS

COMPANIES ANALYSE:

FORTE OIL PLC (OIL AND GAS)

CONOIL PLC (OIL AND GAS)

BETA GLASS NIGERIA PLC 2018 (INDUSTRIALS)

GREIF 2018 (INDUSTRIALS)

NESTLE LTD 2018 (CONSUMER SERVICES)

CAPITAL HOTEL PLC 2018 (CONSUMERS SERVICES)

BOC GLASS NIGERIA PLC 2018 (BASIC SERVICES)

GLAXOSMITHKLINE CONSUMER NIGERIA PLC 2018 (HEALTH SERVICES)

M&B NIGERIA PLC 2018 ( HEALTH SERVICES)

OMATEK 2018 (TELECOMMUNICATION SECTOR)

ACCOUNTING RATIO ANALYSIS FOR CONOIL AND FORTE OIL FOR THE YEAR ENDED 2018:

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| --- | --- | --- |
| RATIOS/FORMULA | CONOIL PLC | FORTE OIL PLC |
| Short term/Liquidity Ratio:  Current Ratio=Current assets/Current Liability | 54908451  41641699  = 1.32:1 | 49591082  39438641  = 1.26:1 |
| Acid test ratio=  Current assets-Inventory  Current Liabilities | 54908451-9141599  41641699  =1.1:1 | 49591082-9528416 39438641  = 1.0:1 |
| Receivable Collection Period= Average receivables  Credit Sales X 365 days | 30295096 X 365days 122213014  = 91days | 28611871 x 365days  134706306  = 78days |
| Payables Payment Period= Average payables X 365 days  Cost of sales | 35065872 × 365days  109442111  = 117days | 26097620 x 365days 123376240  = 77days |
| Inventory Turnover Period= Average inventory X 365 days  cost of sales | 7401377 x 365days / 109442111  = 25days | 7072266 x 365days 123376240  = 21days |

|  |  |  |
| --- | --- | --- |
| Receivable turnover  = Credit sales  Average receivables | 122213014  30295096  = 4times | 134706306  28611871  = 4.7times |
| Payables turnover  = cost of sales  average payables | 109442111  35065872  = 3.1times | 123376240  26097620  = 4.7times |
| Inventory turnover= cost of sales/average inventory | 109442111  7401377  = 15times | 123376240  7072266  = 18times |
| **EFFICIENCY PROFITABILITY RATIOS**:  ROCE  = PBIT  Capital employed  Capital employed  = total assets-current liabilities | 1796042  18301074  = 0.10 | 631471  13748970  = 0.05 |
| Gross profit margin= Gross profit/Sales X 100% | 12770902 x 100  122213014  = 10.5% | 11330066 x 100  134706306  = 8.4% |
|  |  |  |
| Earning Yield  =EPS/MPS X 100% | 0.259  18.5  = 0.014 | 0.48  18.1  = 0.027 |
| Net Assets Per Share  =Net assets-Preference share  No of ordinary shares | 60897246 - 0  693952  = 87.8 | 60729733 - 0  1310628  = 46.3 |
| Dividend per share  =Gross dividend  No of ordinary shares | 2151252  693952  = 3.1 |  |
| Dividend pay-out ratio  =DPS X 100%  EPS | 3.1 x 100  0.259  = 12% |  |
| Dividend Yield  =DPS X 100%  MPS | 3.1 x 100  18.5  = 16.7% |  |
| Dividend Covered= EPS  DPS | 1796042 - 0  2151252  = 0.83 |  |
| Long Term Solvency Ratio |  |  |
|  |  |  |

ACCOUNTING RATIO FOR BETA PLC FOR THE YEAR END 2018

Short term solvency and liquidity ratio:

