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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 | 5490845141641699 = 1.32:1 | 4959108239438641 = 1.26:1 |
| Acid test ratio= Current assets-InventoryCurrent Liabilities | 54908451-9141599  41641699=1.1:1  | 49591082-9528416 39438641 = 1.0:1 |
| Receivable Collection Period= Average receivablesCredit 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 × 365days109442111 = 117days  | 26097620 x 365days 123376240 = 77days |
| Inventory Turnover Period= Average inventory X 365 dayscost of sales  | 7401377 x 365days / 109442111 = 25days | 7072266 x 365days 123376240 = 21days |

|  |  |  |
| --- | --- | --- |
| Receivable turnover= Credit sales Average receivables | 12221301430295096 = 4times | 13470630628611871 = 4.7times |
| Payables turnover= cost of sales average payables | 10944211135065872 = 3.1times | 12337624026097620 = 4.7times |
| Inventory turnover= cost of sales/average inventory | 1094421117401377 = 15times | 1233762407072266 = 18times |
| **EFFICIENCY PROFITABILITY RATIOS**:ROCE= PBITCapital employedCapital employed= total assets-current liabilities | 179604218301074 = 0.10 | 63147113748970= 0.05 |
| Gross profit margin= Gross profit/Sales X 100% | 12770902 x 100122213014 = 10.5% | 11330066 x 100134706306 = 8.4% |
|  |  |  |
| Earning Yield=EPS/MPS X 100% | 0.25918.5 = 0.014 | 0.4818.1 = 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 | 2151252693952 = 3.1 |  |
| Dividend pay-out ratio=DPS X 100% EPS | 3.1 x 1000.259 = 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.

|  |  |
| --- | --- |
| RATIOS/FORMULA | NESTLE NIGERIA PLC |
| **Short term/Liquidity Ratio:**Current Ratio=Current assets Current Liability | 8273431792117501=0.9 |
| Acid test ratio= Current assets - Inventory Current Liabilities | 8273317 - 2312402092117501=0.65 |
| Receivable Collection Period= Average receivables X 365 days  Credit Sales  | 42175062 X 365266274621=58days |
| Payables Payment Period= Average payables × 365 DAYS Cost of sales  | 60384454 x 365152354445=147days |
| Inventory Turnover Period= Average inventory × 365 days cost of sales  | 23124020 x 365152354445=114days |
| Receivable turnover= Credit sales Average receivables | 26627462142175062=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  | 43008026000792652252=54.2 |
| Price earnings ratio=MPS/EPS | 1485/54.2=27.3 |
| Earning Yield=EPS X 100% MPS  | 54.21485=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 | 13,338,3136,941,940= 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 days11,654,697 =201 days  |
| Inventory Turnover Period= Average inventory X 365 days cost of sales  | 3,938,707 X 365 days11,654,697 =123 days |
| Receivable turnover= Credit sales Average receivables | 18,411,475 5740325=3.2 |
| Payables turnover= cost of sales average payables | 11,654,6976434732=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.