

COMMERCE ACCOUNTANCY (055)

Assignment-6

Chapter 4: Accounting Ratios (Solvency Ratios)

Solve the questions:

1. Debt to Equity Ratio

- a. Calculate Debt to Equity Ratio: Equity Share Capital Rs. 5,00,000; General Reserve Rs. 90,000; Accumulated Profits Rs. 50,000; 10% Debentures Rs. 1,30,000; Current Liabilities Rs. 1,00,000.
- b. Total Assets Rs. 12, 50,000; Total Debts Rs. 10,00,000; Current Liabilities Rs. 5,00,000. Calculate Debt to Equity Ratio.
- c. Capital employed Rs. 8, 00,000; Shareholders' Funds Rs. 2,00,000. Calculate Debt to Equity Ratio.
- d. Calculate Debt to Equity Ratio from the following information:

	Rs.
i. Fixed Assets (Gross)	8,40,000
ii. Accumulated Depreciation	1,40,000
iii. Non-current Investments	14,000
iv. Long-term Loans and Advances	56,000
v. Current Assets	3,50,000
vi. Current Liabilities	2,80,000
vii. 10% Long-term Borrowings	4,20,000
viii. Long- term Provisions	1,40,000
- e. Debt to Equity Ratio of a company is 0.5: 1. Which of the following suggestions would increase, decrease or not change it:
 - i. Issue of Equity Shares
 - ii. Cash received from debtors
 - iii. Redemption of debentures
 - iv. Purchased goods on credit

2. Total Asset to Debt Ratio

- a. Calculate Total Asset to Debt Ratio from the following: Long-term Debts Rs. 4,00,000; Total Assets Rs. 7,70,000.
- b. Shareholders' Funds Rs. 1,60,000; Total Debts Rs.3,60,000; current Liabilities Rs. 40,000. Calculate Total Assets to Debt Ratio.

- c. Total Debt Rs. 60,00,000; Shareholders' Fund Rs. 10,00,000; Reserves and Surplus Rs. 2,50,000; Current Assets Rs. 25,00,000; Working Capital Rs. 5,00,000. Calculate Total Asset to Debt Ratio.
- d. Total Debt Rs. 12,00,000; Current Liabilities Rs. 4,00,000; Capital Employed Rs. 12,00,000. Calculate Total Asset to Debt Ratio.

3. Proprietary Ratio

- a. From the following information calculate Proprietary Ratio:

	Rs.
i. Share Capital	3,00,000
ii. Non-current Assets	13,20,000
iii. Reserves and Surplus	1,80,000
iv. Current Assets	6,00,000

- b. From the following information calculate Proprietary Ratio:

	Rs.
i. Equity Share Capital	3,00,000
ii. Preference Share Capital	1,50,000
iii. Reserves and Surplus	75,000
iv. Debentures	1,80,000
v. Trade Payables	<u>45,000</u>
	<u>7,50,000</u>
i. Fixed Assets	3,75,000
ii. Short-term Investments	2,25,000
iii. Other Current Assets	<u>1,50,000</u>
	<u>7,50,000</u>

- c. From the following information calculate Proprietary Ratio:

	Rs.
i. Equity Share Capital	4,50,000
ii. 10% Preference Share Capital	3,20,000
iii. Reserves and Surplus	65,000
iv. Creditors	1,10,000
v. 9% Debentures	3,00,000
vi. Fixed Assets	7,00,000
vii. Trade Investment	2,45,000
viii. Current Assets	3,00,000

4. Interest Coverage Ratio

- i. If profit before interest and tax is Rs. 5,00,000 and interest on long-term Funds is Rs. 1,00,000, find Interest Coverage Ratio.

- ii. From the following information calculate Interest Coverage Ratio: Profit after Tax Rs. 1,70,000; Tax Rs. 30,000; Interest on Long-term Funds Rs. 50,000.
- iii. From the following information calculate Interest Coverage Ratio:

	Rs.
10,000 Equity Shares of Rs. 10 each	1,00,000
8% Preference Shares	70,000
10% Debentures	50,000
Long-term Loans from Bank	50,000
Interest on Long-term Loans from Bank	5,000
Profit after Tax	75,000
Tax	9,000

Assignments should be neatly done in any copy or loose sheets.

Kindly study (Volume III) **Chapter 4: Accounting Ratios (Activity Ratios/Turnover Ratios)**

You can refer to these links if you need additional help

<https://www.youtube.com/watch?v=g0MiqE-9LqU>

<https://www.youtube.com/watch?v=1niEBOlvKf0>