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**TITLE OF TERM PAPER: ACCOUNTING RATIOS**

**NAME OF COMPANIES ANALYSED:**

* **CONSUMER SERVICES:**

**-** ABC Transport

**-** University Press

* **INDUSTRIAL SECTOR:**

**-** Julius Berger

**-** Dangote Company

* **BASIC MATERIAL SECTOR:**

**-** Portland and Paints & Products Nigeria Plc

**-** BOC Gases Nigeria Plc

* **HEALTH CARE:**

**-** Filson Healthcare Plc

**-** Ekocorp Plc

* **TELECOMMUNICATION SECTOR:**

**-** Omatek Venture

**-** MTN

* **OIL AND GAS SECTOR:**

**-** Forte Oil Plc

**-** Conoil Plc

* **CONSUMER GOODS:**

**-** FMN Plc

**-** Nestle Nigeria Plc

* **FINANCIALS:**

**-** Zenith Bank

**-** Unity Bank

**Short term Solvency and Liability Ratios:**

1. Current ratio
2. Quick Assets/Acid test ratio
3. Receivable collection period
4. Payables payment period
5. Inventory turnover period
6. Receivable turnover
7. Payable turnover =
8. Inventory turnover =

**Efficiency and Profitability Ratio:**

1. Return on capital employed =
2. Gross profit percentage =
3. Net profit percentage =
4. Expense percentage =
5. Expenses to sales =

**Investors/Shareholders Ratio:**

1. Earnings per share (EPS) =
2. Price earnings ratio (PER) =
3. Earnings yield =
4. Net asset per share =
5. Dividend per share (DPS) =
6. Dividend payout ratio =
7. Dividend yield =
8. Dividend cover =

**Long term Solvency and Stability Ratio:**

1. Gearing ratio =
2. Total debt to shareholder’s fund =

**Consumer Services:**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **ABC Transport** | **University Press** | **Interpretation**  |
| **Short term Solvency/Liquidity Ratios:** | N’000 | N’000 |  |
| 1, Current Ratio |  |  | Performed better in University Press than in ABC Transport since its ratio was above the industrial average for consumer sector of 2.56:1 |
| 2, Quick Asset/Acid Test Ratio |  |  | Performed better in ABC since its ratio is higher |
| 3, Receivables Collection Period |  |  | Its ratio is not good in this area and not better than ABC |
| 4, Payables Payment Period |  |  | Its better in ABC because its more/higher  |
| 5, Inventory Turnover Period |  |  | It is better in ABC since it has much lower |
| 6, Receivable Turnover |  |  | it is better in ABC since the higher the better  |
| 7, Payable Turnover |  |  | It is better in University Press since the lower the better |
| 8, Inventory Turnover |  |  | It is still better in ABC because it has higher inventory turnover |
| **Efficiency/Profitability Ratios:** |  |  |  |
| 1, Return On Capital Employed |  |  | It is still a better ratio than ABC because it means for every capital employed more profit is being generated |
| 2, Gross Profit Percentage/Gross Profit Margin |  |  | It doesn’t have a better edge over ABC Transport plc. |
| 3, Net Profit Percentage/Net Profit Margin |  |  | It has a better edge over ABC Transport |
| **Investors/Shareholders Ratio:** |  |  |  |
| 1, Earnings Per Share(EPS) | (11k) |  | University Press has a better EPS ratio |
| 2, Price Earnings Ratio(PER) |  |  | It is better in University Press  |
| 3, Earnings Yield |  |  | performed better in University Press ratio meaning that shareholder get a higher potential return on their investment |
| 4, Net Asset Per Share |  |  | It has a better ratio in University Press since it is higher |
| 5, Dividend Per Share(DPS) |  |  | It has a better ratio in University Press since it is higher |
| 6, Dividend Payout Ratio |  |  | It did better in University Press since it has higher DPS ratio  |
| 7, Dividend Yield |  |  | It is better in University Press since it has a higher percentage of return on shareholders’ investment |
| 8, Dividend Cover |  |  | It is better in University Press as it has a higher ratio |
| **Long Term Solvency And Stability Ratio:** |  |  |  |
| 1, Gearing Ratio |  |  | it has a better Gearing ratio in ABC since is lower which means that it is lowly geared |
| 2, Total Debt To Shareholder’s Fund |  |  | It is still better in University Press due to the low ratio indicating that the company is stable |

