

Class-12

Accounting Ratio

2024-25

1. From the following, calculate current Ratio:

Trade Receivables (sundry Debtors)	7,20,000
Prepaid Expenses	1,60,000
Cash and cash equivalents	2,00,000
Marketable securities	2,00,000
Land and building	20,00,000
Bills payable	80,000
Sundry creditors	4,00,000
Debentures	16,00,000
Inventors	3,20,000
Expenses payable	3,20,000

Solution:

Calculation of current Assets

Current Assets = Trade receivable + prepaid expenses + cash & cash equivalents + marketable securities + inventories

$$= 720000 + 160000 + 200000 + 200000 + 320000$$

$$= 1600000$$

Calculation of current liabilities

Current liabilities = bills payable + sundry creditors + expenses payable

$$= 80000 + 400000 + 320000$$

$$= 800000$$

Calculation of current ratio

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



$$\text{Current ratio} = \frac{1600000}{800000}$$

$$= 2:1$$

## 2. Calculation current ratio from the following information:

Particulars	₹	Particulars	₹
Total assets	20,00,000	Non-current liabilities	5,20,000
Fixed tangibles assets	10,00,000	Non-current Investments	6,00,000
Shareholder's funds	12,80,000		

**Solution:-**

Current assets = total assets – fixed tangible assets - noncurrent investment

$$= 200000 - 100000 - 60000$$

$$= 40000$$

Calculation of current liabilities

Current liabilities = total assets – share holder's fund – noncurrent liabilities

$$= 200000 - 1280000 - 520000$$

$$= 200000$$

Calculation of current ratio

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

$$\text{Current ratio} = \frac{400000}{200000}$$

## 3. Current Assets 20,00,000, inventories 10,00,000, working capital 12,00,000. Calculate current ratio.

**Solution:**

Calculation of current liabilities

**Working capital = Current Assets – Current Liabilities**

$$12,00,000 = 20,00,000 - \text{Current liabilities}$$

$$\begin{aligned}\text{Current liabilities} &= 20,00,000 - 12,00,000 \\ &= 80,00,000\end{aligned}$$

**Calculation of current Ratio**

$$\text{Current ratio} = \frac{\text{current Assets}}{\text{Current liabilities}}$$

$$= \frac{20,00,000}{80,000}$$

$$= 2.5:1$$

**4. Trade payables 50,000, Working capital 9,00,000, current liabilities 30,00,000. Calculate Current Ratio.**

**Solution:**

**Calculation of current Assets**

**Working capital = Current Assets – Current Liabilities**

$$9,00,000 = \text{Current Assets} - 3,00,000$$

$$\begin{aligned}\text{Current Asses} &= 9,00,000 + 3,00,000 \\ &= 12,00,000\end{aligned}$$

**Calculation of Current Ratio**

$$\text{Current ratio} = \frac{\text{current Assets}}{\text{Current liabilities}}$$

$$= \frac{12,00,000}{3,00,000}$$

$$= 4:1$$

**5. Working capital 6,00,000, Total Debt 27,00,000, Non-Current Liabilities 24,00,000. Calculate Current Ratio.**

**Solution:**

**Calculation of Current Liabilities**

**Total Debt = Non-current liabilities + Current Liabilities**

**27,00,000 = 24,00,000 + Current Liabilities**

**Current Liabilities = 27,00,000 – 24,00,000**  
**= 3,00,000**

**Calculate of current Assets**

**Working capital = Current Assets – Current Liabilities**

**6,00,000 = Current Assets – 3,00,000**

**Current Assets = 6,00,000 + 3,00,000**  
**= 9,00,000**

**Calculation of Current Ratio**

**Current ration =  $\frac{\text{current Assets}}{\text{Current liabilities}}$**

**=  $\frac{9,00,000}{3,00,000}$**

**= 3:1**

**6. Current Ratio is 2.5, working capital is 1,50,000. Calculate the amount of current Assets and Current Liabilities.**

