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MATRIC NUMBER: 17/SMS02/012

TITLE: ACCOUNTING RATIOS

QUESTION

PICK TWO COMPANIES FROM EACH GROUP'S SECTOR, MAKING 16 COMPANIES. COMPUTE ALL RATIOS ON THOSE COMPANIES AND INTERPRETE THE RATIOS AND COMPARE BETWEEN THE TWO COMPANIES FROM EACH SECTOR.

NAME OF COMPANIES

- **TELECOMMUNICATION SECTOR**
 - MTN LTD
 - OMATEK VENTURES
- **OIL AND GAS SECTOR**
 - CONOIL PLC
 - FORTE OIL PLC
- **INDUSTRIAL SECTOR**
 - JULIUS BERGER
 - BETA GLASS
- **HEALTH SECTOR**
 - GLAXOSMITHKLINE
 - MAYBAKER
- **FINANACE SECTOR**
 - ECOBANK PLC

- ACCESS BANK

- **CONSUMER SERVICES**

- HONEYWELL FLOUR MILLS PLC**

- NESTLE NIGERIA PLC**

SOLUTION

TELECOMMUNICATION SERVICES

RATIOS/FORMULA	OMATEK VENTURES	MTN
Short term/Liquidity Ratio: Current Ratio=Current assets/Current Liability	766000000:6903000=1:11	58038000/72570000 = 0.8 = 1:1
Acid test ratio= Current assets-Inventory/Current Liabilities	766000000-620000000=6903000=1:21	58038-2995000/72570000 = 0.75:1
Receivable Collection Period= Average receivables/Credit Sales X 365 days	108000000 X 12months=18000000=72 months	26669000 x 365 / 134560000 = 72days
Payables Payment Period= Average payables/Cost of sales X 365 days	5918000 X 12months=5000000=12 months	48354000 x 365 days / 25370000 = 696days

Inventory Turnover Period= Average inventory/cost of sales X 365 days	$310000000 \times 12 \text{ months} =$ $50000000 = 744 \text{ months}$	$25370000 / 2995000 = 8$ months
Receivable turnover= Credit sales/Average receivables	$18000000 / 108000000 =$ 0.16times	$134560000 / 26669000 =$ 5times
Payables turnover= cost of sales/average payables	$5000000 / 5918000 = 0.84 =$ 1 time	25370000 $48354000 = 8 \text{ times}$
Inventory turnover= cost of sales/average inventory	$5000000 / 310000000 = 0.01$ times	25370000 2995000 $= 8 \text{ times}$
EFFICIENCY PROFITABILITY RATIOS: ROCE= PBIT/Capital employed Capital employed= total assets-current liabilities	$1154000 / 5964000 = 0.19$	15008000×100 88226000 17%
Gross profit margin= Gross profit/Sales X 100%	$130000000 \times 100 / 150000000$ $= 72\%$	
Net profit margin=Net profit/sales X 100%	$(1045000) / 80000000 \times$ $100\% = (1.3\%)$	
Expense percentage= Individual expense/Total expense x 100%		

EPS= $\frac{\text{PAT}-\text{Preference dividend}}{\text{No of ordinary shares}} \times 100\%$		
Price earnings ratio= $\frac{\text{MPS}}{\text{EPS}}$		
Earning Yield= $\frac{\text{EPS}}{\text{MPS}} \times 100\%$		
Net Assets Per Share= $\frac{\text{Net assets}-\text{Preference share}}{\text{No of ordinary shares}}$	$\frac{5288000}{2941789} = \2	
Dividend per share= $\frac{\text{Gross dividend}}{\text{No of ordinary shares}}$	$\frac{1470895}{2941789} = \0.5	
Dividend payout ratio= $\frac{\text{DPS}}{\text{EPS}} \times 100\%$		
Dividend Yield= $\frac{\text{DPS}}{\text{MPS}} \times 100\%$	$\frac{0.5}{0.5} = 100\%$	
Dividend Covered= $\frac{\text{EPS}}{\text{DPS}}$		
Long Term Solvency Ratio Gearing Ratio= $\frac{\text{Debt}}{\text{equity}}$	 $\frac{8335000}{3046000} = 3$	
Total Debt To Shareholder Fund= $\frac{\text{Non Current Liabilities}-\text{Current Liabilities}}{\text{Equity}}$	$\frac{3909000+4425000}{3046000} = 3$	