1. Quick Asset or Acid Test Ratio= current asset- inventory

Current liability

= 46,079,629,000 - 6,239,740,000

16,452,056,000

=2.42

1. Payables collection period= average trade payables ×365 days

Credit purchases

Average trade payables= opening balance + closing balance

2

=11,598,087,000 + 5,282,430,000

2

=8,440,234,000 × 365 days

19,940,375,000

=154days

1. Receivables collection period = average trade receivables×365 days

Credit sales

Average trade receivables= 14,498,000,000 + 17,672,000,000

2

= 16,085,000,000 × 365 days

26,321,014,000

=223 days

1. Inventory turnover period = average inventory × 365 days **/** cost of sales

= 5,632,478 × 365 days

19,940,375

= 103 days

1. Receivables turnover = credit sales

Average receivables

= 26,321,014,000

16,085,000,000

= 2 times

1. Payable turnover = credit purchases

Average trade payables

= 19,940,375,000

8440,234,000

= 2 times

1. Inventory turnover = cost of sales

Average inventory

= 19,940,375,000

8,440,234,000

= 3.5 time

= 4 times

Efficiency / profitability ratio:

1. Return on capital employed = profit

Capital employed

Capital employed = total equity + total liabilities

= 5,052,805,000

46,079,629,000

=10.9

1. Gross margin = gross profit × 100%

Sales

= 6,380,639/ 26,321,014 × 100%

=24%

1. Net profit percentage = net profit × 100%

Sales

1. Expenses percentage = individual expense × 100%

Total expenses

= 2,645,683,000

=

1. Expenses to sales = individual expenses ×100%

Sales

= 2,645,683,000 × 100%

26,321,014,000

= 10%

Investor’s shareholder’s ratio:

1. Earnings per share = 10.11k

(Already evaluated in the financial statements)

1. Market price per share= 68.30

1. Price earnings ratio = market price per share

Earnings per share

= 68.30

10.11

= 6.76

1. Earnings yield= earnings per share

Market price per share

= 10.11

68.30

1. Net asset per share = net asset – preference share capital

Number of ordinary share in issue

= 17,518,004,000 – 249,986,000 ×

499,972,000

= 1260

Long term solvency and stability ratio:

1. Risk of being forced into liquidation = debt

Debt+ equity

= 3,823,823,000

3,823,823,000+ 29,627,573,000

= 29627574

1. Fixed interest cover = profit before interest and tax

Fixed interest

7,188,181,000 + 2,135,376,000

243,233,000

= 24

1. Total debt to shareholders funds

= non-current liabilities + current liabilities

Equity

= 2,728,744,000 + 13,723,312,000

29,627,573,000

=0.55

The accounting ratio analysis of beta glass Nigeria plc. evaluates its ability to pay back short term obligations ,marketable securities, etc., the net working capital determines the company’s current obligation with its current asset and how much excess or deficiency there is .the inventory turnover represents the number of days inventory sits in the warehouse , it measures the number of days from purchase of inventory to sale.

ACCOUNTIING RATIO FOR THE YEAR ENDED 2018 GREIF PLC (INDUSTRAIALS)

SHORT TERM SOLVENCY AND LIQUIDIDTY RATIO:

1. Quick asset or acid test ratio:
2. Receivables collection =

Average trade payables= average trade payables ×365 days

Credit sales

Average trade payables = opening balance + closing balance

2

=168,938,000 + 236,670,000

2

=202,804,000 × 365 days

534,611,000

Average trade payables = 138 days

1. payables payment period = average trade payables × 365 days

Credit purchases

=376,580,000 × 365 days

649,287,000

= 138 days

1. Inventory turnover period= average inventory ×365 days

Cost of sales

Average inventory = 63,873,000 + 182,126,000

2

=123,000,000

= 123,000,000

649,287,000

Inventory turnover period = 69 days

1. Receivables turnover = credit sales

Average receivables

= 534,611,000

202,804,000

= 2 times

1. Payables turnover = credit payables

Average trade payables

= 649,282,000

376,580,000

= 2 times (approximately)

1. Inventory turnover= cost of sales

Average inventory

= 649,287,000

123,000,000

= 5 times

EFFICIENCY/ PROFITABLITY RATIO:

1. Return on capital employed=

Loss margin = 114,767,000 × 100%

534,611,000

=21 %( loss)

Asset turnover = loss × 100%

Capital employed

= 114, 767,000 × 100%

475,731,000

= 2.15%

=114,767,000 × 100

1. Net profit percentage = net profit/loss × 100%

Sales

= (257,730,000) ×100%

534,611,000

= 48% (loss)