**Solution:**

Current Ratio = 2.5

$$\text{Current ratio} = \frac{\text{current Assets}}{\text{Current liabilities}}$$

$$2.5 = \frac{C.A}{C.L}$$

$$C.A. = 2.5 C.L \text{ -----1}$$

Working capital = Current Assets – current Liabilities

$$150000 = C.A - C.L.$$

$$C.A - C.L. = 1,50,000 \text{ -----2}$$

Putting Eq (1) into Eq (2)

$$1,50,000 = 2.5 C.L - C.L$$

$$1.5 C.L = 1,50,000$$

$$C.L = \frac{1,50,000}{1.5}$$

Current liabilities = 1,00,000

Putting C.L value in Eq (1)

Current Assets = 2.5 x 1,00,000

$$= 2,50,000$$

**7. Working capital is 18,00,000; trade payables 1,80,000; and other current liabilities are 4,200,000. Calculate Current Ratio.**

**Solution:**

Calculation of current liabilities

Current liabilities = Trade payable + other current liabilities

$$= 1,80,000 + 4,20,000$$

$$= 6,00,000$$

#### Calculation of current Assets

Working capital = Current Assets – Current Liabilities

$$1,80,000 = \text{Current Assets} - 6,00,000$$

$$\text{Current Assets} = 24,00,000$$

#### Calculation of Current Ratio

$$\text{Current ratio} = \frac{\text{Current Assets}}{\text{Current liabilities}}$$

$$= \frac{24,00,000}{6,00,000} = 4:1$$

**8. Working capital 9,00,000; total debts (Liabilities) 19,50,000; Long-term Debts 15,00,000. Calculate Current Ratio.**

#### **Solution:**

#### Calculation of Current Liabilities

Total debts = Non-Current liabilities + Current liabilities

$$19,50,000 = 15,00,000 + \text{Current liabilities}$$

$$\text{Current liabilities} = 19,50,000 - 15,00,000$$

$$= 4,50,000$$

#### Calculation of Current Assets

Working capital = Current Assets – Current liabilities

$$9,00,000 = \text{Current Assets} - 4,50,000$$

$$\text{Current assets} = 9,00,000 + 4,50,000$$

$$= 13,50,000$$

## Calculation of Current Ratio

$$\text{Current ratio} = \frac{\text{current Assets}}{\text{Current liabilities}}$$

$$= \frac{13,50,000}{4,50,000}$$

$$= 3:1$$

**9. Current Assets 7,50,000 and working capital is 2,50,000.  
Calculate Current Ratio.**

**Solution:**

### Calculation of Current Liabilities

**Working capital = Current Assets – Current liabilities**

$$2,50,000 = 7,50,000 - \text{Current liabilities}$$

$$\text{Current liabilities} = 5,00,000$$

### Calculation of Current Ratio

$$\text{Current ratio} = \frac{\text{current Assets}}{\text{Current liabilities}}$$

$$= \frac{7,50,000}{5,00,000}$$

$$= 1.5:1$$

10. A company had current Assets of 4,50,000 and current liabilities of 2,00,000. Afterwards it purchased goods for 30,000 on credit. Calculate current Ratio after the purchase.

**Solution:**

**Calculation of Current Assets & Current Liabilities After Purchase**

**Current Assets After purchase = Current Assets + Stock**

$$= 4,50,000 + 30,000$$

$$= 4,80,000$$

**Current liabilities After purchase = Current liabilities + Creditors**

$$= 2,00,000 + 30,000$$

$$= 2,30,000$$

**Calculation of Current Ratio After purchase**

$$= \frac{\text{current Assets After purchase}}{\text{Current liabilities After purchase}}$$

$$= \frac{4,80,000}{2,30,000}$$

$$= 2.09:1$$

11. Current liabilities of a company were 1,75,000 and its current Ratio was 2:1. It paid 30,000 to a creditor, calculate Ratio after payment.