OIL AND GAS SECTOR

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	$30295096 \times 365 \text{days} / 122213014 = 91 \text{days}$	$28611871 \times 365 \text{days} / 134706306 = 78 \text{days}$

Payables Payment Period= Average payables/Cost of sales X 365 days	$35065872 \times 365 \text{days} /$ $109442111 = 117 \text{days}$	$26097620 \times 365 \text{days} /$ $123376240 = 77 \text{days}$
Inventory Turnover Period= Average inventory/cost of sales X 365 days	$7401377 \times 365 \text{days} /$ $109442111 = 25 \text{days}$	$7072266 \times 365 \text{days} /$ $123376240 = 21 \text{days}$
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%	$12770902 \times 100/122213014$ $= 10.5\%$	$11330066 \times 100/134706306$ $= 8.4\%$
Net profit margin=Net profit/sales X 100%	$1796042 \times 100/122213014 =$ 1.5%	$631471 \times 100/134706306 =$ 0.5%
Expense percentage= Individual expense/Total expense x 100%		

<p>Selling and distribution expense</p> <p>Administration expense</p> <p>Impairment loss</p> <p>Finance cost</p> <p>Income tax expense</p>		
<p>Expense to sales=Individual expense sales X 100%</p> <p>Selling and distribution expenses</p> <p>Impairment loss</p> <p>Finance cost</p> <p>Income tax expense</p>		
<p>Investors/Shareholders Ratios</p>		

EPS=PAT-Preference dividend/No of ordinary shares X 100%		
Price earnings ratio=MPS/EPS		
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 payout ratio=DPS/EPS X 100%	$3.1 \times 100/0.259 = 12\%$	
Dividend Yield=DPS/MPS X 100%	$3.1 \times 100 / 18.5 = 16.7\%$	
Dividend Covered= EPS/DPS	$1796042-0 / 2151252 = 0.83$	
Long Term Solvency Ratio		
Gearing Ratio=Debt equity	$954473/60897246 = 0.02$	$7542122/60729733 = 0.12$
Total Debt To Shareholder Fund=Non Current Liabilities-Current Liabilities Equity	$42596172/60897246 = 0.7$	$46980763/60729733 = 0.8$

INDUSTRIAL SECTOR

RATIOS/FORMULA	JULIUS BERGER	BETA GLASS
Short term/Liquidity Ratio:		
Current Ratio=Current assets/Current Liability	$125039446/73196234 = 1.70$	$28550830/13723312 = 2.1$
Acid test ratio= Current assets-Inventory/Current Liabilities	$125039446 - 11304296 / 73196234 =$	$28550830 - 6239740 / 13723312 =$
Receivable Collection Period= Average receivables/Credit Sales X 365 days	$91108552 \times 365 / 170326746 = 195.2$	$13438292 \times 365 / 26321014 = 186.4$
Payables Payment Period= Average payables/Cost of sales X 365 days	$45841795 \times 365 / 132254711 = 1265.2$	$11598037 \times 365 / 19940375 = 212.3$
Inventory Turnover Period= Average inventory/cost of sales X 365 days	$11304296 \times 365 / 132254711 = 31.2$	$6239740 \times 365 / 19940375 = 114.2$
Receivable turnover= Credit sales/Average receivables	$170326746 / 91108522 = 1.9$	$26321014 / 13438292 = 1.9$
Payables turnover= cost of sales/average payables	$132254711 / 45841795 = 2.8$	$19940375 / 11598037 = 1.7$
Inventory turnover= cost of sales/average inventory	$132254711 / 11304296 = 11.7$	$19940375 / 6239740 = 3.2$
EFFICIENCY PROFITABILITY RATIOS:		

ROCE= PBIT/Capital employed Capital employed= total assets-current liabilities	$4614627/16710922 = 0.28$	$5052805/29627573 = 0.17$
Gross profit margin= Gross profit/Sales X 100%	38072035×100 170326746 =22.35	6380639×100 26321014 =24.24
Net profit margin=Net profit/sales X 100%	4614627×100 170326746 =2.70	5052805×100 26321014 =19.20
Expense percentage= Individual expense/Total expense x 100% Selling and distribution expense Administration expense Impairment loss Finance cost Income tax expense	20756369×100 20834381 =99.63	1245189×100 1326350 =93.88
Expense to sales=Individual expense sales X 100%		