LONG TERM SOLVENCY:

1. Gearing ratio= debt

Debt + equity

= 253,288,000

253,288,000 + 98,835,000

= 0.7%

1. Fixed interest cover= loss

Fixed interest

= (245,229,000)

1. Total debt to shareholder’s ratio= non-current liabilities + current liabilities

Equity

= 98,431,000 + 377,300,000

21,320,000

=2:3

Comparing both financial statements in the consumer goods sector grief Nigeria plc. Has a lesser chance of liquidating a shorter loan payback period than beta glass plc. Although grief plc. Ran at a loss within the accounting year.

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| --- | --- |
| RATIOS/FORMULA | NESTLE NIGERIA PLC |
| **Short term/Liquidity Ratio:**  Current Ratio  =Current assets  Current Liability | 82734317  92117501  =0.9 |
| Acid test ratio  = Current assets - Inventory  Current Liabilities | 8273317 - 23124020  92117501  =0.65 |
| Receivable Collection Period  = Average receivables X 365 days  Credit Sales | 42175062 X 365  266274621  =58days |
| Payables Payment Period  = Average payables × 365 DAYS  Cost of sales | 60384454 x 365  152354445  =147days |
| Inventory Turnover Period  = Average inventory × 365 days  cost of sales | 23124020 x 365  152354445  =114days |
| Receivable turnover  = Credit sales  Average receivables | 266274621  42175062  =6times |

|  |  |
| --- | --- |
| Payables turnover  = cost of sales  average payables | 152354445  60384454  =3times |
| Inventory turnover  = cost of sales  average inventory | 152354445  23124020  =7times |
|  |  |
|  |  |
| **Investors/Shareholders Ratios**  EPS  =PAT-Preference dividend X 100%  No of ordinary shares | 43008026000  792652252  =54.2 |
| Price earnings ratio=MPS/EPS | 1485/54.2=27.3 |
| Earning Yield  =EPS X 100%  MPS | 54.2  1485  =0.04 |
| Net Assets Per Share  =Net assets-Preference share  No of ordinary shares | = 162334422000 - 112113936000)  792652252  =50220486  792652252  =63.4 |
|  |  |
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ACCOUNTING RATIO FOR CAPITAL HOTEL FOR THE YEAR ENDED 2018: (CONSUMER SERVICES):

Short-term solvency and liquidity ratio:

1. Quick asset or acid test= current asset- inventory

Current liability

=5,698,295,000- 1,620,077,000

2,630,470,000

=1.5

1. Receivables collection period= average trade receivable × 365 days

Credit sales

=1,617,967,000 × 365 days

5,979,436,000

=0.27

1. Payables payment period= average trade payables × 365days

Credit purchase

Average trade payables = opening balance + closing balance

2

= 2,378,096,000+ 1935,125,000

2

ATP = 1,086,109,000

1,086,109,000× 365 days

4,869,732,000

PPP= 81days

1. Inventory turnover period= average inventory × 365 days

Cost of sales

Average inventory = opening balance + closing balance

2

= 141,990,000 + 251,229,000

2

ITP = 196,609,000 × 365 DAYS

4,869,732,000

=15 DAYS (approximately)

1. Receivables turnover = credit sales

Average receivables

Average receivables =5,977,436,000

RT = 5,977,436,000

1,617,967,000

=3.7 TIMES

1. PAYABLES TURNOVER= credit payables

Average trade payables

= 4,869,732,000

1,086,109,000

= 4times

1. Inventory turnover = cost of sales

Average trade payables

= 4,869,732,000

196,609,000

= 25 times

EFFICIENCY/ PROFITABLITY RATIO:

1. Return on capital employed = profit

Capital employed

Asset turnover = sales ×100%

Capital employed

Capital employed= total equity + total liabilities

=3,659,836,000

= 5,977,436,000 × 100%

3,659,836,000

= 163%

1. Gross profit percentage = gross profit × 100%

Sales

=1,107,704,000 × 100%

5,977,436,000

= 19%

INVESTORS SHAREHOLDERS RATIO:

1. Dividend per share = gross dividend

Number of ordinary share

= 77,439,000

1,548,780,000

=50naira

1. Earnings per share= 0.25k
2. Dividend cover = profit after tax – preference dividend

Total dividend

= 379,946,000

1,548,780,000

= 0.24%

1. Price earnings ratio= market price per share

Earnings per share

MPS= 3.10

= 3.10

0.25

12 years 4 months

1. Earnings yield= earnings price per share

Market price per share

= 0.25

3.10

= 0.08

1. Dividend payout ratio= divided per share

Earnings per share

= 50

0.25

Long term solvency and stability ratio:

1. fixed interest cover= profit before tax + tax

Fixed interest

= 507,781,000 + 120,630,000

70,771,000

=62,811,000.000

70,771,000

=0.89

1. total debt to shareholders funds=

Non-current liabilities + current liabilities

Equity /shareholders’ funds

=1,029,358,000 +3,659,836

6,416,983

=0.73

Capital hotels plc. Has great acid test of 1.5, ended the financial year at profit with a short payback period and an acceptable fixed interest cover rate.

ACCOUNTING RATIOS FOR BOC GLASS NIGERIA PLC FOR THE ENDED 2018:

SHORT TERM SOLVENCY AND LIQUIDITY RATIO:

1. quick asset or acid test ratio= current asset – inventory

Current liabilities

= 2,119,056,000-156,404,000

1,828,719,000

= 1.07

1. receivables collection period= average trade receivables × 365 days

Credit sales

Average trade receivables= 425,776,000 + 541,143,000

2

=483,459

=483,459,000 × 365 days

2,869,713,000

RCP = 61 days

1. Payables payment period = average trade payables × 365days

Credit sales

Average trade payables= 1,026,198,000 + 1,161,789,000

2

ATP = 1,093,994,000

PPP= 1,093,994,000 × 365days

1,425,662,000

PPP =280 days

1. Inventory turnover period =average inventory × 365 days

Cost of sales

= 164,564,000 × 365 days

1,425,662,000

= 42 days

1. Receivables turnover = credit sales

Average receivables

= 2,869,713,000

483,459

= 59 times

1. Payables turnover = credit purchases

Average trade payables

= 1,425,662,000

1,093,994,000

=1

EFFICIENCY/ PROFITABLITY RATIO:

1. Return on capital employed = profit × 100%

Capital employed

Capital employed = total equity + liabilities

= 4,491,256,000

ROCE= 558,569,000 + 200,965,000

4,491,256,000

= 0.17

1. Profit margin = profit × 100%

Sales

=357,604,000 × 100%

2,869,713,000

= 12%

1. Gross profit percentage = gross profit × 100%

Sales

= 1,444,051,000 × 100%

2,869,713,000

= 50%

Investors/ shareholders ratio:

1. Earnings per share = 0.86k
2. Market price per share= 4.21
3. Net assets per share = net asset- preference share capital

Number of ordinary shares

= 2,119,056,000 – 83,755,294

500,000,000

=

1. Dividend payout ratio= dividend per share × 100%

Earnings per share

= 0.40 × 100%

0.86

= 40%

1. Dividend per share = gross dividend

Number of ordinary shares

=204,665,000

500,000,000

=0.40

1. Dividend cover = profit after tax – preference dividend

Total dividend

= 357,604,000- 83,755,294

500,000,000

= 0.54

Long term solvency:

1. Total debt to shareholders fund= non-current liabilities + current liabilities

Equity

= 529,765,000 +1,298,954,000

2,662,537

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| --- | --- |
| RATIOS/FORMULA | GLAXOSMITHKLINE |
| **Short term/Liquidity Ratio:**  Current Ratio  =Current assets  Current Liability | 13,338,313  6,941,940  = 1.9 |
|  |  |
| Receivable Collection Period  = Average receivables X 365 days  Credit Sales | 5,740,325 X 365 days  18,411,475  =114 days |
| Payables Payment Period  = Average payable X 365 days  Cost of sales | 6,434,732 X 365 days  11,654,697  =201 days |
| Inventory Turnover Period  = Average inventory X 365 days  cost of sales | 3,938,707 X 365 days  11,654,697  =123 days |
| Receivable turnover  = Credit sales  Average receivables | 18,411,475  5740325  =3.2 |
| Payables turnover  = cost of sales  average payables | 11,654,697  6434732  =1.8 |

