

IDUNDUN TRACEY

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ACCOUNTING

ACC 302

INTERMEDIATE FINANCIAL ACCOUNTING

ASSIGNMENT: TERM PAPER, ACCOUNTING RATIOS AND INTERPRETATION OF FINANCIAL STATEMENT

INTERPRETATION OF FINANCIAL STATEMENT OF VARIOUS SECTOR

OIL AND GAS SECTOR

MOBIL OIL ANNUAL REPORT OF THE YEAR 2018

USING DIFFERENT ACCOUNTING RATIOS

1. PROFITABILITY RATIOS;

A. Return on capital Employed (ROCE): this is profit in relation to amount of capital invested or employed in the business.

$$\text{ROCE} = \frac{\text{profit before interest and taxation}}{\text{Capital employed (share capital + reserves + long term loans)}} \times 100$$

Capital employed (share capital+ reserves + long term loans)

$$\text{ROCE} = \frac{13,695,459}{194,678/2 + 33,578,097} \times 100$$

$$194,678/2 + 33,578,097$$

$$= \frac{1,369,545,900}{97,339 + 33,578,097}$$

$$= \frac{1,369,545,900}{33,675,436}$$

$$= 40.66898792$$

$$= \underline{40.67}$$

Ai. Operating profit margin = $\frac{\text{profit after taxation}}{\text{Revenue (sales)}} \times 100$

Revenue (sales)

$$= \frac{13,695,459}{164,609,535} \times 100$$

$$= \frac{1,369,545,900}{164,609,535}$$

$$= \underline{8.32}$$

$$= 8.3199670$$

$$= \underline{8.32}$$

B. Gross profit margin = $\frac{\text{gross profit}}{\text{Revenue (sales)}} \times 100$

Revenue (sales)

$$= \frac{16,593,619}{164,609,535} \times 100$$

$$= \frac{1,659,361,900}{164,609,535}$$

$$= \underline{10.081}$$

$$= 10.08059406$$

$$= \underline{10.081}$$

2. Liquidity Ratios; these ratios assess the liquidity position of a company.

A. Current ratio = $\frac{\text{current assets}}{\text{Current liabilities}}$

Current liabilities

$$= \frac{34,183,632}{19,327,716}$$

$$= 1.768632776$$

$$= \underline{1.768632776}$$

$$= \underline{1.77}$$

B. Acid-test ratio= current asset – inventories

Current liabilities

$$= \underline{34,183,632 - 17,918,599}$$

$$19,327,716$$

$$= \underline{16,265,033}$$

$$19,327,716$$

$$= 0.8415$$

$$= \underline{0.84}$$

3. Working Capital Efficiency Ratio; these measure the efficiency with which the entity has managed its receivables, inventory and trade payables. The ratios are usually measured in terms of average number of days.

A. Average collection period= trade receivables X 365 days

Credit sales

$$= \underline{11,513,890} \times 365$$

$$136,502,026$$

$$= 30.78$$

B. Inventory turnover period= average inventory\2 X 365 days

Cost of sales

$$= \underline{17,918,599 \div 2} \times 365$$

$$148,015,916$$

$$= \underline{8,959,299.5} \times 365$$

$$148,015,916$$

$$= \frac{3,270,144,318}{148,015,916}$$

$$= 22.093$$

C. Average payables period= $\frac{\text{trade payables}}{\text{Cost of sales or cost of purchases}} \times 365 \text{ days}$