**Solution:**

**Calculation of current Assets before payment**

**Current liabilities = 1,75,000**



Current Ratio = 2:1

$$\text{Current ratio} = \frac{\text{current Assets}}{\text{Current liabilities}}$$

$$2 = \frac{\text{current Assets}}{1,75,000}$$

Current Assets = 1,75,000 x 2

$$= 3,50,000$$

Calculation of current Assets offer payment

$$\text{Current Assets} = 3,50,000 - 30,000 = 3,20,000$$

$$\text{Current liabilities} = 1,75,000 - 30,000 = 1,45,000$$

$$\text{New current Ratio} = \frac{3,20,000}{1,45,000}$$

After payment

$$2.21:1$$

12. Ratio of current (3,00,000) to current liabilities (2,00,00) is 1.5:1. The accountant of the firm is interested in maintaining a current Ratio of 2:1 by paying off a part of the current liabilities. Compute amount of the current liabilities that should be paid so that the current Ratio at the level of 2:1 may be maintained.

**Solution:**

$$\text{Current Assets} = 3,00,000$$

$$\text{Current liabilities} = 2,00,000$$

The accountant of the firm wants to maintain current ratio as 2:1

Let the current liabilities paid off be X

$$2 = \frac{300000 - X}{200000 - X}$$

$$2(200000 - x) = 300000 - x$$

$$400000 - 2x = 300000 - x$$

$$X = 1,00,000$$

Thes, the liabilities to be paid off = 100000

13. Ratio of current (8,75,000) to current liabilities (3,50,000) is 2.5:1. The firm wants to maintain current Ratio of 2:1 by purchasing goods on credit. Compute amount of goods that should be purchased on credit.

**Solution:**

Current Assets = 8,75,000

Current liabilities = 3,50,000

The accountant of the firm wants to maintain current ratio as 2:1

Let the goods purchased on credit be X

It would increase stock & creditors at the same time

As per the question:

$$2 = \frac{8,75,000 + x}{3,50,000 + x}$$

$$2(3,50,000 + x) = 8,75,000 + x$$

$$7,00,000 + 2x = 8,75,000 + x$$

$$X = 1,75,000$$

Thus good purchased on credit would be 1,75,000

14. A firm had current Assets of 5,00,000. It paid current liabilities of 1,00,000 and the current Ratio became 2:1. Determine current liabilities and working capital before and after the payment was made.

**Solution:**

Calculation of current Assets & Current liabilities before payment

Current Assets = 5,00,000

As per the question

$$\text{Current Ratio} = \frac{\text{current Assets}}{\text{Current liabilities}}$$

$$2 = \frac{500000 - 100000}{C.L - 100000}$$

$$2(C.L - 1,00,000) = 4,00,000$$

$$2 C.L - 2,00,000 = 4,00,000$$

$$= 2 C.L = 6,00,000$$

$$= \text{Current liabilities} = 3,00,000$$

Calculation of working capital before payment

$$= \text{current Assets before payment} = 5,00,000$$

$$= \text{current liabilities before payment} = 3,00,000$$

$$\text{Working capital} = \text{current Assets} - \text{current liabilities}$$

$$= 5,00,000 - 3,00,000$$

$$= 2,00,000$$

Calculation of working capital after payment

$$C.A \text{ after payment} = 5,00,000 - 1,00,000 = 4,00,000$$

$$\text{C.L offer payment} = 3,00,000 - 1,00,000 = 2,00,000$$

$$\begin{aligned}\text{Working capital after payment} &= 4,00,000 - 2,00,000 \\ &= 2,00,000\end{aligned}$$

15. A firm had current liabilities of 5,40,000. It purchased stock of 60,000 on credit. After the purchase of stock. Current ratio was 2:1. Calculate current Assets and working capital after and before the stock was purchased.

**Solution:**

$$\text{Current liabilities} = 5,40,000$$

$$\text{Stock purchased} = 60,000$$

$$\text{Current liabilities after} = 5,40,000 + \text{creditors of stock}$$

$$= 5,40,000 + 60,000$$

$$= 6,00,000$$

$$\text{Current ratio after stock Purchased}$$

$$\frac{\text{current Assets} + \text{stock}}{\text{Current liabilities after stock purchased on credit}}$$

$$2 = \frac{\text{current Assets} + 60,000}{60,000}$$

$$\begin{aligned}\text{Current Assets before stock purchased} &= 12,00,000 - 60,000 = \\ &11,40,000\end{aligned}$$

$$\begin{aligned}\text{Current Assets after stock Purchased} &= \text{Current Assets before stock purchased} + \text{stock} \\ &= 11,40,000 + 60,000 = 12,00,000\end{aligned}$$

$$\text{Working capital before purchase} = \text{current Assets} - \text{current liabilities}$$