Selling and distribution expenses		
Impairment loss		
Finance cost		
Income tax expense		
Investors/Shareholders Ratios		
EPS= $\frac{\text{PAT}-\text{Preference dividend}}{\text{No of ordinary shares}} \times 100\%$	$\frac{4641627-0}{1320000} = 3.52$	$\frac{5052805-0}{499972} = 10.11$
Price earnings ratio= $\frac{\text{MPS}}{\text{EPS}}$	$\frac{20.10}{3.52} = 5.71$	$\frac{68.53}{10.11} = 6.76$
Earning Yield= $\frac{\text{EPS}}{\text{MPS}} \times 100\%$	$3.52 \times \frac{100}{20.10} = 17.51$	$10.11 \times \frac{100}{68.53} = 14.75$
Net Assets Per Share= $\frac{\text{Net assets}-\text{Preference share}}{\text{No of ordinary shares}}$	$\frac{16710922}{1320000} = 12.66$	$\frac{29627573-0}{499972} = 1.07$
Dividend per share= $\frac{\text{Gross dividend}}{\text{No of ordinary shares}}$		

Dividend payout ratio=DPS/EPS X 100%	2 x 100 3.52 =56.8	1.07 x 100 100 =10.58
Dividend Yield=DPS/MPS X 100%		
Dividend Covered= EPS/DPS	=3.52	10.11 x 100 1.07 =944.86
Long Term Solvency Ratio Gearing Ratio=Debt equity		
Total Debt To Shareholder Fund=Non Current Liabilities-Current Liabilities Equity		

HEALTH SECTOR

RATIOS/FORMULA	GLAXOSMITHKLINE	MAYBAKER
Short term/Liquidity Ratio: Current Ratio=Current assets/Current Liability	13338313/6941940= 1.9	3306328/3107810=1.1
Acid test ratio= Current assets-Inventory/Current Liabilities		
Receivable Collection Period= Average	5740325/18411475 X 365=113.7	1482954/8249947 X 365=65.6

receivables/Credit Sales X 365 days		
Payables Payment Period= Average payables/Cost of sales X 365 days	6434732/11654697 X 365=201.5	1400616/5241910 X 365=97.5
Inventory Turnover Period= Average inventory/cost of sales X 365 days	3938707/11654697 X 365=123.4	1463949/5241910 X 365101.9
Receivable turnover= Credit sales/Average receivables	18411475/5740325=3.2	8249947/1482954=5.5
Payables turnover= cost of sales/average payables	11654697/6434732=1.8	5241910/1400616=3.8
Inventory turnover= cost of sales/average inventory	11654697/3938707=2.9	5241910/1463949=3.5
EFFICIENCY PROFITABILITY RATIOS: ROCE= PBIT/Capital employed Capital employed= total assets-current liabilities	618389/8651191 = 0.07	617073/3708011 = 0.17
Gross profit margin= Gross profit/Sales X 100%	6756778X100 18411475 =36.70	3088037X100 36.76
Net profit margin=Net profit/sales X 100%	618389 X 100 18411475	617073 X 100 8249947

	=3.35	=7.48
Expense percentage= Individual expense/Total expense x 100%		
Selling and distribution expense	3096566 X 100 5342847=57.96	1075569X100 2075105=51.83
Administration expense	2246281X100 5342847=42.04	999536X100 2075105=48.17
Impairment loss		
Finance cost		
Income tax expense		
Expense to sales=Individual expense sales X 100%		
Selling and distribution expenses		
Impairment loss		
Finance cost		

Income tax expense		
Investors/Shareholders Ratios		
EPS= $\frac{\text{PAT}-\text{Preference}}{\text{No of ordinary shares}} \times 100\%$	$\frac{618389-0}{1195876}$	$\frac{617073-0}{1725235}$
Price earnings ratio= $\frac{\text{MPS}}{\text{EPS}}$	$\frac{6.45}{0.52}=12.40$	$\frac{3}{0.36}=5$
Earning Yield= $\frac{\text{EPS}}{\text{MPS}} \times 100\%$	$\frac{0.52}{6.45} \times 100 = 8.06$	$\frac{0.36}{3} \times 100=12$
Net Assets Per Share= $\frac{\text{Net assets}-\text{Preference share}}{\text{No of ordinary shares}}$	$\frac{8651191-0}{1195876} = 7.23$	$\frac{3708011-0}{1725235}=2.15$
Dividend per share= $\frac{\text{Gross dividend}}{\text{No of ordinary shares}}$	$\frac{598000}{1195876}=0.5$	$\frac{345047}{1725235}=0.2$
Dividend payout ratio= $\frac{\text{DPS}}{\text{EPS}} \times 100\%$		
Dividend Yield= $\frac{\text{DPS}}{\text{MPS}} \times 100\%$		
Dividend Covered= $\frac{\text{EPS}}{\text{DPS}}$	$\frac{0.52}{0.50} \times 100=104$	$\frac{0.36}{0.2} \times 100=180$
Long Term Solvency Ratio		
Gearing Ratio= $\frac{\text{Debt}}{\text{equity}}$		