Cost of sales or cost of purchases

$$= \frac{8,212,101}{148,015,916} \times 365$$

$$= 20.250$$

$$= 20.250$$

$$= 20.250$$

$$= 20.250$$

4. Activity ratio; these ratios assess the efficient utilization of the company's resources by its management.

A. Inventory turnover= $\frac{\text{cost of sales}}{\text{Average inventory}} \times 365 \text{ days}$

Average inventory

$$= \frac{148,015,916}{17,918,599/2} \times 365$$

$$= 148,015,916 \times 365$$

$$= 148,015,916 \times 365$$

$$= 16.5209 \times 365$$

$$= 6,030$$

$$= 6,030$$

INTERPERTATION OF OANDO OIL ANNUAL REPORT FOR THE YEAR 2018

1. PROFITABILITY RATIO;

A. ROCE= $\frac{\text{Profit before interest and taxation}}{\text{Average capital employed}} \times 100$

$$\begin{aligned}
 & \text{Capital employed} \\
 &= \frac{25,816,827}{147,712,788} \times 100 \\
 &= \frac{2,581,682,700}{147,712,788} \\
 &= \underline{\underline{17.477}}
 \end{aligned}$$

Ai. Operating profit margin = $\frac{\text{profit after interest and taxation}}{\text{Revenue (sales)}} \times 100$

$$\begin{aligned}
 & \text{Revenue (sales)} \\
 &= \frac{25,816,827}{679,465,339} \times 100 \\
 &= \frac{2,581,682,700}{679,465,339} \\
 &= \underline{\underline{3.799}}
 \end{aligned}$$

B. Gross margin = $\frac{\text{gross profit}}{\text{Revenue}} \times 100$

$$\begin{aligned}
 & \text{Revenue} \\
 &= \frac{96,273,953}{679,465,339} \times 100 \\
 &= \frac{9,627,395,300}{679,465,339} \\
 &= \underline{\underline{14.16}}
 \end{aligned}$$