	After purchased	after
purchased		

$$= 12,00,000 - 6,00,000$$

$$= 6,00,000$$

**16.** State, giving reason, whether the current Ratio will improve or decline or will have no effect in each of the following transaction if current Ratio is 2:1:

- a) Cash paid to Trade payables.
- b) Bills payable discharged.
- c) Bills receivable endorsed to a creditor.
- d) Payment of final dividend already declared.
- e) Purchase of stock-in-Trade on credit.
- f) Bills receivable endorsed to a creditor dishonoured.
- g) Purchase of stock-in-Trade for cash.
- h) Sale of Fixed Assets (Book value of 50,000) for 45,000
- i) Sale of fixed assets (Book value of 50,000) for 60,000.

**17.** From the following information, calculate liquid Ratio:

Particulars	₹	Particulars	₹
Current Assets	4,00,000	Trade Receivables	2,00,000
Investment	1,00,000	Current Liabilities	1,40,000
Prepaid Expenses	20,000		

**Solution:**

**Liquid Assets = Current Assets – Investment – Prepare Expenses**

$$= 4,00,000 - 1,00,000 - 20,000$$

$$= 2,80,000$$

**Current liabilities = 1,40,000**

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

$$= \frac{2,80,000}{1,40,000} = 2:1$$

18. From the following information, calculate Quick Ratio:

Total Debt	12,00,000
Total Assets	16,00,000
Property, plant and Equipment (Fixed Assets)	6,00,000
Non-Current investments	1,00,000
Long- term Borrowings	4,00,000
Long-term provisions	4,00,000
Long-term Loans & Advances	1,00,000
Inventories	1,90,000
Prepaid Expenses	10,000

Solution:

$$\begin{aligned}\text{Current Liabilities} &= \text{Total Debt} - \text{Long-term Borrowings} \\ &= 12,00,000 - 4,00,000 - 4,00,000 \\ &= 4,00,000\end{aligned}$$

$$\begin{aligned}\text{Current} &= \text{Total Assets} - \text{Property, Plant \& Equipment} \\ &\quad - \text{Non Current investment} \\ &\quad - \text{Long term Loans \& advance} \\ &= 16,00,000 - 6,00,000 - 1,00,000 - 1,00,000 \\ &= 8,00,000\end{aligned}$$

$$\begin{aligned}\text{Quick Assets} &= \text{Current Assets} - \text{prepaid Expenses} - \text{Inventories} \\ &= 8,00,000 - 10,000 - 1,90,000 \\ &= 6,00,000\end{aligned}$$

$$\text{Quick Ratio} = \frac{6,00,000}{4,00,000} = 1.5:1$$

**19. Quick Assets 3,00,000; Inventory (Stock) 80,000; prepaid Expenses 20,000; Working capital 2,40,000. Calculate Current Ratio.**

**Solution:**

**Quick Assets = C.A + Inventories + Prepaid Expenses**

$$3,00,000 + 80,000 + 2,000$$

**Current Assets = 4,00,000**

**Working Capital = Current Assets - Current Liabilities**

$$2,40,00 = 4,00,000 - \text{Current Liabilities}$$

**Current Liabilities = 4,00,000 - 2,40,000**

$$= 1,60,000$$

$$\text{Current Ratio} = \frac{4,00,000}{1,60,000} = 2.5:1$$

**20. Current Assets 6,00,000; Investment 1,20,000; working capital 5,04,000. Calculate Quick Ratio.**

**Solution:**

**Quick Assets = Current Assets - Inventories**

$$= 6,00,000 - 1,20,000$$

$$= 4,80,000$$

**Working Capital = Current Assets - Current Liabilities**

$$5,04,000 = 6,00,000 - \text{Current Liabilities}$$

$$\text{Current liabilities} = 96,000$$

$$\text{Quick Ratio} = \frac{4,80,000}{96,000} = 5:$$

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