

Q(5) Calculate value of Liquid Assets, Current Assets and Stock from the following information

Current liabilities ₹ 60000

Current Ratio 3:1

Liquid Ratio 1.8:1

Solution

Let Ratio of Current liabilities be x
Current Assets be $3x$
Liquid Assets be $1.8x$

If Current liabilities ₹ 60000
then Current Assets will be $= \frac{60000 \times 3x}{x}$
 $= ₹ 180000$

Liquid Assets $= \frac{60000 \times 1.8x}{x} = 108000$

Stock = Current Assets - Liquid Assets
 $= ₹ 180000 - ₹ 108000$
 $= ₹ 72000$

Ans ✓

Q6 Calculate from the following information

- i) Current Assets
- ii) Current Liabilities
- iii) Liquidity Ratio

Working Capital ₹ 30000
Current Ratio 2.5:1
Stock 26000

Solution
Working Capital = Current Assets - Current Liabilities

Let C.L is x

CA is $2.5x$

$$\begin{aligned} \text{Working Capital} &= \text{CA} - \text{CL} \\ 30000 &= 2.5x - x \end{aligned}$$

$$1.5x = 30000$$

$$x = \frac{30000}{1.5} = 20000$$

$$\begin{aligned} \text{Current Assets} &= 20000 \times 2.5 \\ &= 50000 \end{aligned}$$

$$\begin{aligned} \text{Liquid Assets} &= \text{Current Assets} - \text{Stock} \\ &= 50000 - 26000 = ₹ 24000 \end{aligned}$$

Q6) Continue Page 26

$$\text{Liquidity Ratio} = \frac{\text{Liquid Assets}}{\text{Current Liabilities}}$$

$$= \frac{24000}{20000}$$

$$= 1.2:1$$

Ans ✓

Q7) Calculate Debtor Turnover Ratio, from the following information

Opening Debtors	25000
Total Sales	40000
Cash sales	10000
Sales Return	10000
Closing Debtors	30000

Solution: Working Notes

$$\begin{aligned} \text{i/ Average Debtor} &= \frac{\text{Opening} + \text{Closing Debtor}}{2} \\ &= \frac{25000 + 30000}{2} \\ &= ₹ 27500 \end{aligned}$$

Solution of Q no. 7

(ii) Net Credit Sales = Total sales -
(Cash sales + Sales Return)

= 400000 - (100000 + 10000)

= ₹ 290000

Debtors Turnover Ratio = $\frac{\text{Net Credit Sales}}{\text{Average Debtors}}$

= $\frac{290000}{27500}$

= 10.55 times

Q8) From the following Balance sheet of X Ltd, you are required to calculate

(i) Solvency Ratio

(ii) Liquidity Ratio

(iii) Current Ratio

Particulars	₹
<u>I Equity & Liabilities</u>	
Shareholders Fund	15000
Equity Share Capital	7500
Non Current Liabilities	7500
Current Liabilities	3000
Total	18000
<u>II Assets</u>	
Non Current Assets	3000
Inventory	9000
Other Current Assets	3000

Solution

i) Solvency Ratio = $\frac{\text{Total Assets}}{\text{Total Outside Liabilities}}$

= $\frac{30000}{15000} = 2:1$

ii) ~~Solvency~~ Liquidity Ratio = $\frac{\text{Liquid Assets}}{\text{Current Liabilities}}$

= $\frac{9000}{7500} = 1.2:1$

iii) Current Ratio = $\frac{\text{Current Assets}}{\text{Current Liabilities}}$

= $\frac{12000}{7500} = 1.6:1$