2. LIQUIDITY RATIO

A. Current ratio= current assets

Current liabilities

$$= \frac{164,402,215}{227,409,609}$$

$$= 0.722$$

B. Acid test ratio = current assets – inventories

Current liabilities

$$= \frac{164,402,215 - 26,514,991}{227,409,609}$$

$$= 0.606$$

$$= 0.606$$

$$= 0.606$$

$$= 0.606$$

3. WORKING CAPITAL EFFICIENCY RATIO

A. Average collection period = trade receivables X 365 days

Credit sales

$$= \frac{135,177,498}{448,013,888} \times 365$$

$$= 110.13$$

$$= 110.13$$

B. Inventory turnover period = Average inventory X 365 days

Cost of sales

$$= \frac{26,514,991}{2} \times 365$$

$$583,191,386$$

$$= \frac{13,257,495.5}{2} \times 365$$

$$583,191,386$$

$$= \frac{4,838,985,858}{2}$$

$$583,191,386$$

$$= \underline{8.29}$$

C. Average payable period = trade payables X 365 days

Cost of sales

$$= \frac{184,967,900}{2} \times 365$$

$$583,191,386$$

$$= \underline{115.76}$$

4. ACTIVITY RATIO

A. Inventory turnover = cost of sales X 365 days

Average inventory

$$= \frac{583,191,386}{2} \times 365$$

$$26,514,991/2$$

$$= \frac{583,191,386}{2} \times 365$$

$$13,257,495.5$$

$$= 43.989 \times 365$$

$$= \underline{16,056}$$

B. Assets turnover = revenue (sales)

Total assets

= 679,465,339

236,366,708

= 2.87

BASC MATERIAL SECTOR

PORT LAND PAINTS AND PRODUCTS NIGERIA PLC 2018

1. PROFITABILITY RATIO

A. ROCE = profit before taxation and interest X 100

Capital employed

= 523,407 X 100

290,277

= 52,340,700

290,277

= 180.312

Ai. Operating profit = profit after interest and taxation X 100

Revenue

= 523,407 X 100

2,829,262

$$= \frac{52,340,700}{2,829,262}$$

$$= 18.49$$

B. Gross margin = $\frac{\text{gross profit}}{\text{Revenue (sales)}} \times 100$

$$= \frac{1,075,290}{2,829,260} \times 100$$

$$= 38.01$$

$$= \frac{107,529,000}{2,829,260}$$

$$= 38.01$$

$$= \frac{107,529,000}{2,829,260}$$

$$= 38.01$$

2. LIQUIDITY RATIO

C. Current ratio = $\frac{\text{current assets}}{\text{current liabilities}}$

$$= \frac{1,718,570}{700,439}$$

$$= 2.45$$

$$= \frac{1,718,570}{700,439}$$

$$= 2.45$$

D. Acid-test-ratio = $\frac{\text{current assets} - \text{inventories}}{\text{current liabilities}}$

$$= \frac{1,718,570 - 728,047}{700,439}$$

$$= 1.414$$

$$= \frac{990,523}{700,439}$$

$$= 1.414$$

$$= \frac{990,523}{700,439}$$

$$= 1.414$$

3. WORKING CAPITAL EFFICIENCY RATIO

A. Average collection period = trade receivables X 365 days

Credit sales

$$= \frac{476,180}{1,277,792} \times 365$$

Credit sales

$$= \frac{173,805,700}{1,277,792}$$

1,277,792

$$= 136.02$$

B. Inventory turnover period = average inventory X 365 days

Cost of sales

$$= \frac{728,047}{1,753,972} \times 365$$

1,753,972

$$= \frac{364,023.5}{1,753,972} \times 365$$

1,753,972

$$= \frac{132,868,577.5}{1,753,972}$$

1,753,972

$$= 75.75$$

C. Average payable period = trade payables X 365 days

Cost of sales

$$= \frac{501,988}{1,753,972} \times 365$$

1,753,972

$$= 104.46$$

4. INVESTORS/ SHAREHOLDERS RATIO

A. Dividend per share = total dividend

Number of shares

$$= \frac{39,671}{793,000,000}$$

$$= 0.00050026$$

B. Price earning per ratio = 2.80

$$\frac{0.26}{2.80}$$

$$= 10.76$$

C. Earnings yield = 0.26

$$\frac{2.80}{0.26}$$

$$= 0.0928$$

D. Dividend yield = 0.5

$$\frac{2.80}{0.5}$$

$$= 0.17$$

5. ACTIVITY RATIO

A. Inventory turnover = cost of sales X 365

Average inventory

$$= \frac{1,753,972}{728,047/2} \times 365$$

$$= 364,023.5$$

$$= 1,753,972 \times 365$$

$$364,023.5$$

$$= \frac{640,199,780}{364,023.5}$$

$$= 1,758.67$$

$$\text{B. Asset turnover} = \frac{\text{revenue sales}}{\text{Total sales}}$$

$$= \frac{2,829,262}{2,251,468}$$

$$= 1.256$$

BOC GASES PRODUCT PLC 2018