**Industrial Sector:**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Julius Berger** | **Dangote company** | **Interpretation**  |
| **Short term Solvency/Liquidity Ratios:** | N’000 | N’000 |  |
| 1, Current ratio |  |  | Performed better in Julius Berger since its ratio was above the industrial average for consumer sector of 1.71:1 |
| 2, Quick asset/acid test ratio |  |  | Performed better in Dangote since its ratio is higher |
| 3, Receivables collection period |  |  | Its ratio is good in Dangote because it has a lower amount of days |
| 4, Payables payment period |  |  | Its better in Dangote because its more/higher  |
| 5, inventory turnover period |  |  | It is better in Julius berger since it has much lower |
| 6, receivable turnover |  |  | it is better in Dangote since the higher the better  |
| 7, payable turnover |  |  | It is better in Dangote since the lower the better |
| 8, inventory turnover |  |  | It is better in Julius Berger because it has higher inventory turnover |
| **Efficiency/profitability ratios:** |  |  |  |
| 1, return on capital employed |  |  | It is a better ratio in Dangote because it means for every capital employed more profit is being generated |
| 2, gross profit percentage/gross profit margin |  |  | Dangote has a better edge over Julius Berger |
| 3, net profit percentage/net profit margin |  |  | Julius berger doesn’t have a better edge over Dangote  |
| 4, expenses percentage |  |  | Julius berger has a lower percentage  |
| 5, expenses to sales |  |  | Dangote has a higher percentage |
| **Investors/Shareholders Ratio:** |  |  |  |
| 1, earnings per share(EPS) |  |  | Dangote has a better EPS ratio |
| 2, price earnings ratio(PER) |  |  | It is better in Julius Berger  |
| 3, Earnings yield |  |  | performed better in Dangote ratio meaning that shareholder get a higher potential return on their investment |
| 4, net asset per share |  |  | It has a better ratio in Dangote since it is higher |
| 5, dividend per share(DPS) |  |  | It has a better ratio in Dangote since it is higher |
| 6, dividend payout ratio |  |  | It did better in Dangote since it has higher DPS ratio  |
| 7, dividend yield |  |  | It is better in Dangote since it has a higher percentage of return on shareholders’ investment |
| 8, dividend cover |  |  | It is better in Julius Berger as it has a higher ratio |
| **Long Term Solvency and Stability Ratio:** |  |  |  |
| 1, gearing ratio |  |  | it has a better Gearing ratio in Julius Berger |
| 2, total debt to shareholder’s fund |  |  | It is still better in Dangote due to the low ratio indicating that the company is stable |

**Basic Material Sector:**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Portland and Paints & Products Nigeria Plc** | **BOC Gases Nigeria Plc** | **Interpretation**  |
| **Short Term Solvency/Liquidity Ratios:** | N’000 | N’000 |  |
| 1, Current Ratio |  |  | Performed better in PPP than in BOC since its ratio was above the industrial average for consumer sector of 2.45:1 |
| 2, Quick Asset/Acid Test Ratio |  |  | Performed better in BOC since its ratio is higher |
| 3, Receivables Collection Period |  |  | Its ratio is good in BOC since is lower  |
| 4, Payables Payment Period |  |  | Its better in BOC because its more/higher  |
| 5, Inventory Turnover Period |  |  | It is better in PPP since it has much lower |
| 6, Receivable Turnover |  |  | it is better in PPP since the higher the better  |
| 7, Payable Turnover |  |  | It is better in BOC since the lower the better |
| 8, Inventory Turnover |  |  | It is still better in BOC because it has higher inventory turnover |
| **Efficiency/Profitability Ratios:** |  |  |  |
| 1, Return On Capital Employed |  |  | It is a better ratio in PPP because it means for every capital employed more profit is being generated |
| 2, Gross Profit Percentage/Gross Profit Margin |  |  | BOC has a better edge over PPP |
| 3, Net Profit Percentage/Net Profit Margin |  |  | PPP doesn’t have a better edge over BOC |
| 4, Expenses Percentage |  |  |  |
| 5, Expenses To Sales |  |  |  |
| **Investors/Shareholders Ratio:** |  |  |  |
| 1, Earnings Per Share(EPS) |  |  | BOC has a better EPS ratio |
| 2, Price Earnings Ratio(PER) |  |  | It is better in PPP  |
| 3, Earnings Yield |  |  | They both have the same ratio |
| 4, Net Asset Per Share |  |  | It has a better ratio in BOC since it is higher |
| 5, Dividend Per Share(DPS) |  |  | It has a better ratio in PPP since it is higher |
| 6, Dividend Payout Ratio |  |  | It did better in PPP since it has higher DPS ratio  |
| 7, Dividend Yield |  |  | It is better in BOC since it has a higher percentage of return on shareholders’ investment |
| 8, Dividend Cover |  |  | They both have the same ratio |
| **Long Term Solvency And Stability Ratio:** |  |  |  |
| 1, Total Debt To Shareholder’s Fund |  |  | It is still better in PPP due to the low ratio indicating that the company is stable |