ACCOUNTING RATIO FOR MAY AND BAKER (M&B) NIGERIA PLC FOR THE YEAR ENDED 2018:

SHORT TERM SOLVENCY AND LIQUIDITY RATIO;

1. Quick asset or acid test ratio= current assets –inventory

Current liabilities

= 13,338,313,000 -3,938,707,000

7,049,025,000

=7,049,025

1. Receivables collection period= average trade receivables × 365 days

Credit sales

= 6,275,745,000 × 365 days

11,654,697,000

= 197 days

1. Payables payment period = average trade payables × 365 days

Credit purchases

= 7,777,664,000 × 365

11,610,160,000

=245 days

1. Inventory turnover period = average inventory × 365 days

Cost of sales

3,651,067,000 ×365

11,654,697,000

=114 days

1. Receivables turnover = credit sales

Average receivables

=11,654,697,000

6,275,745,000

= 2 times (approximately)

1. Payables turnover = credit purchases

Average trade payables

= 11,610,160,000

7,777,664,000

= 1

1. Inventory turnover = cost of sales

Average inventory

= 11,610,160,000

3,651,067,000

=3

EFFICIENCY/ PROFITABILTY RATIO:

1. RETURN ON CAPITAL EMPLOYED= profit

Capital employed

Capital employed= 15,700,216,000

= 618,389,000

15,700,216,000

= 39.3

1. Profit margin = profit × 100 %

Sales

=618,389,000 × 100%

11,654,697,000

= 5.3%

1. Asset turnover = sales × 100%

Capital employed

= 11,654,697,000 × 100%

15,700,216,000

= 72%

1. Gross profit percentage = gross profit × 100%

Sales

= 6,756,778,000 × 100%

11,654,697,000

= 58%

INVESTORS/ SHAREHOLDERS RATIO:

1. Earnings per share = 0.52k
2. Market price per share= 14.50k
3. Price earnings ratio= market price per share

Earnings per share

= 14.50

0.52

= 27.8

1. Earnings yield = EPS

MPPS

= 0.52

14.50

= 0.35

1. Net asset per share = net asset – preference share capital

Number of ordinary share in issue

= 13,338,313,000 – 304,124,000

1,500,000

= 8,689

LONG TERM SOLVENCY AND STABILITY RATIO:

1. Total debt to shareholders funds=

Non-current liabilities + current liabilities

Equity/ shareholders’ funds

= 107,085,000 + 6,941,940,000

7,049,025,000

= 16%

GSK is 16% solvent and can cover 16% of its external liabilities

ACCOUNTING RATIO FOR OMATEK FOR AFRICA FOR ENDED 2018

SHORT TERM SOLVENCY AND LIQUIDITY RATIO:

1. Quick asset or acid test ratio= current asset – inventory

Current liabilities

= 3,487,000,000

4,425,000,000

=0.788

1. Receivables collection period = average trade receivable × 100%

Credit sales

= 3,487,000,000 × 365days

80,000,000

= 15,909,000,000

1. Payables payment period = average trade payables × 365 days

Credit purchases

= 3,897,000,000 × 365 days

1. Receivables turnover = credit sales

Average receivables

= 80,000,000

3,487,000,000

=0.022

EFFICIENCY/ PROFITABILITY RATIO:

1. Return on capital employed = profit/loss × 100%

Capital employed

Capital employed = 2,242,000,000

ROCE = 1,045,000,000(loss) × 100%

2,242,000,000

= 46%

1. Assets turnover = sales × 100%

Capital employed

= 80,000,000 × 100%

2,242,000,000

=3.5%

1. Gross profit percentage = gross profit × 100%

Sales

= 80,000,000 × 100%

80,000,000

= 100%

Omatek ended the 2018 financial at a loss with expenditure exceeding income.