1. PROFITABILITY RATIO

$$\text{A. ROCE} = \frac{558,569}{349,476} \times 100$$

$$= 159.83$$

$$\text{B. Operating profit} = \frac{558,569}{2,869,713} \times 100$$

$$= 19.46$$

$$\text{C. Gross profit margin} = \frac{1,444,051}{2,869,213} \times 100$$

$$= 50.3$$

2. LIQUIDITY RATIO

$$\text{A. Current ratio} = \frac{2,119,056}{1,298,954}$$

$$= 1.65$$

B. Acid test ratio = $\frac{2,119,056 - 156,404}{1,298,954}$

$1,298,954$

$= 1.51$

3. WORKING CAPITAL EFFICIENCY RATIO

A. Average collection period = $\frac{425,776}{999,886} \times 365$

$999,886$

$= 155.4$

B. Inventory turnover period = $\frac{156,404}{1,425,662} \times 365$

$1,425,662$

$= 20.02$

C. Average payable period = $\frac{1,026,198}{1,425,662} \times 365$

$1,425,662$

$= 262.7$

4. ACTIVITY RATIO

A. Inventory turnover = $\frac{1,425,662}{156,404} \times 365$

$156,404/2$

$= 6,654.13$

B. Asset turnover = $\frac{2,869,713}{4,491,256}$

$4,491,256$

$= 0.63$

TELECOMMUNICATIONS

CHAMS PLC 2018

1. PROFITABILITY

A. ROCE= $\frac{301,614}{2,348,030/2 + 145,522} \times 100$

$$= 22.8$$

B. Operating profit = $\frac{380,148}{3,012,513} \times 100$

$$= 12.618$$

C. Gross profit margin = $\frac{785,534}{3,012,513} \times 100$

$$= 26.07$$

2. LIQUIDITY RATIO

A. Current ratio = $\frac{1,755,358}{3,560,169}$

$$= 0.49$$

B. Acid test ratio = $\frac{1,755,358 - 247,780}{3,560,169}$

$$= 0.42$$

3. WORKING CAPITAL EFFICIENCY RATIO

A. Average collection period = $\frac{1,396,054}{830,925} \times 365$

$$= 613.2$$

B. Inventory turnover period = $\frac{247,780}{2,226,979} \times 365$

$$= 40.61$$

C. Average payable period = $\frac{3,132,934}{2,226,979} \times 365$

2,226,979

= 513.48

4. ACTIVITY RATIOS

A. Inventory turnovers = $\frac{2,226,979}{247,780} \times 365$

247,780/2

= 6,561

CHAMS PLC 2017

1. PROFITABILITY RATIO

A. ROCE = $\frac{1,238,920}{2,348,030/2 + 145,522} \times 100$

2,348,030/2 + 145,522

= 0.938

B. Operating profit margin = $\frac{380,148}{1,956,517} \times 100$

1,956,517

= 19.429

C. Gross profit margin = $\frac{742,993}{1,956,517} \times 100$

1,956,517

= 37.97

2. LIQUIDITY RATIO

A. Current ratios = $\frac{1,740,820}{4,132,750}$

4,132,750

= 0.42

B. Acid test ratio = $\frac{1,740,820 - 469,538}{4,132,750}$

$$4,132,750$$

$$= 0.307$$

3. WORKING CAPITAL EFFICIENCY RATIO

A. Average collection period = $\frac{1,086,988}{126,536} \times 365$

$$126,536$$

$$= 3135.4$$

B. Inventory turnover period = $\frac{469,538}{1,213,524} \times 365$

$$1,213,524$$

$$= 1,080.8$$

4. ACTIVITY RATIO

A. Inventory turnover = $\frac{1,956,517}{469,538/2} \times 365$

$$469,538/2$$

$$= 3,041.8$$

B. Assets turnover = $\frac{1,956,517}{3,031,313}$

$$3,031,313$$

$$= 0.645$$

CONSUMER GOODS

GUINNESS 2018

1. PROFITABILITY RATIO

A. ROCE = $\frac{9,943,164}{1,095,191/2 + 39,045,954} \times 100$

$$= 25.1$$

B. Operating profit margin = $\frac{9,943,164}{142,975,792} \times 100$

$$= 6.95$$

C. Gross profit margin = $\frac{48,625,405}{142,975,792} \times 100$

$$= 34.01$$

2. LIQUIDITY RATIO

A. Current ratio = $\frac{54,610,047}{42,847,115}$

$$= 1.27$$

B. Acid test ratio = $\frac{54,610,047 - 19,032,362}{42,847,115}$

$$= 0.830$$

3. WORKING CAPITAL EFFICIENCY RATIO

A. Average collection period = $\frac{23,890,304}{70,460,083} \times 365$

$$= 123.75$$

B. Inventory turnover period = $\frac{19,032,362}{94,350,387} \times 365$

$$= 73.15$$

$$= 36.8$$

C. Average payable period = $\frac{31,175,725}{94,356,387} \times 365$

$$= 120.6$$

4. ACTIVITY RATIO

A. Inventory turnover = $\frac{94,350,387}{19,032,362/2} \times 365$

$$= 3,618.8$$

B. Asset turnover = $\frac{142,975,792}{153,254,968}$

$$= 0.932$$