**Health Care:**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Filson Healthcare Plc** | **Ekocorp Plc** | **Interpretation**  |
| **Short term Solvency/Liquidity Ratios:** | N’000 | N’000 |  |
| 1, Current ratio |  |  | Performed better in Ekocorp than in Filson since its ratio was above the industrial average for consumer sector of 0.81:1 |
| 2, Quick asset/acid test ratio |  |  | Performed better in Filson since its ratio is higher |
| 3, Receivables collection period |  |  | Its ratio is good in Ekocorp since is lower  |
| 4, Payables payment period |  |  | Its better in Ekocorp because its more/higher  |
| 5, inventory turnover period |  |  | It is better in Ekocorp since it has much lower |
| 6, receivable turnover |  |  | it is better in Ekocorp since the higher the better  |
| 7, payable turnover |  |  | It is better in Filson since the lower the better |
| 8, inventory turnover |  |  | It is still better in Ekocorp because it has higher inventory turnover |
| **Efficiency/profitability ratios:** |  |  |  |
| 1, return on capital employed |  |  | It is a better ratio in Ekocorp because it means for every capital employed more profit is being generated |
| 2, gross profit percentage/gross profit margin |  |  | Ekocorp has a better edge over Filson |
| 3, net profit percentage/net profit margin |  |  | Filson doesn’t have a better edge over Ekocorp |
| 4, expenses percentage* Selling and distribution expenses
* Admin expenses
* Finance cost
* Income tax expenses
 |  |  |  |
| 5, expenses to sales* Selling and distribution expenses
* Admin expenses
* Finance cost
* Income tax expenses
 |  |  |  |
| **Investors/Shareholders Ratio:** |  |  |  |
| 1, earnings per share(EPS) |  | (65.88k) | Ekocorp has a better EPS ratio |
| 2, price earnings ratio(PER) |  |  | It is better in Ekocorp |
| 3, Earnings yield |  |  | It is better in Ekocorp |
| 4, net asset per share |  |  | It has a better ratio in Ekocorp since it is higher |
| 5, dividend per share(DPS) |  |  |  |
| **Long Term Solvency and Stability Ratio:** |  |  |  |
| 1, gearing ratio |  |  | it has a better Gearing ratio in Filson since is lower which means that it is lowly geared |
| 2, total debt to shareholder’s fund |  |  | It is still better in Ekocorp due to the low ratio indicating that the company is stable |
| 3, fixed interest cover |  |  |  |