Total Debt To Shareholder	107085+941940	1319745+3107810
Fund=Non Current	8651191	3708011
Liabilities-Current		=1.19
Liabilities Equity		

FINANCIAL SECTOR

RATIOS/FORMULA	ECOBANK PLC	ACCESS BANK
Short term/Liquidity Ratio: Current Ratio=Current assets/Current Liability	8191180711/7520990240 =1.18:1	3955872785/3527314852 =1.12:1
Acid test ratio= Current assets-Inventory/Current Liabilities	8191180711- 2797417/7520990240 =1.08:1	3955872785- 1681761862/3527314852 =0.64:1
Receivable Collection Period= Average receivables/Credit Sales X 365 days		
Payables Payment Period= Average payables/Cost of sales X 365 days		
Inventory Turnover Period= Average inventory/cost of sales X 365 days		
Receivable turnover= Credit sales/Average receivables		

Payables turnover= cost of sales/average payables		
Inventory turnover= cost of sales/average inventory		
EFFICIENCY PROFITABILITY RATIOS: ROCE= PBIT/Capital employed Capital employed= total assets-current liabilities	22492121-20651849 =1840272	3968114609-3527314852 440799.757
Gross profit margin= Gross profit/Sales X 100%		
Net profit margin=Net profit/sales X 100%		
Expense percentage= Individual expense/Total expense x 100% Selling and distribution expense Administration expense Impairment loss Finance cost		

Income tax expense		
Expense to sales=Individual expense sales X 100% Selling and distribution expenses Impairment loss Finance cost Income tax expense		
Investors/Shareholders Ratios		
EPS=PAT-Preference dividend/No of ordinary shares X 100%	1.06	3.31
Price earnings ratio=MPS/EPS	7.05/1.06=7days	10.05/331=0.03days
Earning Yield=EPS/MPS X 100%	1.06/7.05 x 100 = 0.15%	331/10.05 x 100 = 32%

Net Assets Per Share=Net assets-Preference share/ No of ordinary shares	$22582196/2113957=10$	$3968114609/212438802=18$
Dividend per share=Gross dividend/No of ordinary shares	61.5	25.0
Dividend payout ratio=DPS/EPS X 100%	$61.5/1.06 \times 100=58\%$	$25.0/331 \times 100= 0.07\%$
Dividend Yield=DPS/MPS X 100%	$61.5/7.05 \times 100=8\%$	$25.0/10.05 \times 100=2\%$
Dividend Covered=EPS/DPS	$1.06/61.5=0.02\text{times}$	$331/25.0=13\text{times}$
Long Term Solvency Ratio		
Gearing Ratio=Debt equity	$702404/1812491=0.38$	$251251383/440799757=0.56$
Total Debt To Shareholder Fund=Non Current Liabilities-Current Liabilities Equity	$275539+20651849/1812491=11.5$	$7870360+3527314852/440799757=8.02$

CONSUMER SERVICES SECTOR

RATIOS/FORMULA	HONEYWELL FLOUR MILLS PLC	NESTLE NIGERIA PLC
Short term/Liquidity Ratio:	$= 21611089 / 28207258$ $= 0.77 : 1$	$= 82734317 / 92117501$ $= 0.90 : 1$