**Telecommunication Services:**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Omatek Venture** | **MTN** | **Interpretation**  |
| **Short term Solvency/Liquidity Ratios:** | N’000 | N’000 |  |
| 1, Current ratio |  |  | Performed better in Omatek than in MTN  |
| 2, Quick asset/acid test ratio |  |  | Performed better in Omatek since its ratio is higher |
| 3, Receivables collection period |  |  | Its ratio is good in MTN since is lower  |
| 4, Payables payment period |  |  | Its better in MTN because its more/higher  |
| 5, inventory turnover period |  |  | It is better in MTN since it has much lower |
| 6, receivable turnover |  |  | it is better in MTN since the higher the better  |
| 7, payable turnover |  |  | They are both the same |
| 8, inventory turnover |  |  | It is still better in MTN because it has higher inventory turnover |
| **Efficiency/profitability ratios:** |  |  |  |
| 1, return on capital employed |  |  | It is a better ratio in Omatek because it means for every capital employed more profit is being generated |
| 2, gross profit percentage/gross profit margin |  |  |  |
| 3, net profit percentage/net profit margin |  |  |  |
| 4, expenses percentage* Admin/Operating expenses
* Finance cost
* Income tax expenses
 |  | *
 | * It is better in Omatek
* It is better in MTN
* It is better in Omatek
 |
| 5, expenses to sales* Admin expenses
* Income tax expenses
 |  |  |  |
| **Investors/Shareholders Ratio:** |  |  |  |
| 4, net asset per share |  |  |  |
| 5, dividend per share(DPS) |  |  |  |
| 6, dividend payout ratio |  |  |  |
| 7, dividend yield |  |  |  |
| **Long Term Solvency and Stability Ratio:** |  |  |  |
| 1, gearing ratio |  |  | It has a better Gearing ratio in MTN since is lower which means that it is lowly geared |
| 2, total debt to shareholder’s fund |  |  | It is still better in MTN due to the low ratio indicating that the company is stable |
| 3, fixed interest covered |  |  | It is better in Omatek |
|  |  |  |  |

**Oil and Gas Sector:**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Forte oil plc** |  **Conoil plc** | **Interpretation**  |
| **Short term Solvency/Liquidity Ratios:** | N’000 | N’000 |  |
| 1, Current Ratio |  |  | Performed better in Conoil than in Forte oil |
| 2, Quick Asset/Acid Test Ratio |  |  | Performed better in Conoil since its ratio is higher |
| 3, Receivables Collection Period |  |  | Its ratio is good in Forte oil since is lower  |
| 4, Payables Payment Period |  |  | Its better in Conoil because its more/higher  |
| 5, Inventory Turnover Period |  |  | It is better in Forte oil since it has much lower |
| 6, Receivable Turnover |  |  | it is better in Forte oil since the higher the better  |
| 7, Payable Turnover |  |  | It is better in Forte oil  |
| 8, Inventory Turnover |  |  | It is still better in Forte oil because it has higher inventory turnover |
| **Efficiency/Profitability Ratios:** |  |  |  |
| 1, Return On Capital Employed |  |  | It is a better ratio in Conoil because it means for every capital employed more profit is being generated |
| 2, Gross Profit Percentage/Gross Profit Margin |  |  | Conoil has a better edge over Forte oil |
| 3, Net Profit Percentage/Net Profit Margin |  |  | Forte oil doesn’t have a better edge over Conoil |
| **Investors/Shareholders Ratio:** |  |  |  |
| 1, Earnings Per Share(EPS) |  |  | Conoil has a better EPS ratio |
| 2, Price Earnings Ratio(PER) |  |  | It is better in Conoil |
| 3, Earnings Yield |  |  | It is better in Forte oil |
| 4, Net Asset Per Share |  |  | It has a better ratio in Conoil since it is higher |
| 5, Dividend Per Share(DPS) |  |  |  |
| 6, Dividend Payout Ratio |  |  |  |
| 7, Dividend Yield |  |  |  |
| 8, Dividend Cover |   |  |  |
| **Long Term Solvency And Stability Ratio:** |  |  |  |
| 1, Gearing Ratio |  |  | It has a better Gearing ratio in Conoil since is lower which means that it is lowly geared |
| 2, Total Debt To Shareholder’s Fund |  |  | It is still better in Conoil due to the low ratio indicating that the company is stable |

**Consumer Goods:**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **FMN Plc** | **Nestle Nigeria Plc** | **Interpretation**  |
| **Short term Solvency / Liquidity Ratios:** | N’000 | N’000 |  |
| 1, Current Ratio |  |  | Performed better in FMN since its ratio was above the industrial average for consumer sector of 1.10:1 |
| 2, Quick Asset/Acid Test Ratio |  |  | Performed better in Nestle since its ratio is higher |
| 3, Receivables Collection Period |  |  | Its ratio is good in FMN because it has a lower amount of days |
| 4, Payables Payment Period |  |  | Its better in Nestle because its more/higher  |
| 5, Inventory Turnover Period |  |  | It is better in FMN since it has much lower |
| 6, Receivable Turnover |  |  | it is better in FMN since the higher the better  |
| 7, Payable Turnover |  |  | It is better in Nestle since the lower the better |
| 8, Inventory Turnover |  |  | It is better in Nestle because it has higher inventory turnover |
| **Efficiency/profitability ratios:** |  |  |  |
| 1, Return On Capital Employed |  |  | It is a better ratio in FMN because it means for every capital employed more profit is being generated |
| 2, Gross Profit Percentage/Gross Profit Margin |  |  | Nestle has a better edge over FMN |
| 3, Net Profit Percentage/Net Profit Margin |  |  | FMN doesn’t have a better edge over Dangote  |
| 4, expenses percentage* Selling and distribution expenses
* Admin expenses
* Operating losses
* Finance cost
* Income tax expenses
 |  |  |  |
| 5, expenses to sales* Selling and distribution expenses
* Admin expenses
* Operating losses
* Finance cost
* Income tax expenses
 |  |  |  |
| **Investors/Shareholders Ratio:** |  |  |  |
| 1, Earnings Per Share(EPS) |  |  | FMN has a better EPS ratio |
| 2, Price Earnings Ratio(PER) |  |  | It is better in Nestle |
| 3, Earnings Yield |  |  | performed better in FMN ratio meaning that shareholder get a higher potential return on their investment |
| 4, Net Asset Per Share |  |  | It has a better ratio in FMN since it is higher |
| 5, Dividend Per Share(DPS) |  |  | It has a better ratio in Nestle since it is higher |
| 6, Dividend Payout Ratio |  |  | It did better in Nestle since it has higher DPS ratio  |
| 7, Dividend Yield |  |  | It is better in Nestle since it has a higher percentage of return on shareholders’ investment |
| 8, Dividend Cover |  |  | It is better in FMN as it has a higher ratio |
| **Long Term Solvency and Stability Ratio:** |  |  |  |
| 1, Gearing Ratio |  |  | it has a better Gearing ratio in Nestle |
| 2, Total Debt To Shareholder’s Fund |  |  | It is still better in FMN due to the low ratio indicating that the company is stable |
| 3, Fixed Interest Covered |  |  |  |

**Financials sectors:**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Zenith Bank**  | **Unity Bank** | **Interpretation**  |
| **Short term Solvency/Liquidity Ratios:** | N’000’000 | N’000’000 |  |
| 1, Current Ratio |  |  | Performed better in Zenith since its ratio was above the industrial average for consumer sector of 1.10:1 |
| 2, Quick Asset/Acid Test Ratio |  |  | Performed better in Zenith Bank since its ratio is higher |
| **Efficiency/Profitability Ratios:** |  |  |  |
| 1, Return On Capital Employed |  |  | It is a better ratio in Unity Bank because it means for every capital employed more profit is being generated |
| **Investors/Shareholders Ratio:** |  |  |  |
| 1, Earnings Per Share(EPS) | 5.27 | 13.03 | Unity Bank has a better EPS ratio |
| 2, Price Earnings Ratio(PER) |  |  | It is better in Zenith Bank |
| 3, Earnings Yield |  |  | performed better in Unity Bank ratio meaning that shareholder get a higher potential return on their investment |
| 4, Net Asset Per Share |  |  | It has a better ratio in Zenith Bank since it is higher |
| **Long Term Solvency and Stability Ratio:** |  |  |  |
| 1, Gearing Ratio |  |  | it has a better Gearing ratio in Unity Bank |
| 2, Total Debt To Shareholder’s Fund |  |  | It is better in Zenith due to the low ratio indicating that the company is stable |