Current Ratio=Current assets/Current Liability		
Acid test ratio= Current assets-Inventory/Current Liabilities	= $21611089 - 7844965 / 28207258$ = 0.49 : 1	= $82734317 - 23124020 / 92117501$ = 0.65 : 1
Receivable Collection Period= Average receivables/Credit Sales X 365 days	= $3695311 / 71476319 \times 12$ MONTHS = 0.62 MONTHS	= $15802756 / 266274621 \times 12$ MONTHS = 0.71 MONTHS
Payables Payment Period= Average payables/Cost of sales X 365 days	= $9905040 / 55423670 \times 12$ MONTHS = 2.15MONTHS	= $53008409 / 152354445 \times 12$ MONTHS = 4.18 MONTHS
Inventory Turnover Period= Average inventory/cost of sales X 365 days	= $6180245 / 55423670 \times 12$ MONTHS = 1.34 MONTHS	= $23517162 / 152354445 \times 12$ MONTHS = 1.85 MONTHS
Receivable turnover= Credit sales/Average receivables	= $71476319 / 3695311$ = 19.34 times	= $266274621 / 15802756$ = 16.85 times
Payables turnover= cost of sales/average payables	= $55423670 / 9905040$ = 5.60 times	= $152354445 / 53008409$ = 2.87 times
Inventory turnover= cost of sales/average inventory	= $55423670 / 6180245$ = 0.97 times	= $152354445 / 13517162$ = 6.48 times
EFFICIENCY PROFITABILITY RATIOS:	= 0.06% x 0.74% = 0.04%	= 0.16% x 3.79% = 0.61%

ROCE= PBIT/Capital employed Capital employed= total assets-current liabilities		
Gross profit margin= Gross profit/Sales X 100%	= 16052649 / 71476319 x 100% = 0.22%	113920176 / 266274621 x 100% = 0.43%
Net profit margin=Net profit/sales X 100%	= 4872291 / 71476319 x 100% = 0.07%	= 59750846 / 266274621 x 100% = 0.22%
Expense percentage= Individual expense/Total expense x 100%	Selling and Distribution Expenses = 4718121 / 71476319 x 100% = 0.44%	Marketing & Distribution Expenses = 43489890 / 5586219 x 100% = 0.78%
Selling and distribution expense		
Administration expense		
Impairment loss	Admin Expenses = 2059563 / 10842575 x 100% = 0.19%	Admin Expenses = 9789555 / 55886219 x 100% = 0.18%
Finance cost	Finance Cost = 4064891 / 10842575 x 100% = 0.37%	Finance Cost = 2606774 / 55886219 x 100% = 0.05%
Income tax expense		
Expense to sales=Individual expense sales X 100%	Selling and Distribution Expenses	Marketing & Distribution Expenses

Selling and distribution expenses	= $4718121 / 71476319 \times 100\%$ = 0.07%	= $43489890 / 266274621 \times 100\%$ = 0.16%
Impairment loss	Admin Expenses = $2059563 / 71476319 \times 100\%$ = 0.03%	Admin Expenses = $9789555 / 266274621 \times 100\%$ = 0.04%
Finance cost	Finance Cost = $4064891 / 71476319 \times 100\%$ = 0.06%	Finance Cost = $2606774 / 266274621 \times 100\%$ = 0.01%
Income tax expense		
Investors/Shareholders Ratios		
EPS=PAT-Preference dividend/No of ordinary shares X 100%		
Price earnings ratio=MPS/EPS		
Earning Yield=EPS/MPS X 100%	= ₦55.82(given)	= ₦54.26 (given)
Net Assets Per Share=Net assets-Preference share/ No of ordinary shares	= $0.01 / 55.82$ = ₦ 0.00	= $53.76 / 54.26$ = ₦0.99
Dividend per share=Gross dividend/No of ordinary shares	= $55.82 / 0.01$ = 5.58	= $54.26 / 53.76$ = 1.01

Dividend payout ratio=DPS/EPS X 100%	= 124835013 – 0 / 7930197658 = ₦ 0.02	= 162334422 – 0 / 792656252 = ₦0.21
Dividend Yield=DPS/MPS X 100%	= 475812 / 7930197658 = ₦0	= 0 / 792656252 = ₦0
Dividend Covered=EPS/DPS	= 0 / 55.82 x 100% = 0%	= 0 / 54.26 x 100% = 0%
Long Term Solvency Ratio Gearing Ratio=Debt equity	= 0.00 / 0.01 x 100% = 0%	= 0 / 53.76 x 100% = 0%
Total Debt To Shareholder Fund=Non Current Liabilities-Current Liabilities Equity	= 55.82 / 0 = 0 times	= 54.26 / 0 = 0 times