

121 Capital employed 12,00,000 net fixed Assets 8,00,000 cost of goods sold or cost of revenue from operations 40,00,000 gross profit is 20% on cost. Calculate working capital turnover Ratio.

Solution:

Gross profit = Revenue from operation - cost of revenue from operation

$$20\% \text{ of } 40,00,000 = \text{Revenue from operation} - 40,00,000$$

$$\text{Revenue from operation} = 40,00,000 + 8,00,000$$

$$= 48,00,000$$

Capital employed + current liabilities = Net fixed Assets + current Assets

$$12,00,000 + \text{current liabilities} = 8,00,000 + \text{current Assets}$$

$$\text{Current Assets} - \text{Current liabilities} = 12,00,000 - 8,00,000$$

$$\text{working capital} = 4,00,000$$

$$\text{Working capital Turnover Ratio} = \frac{\text{Net Revenue from operation}}{\text{working capital}}$$

$$= \frac{48,00,000}{4,00,000}$$

$$= 12 \text{ times}$$

122 Calculate working capital turnover ratio from the following information:

Revenue from operations 15,00,000; current Assets 6,25,000;
Total Assets 10,00,000; Non-current liabilities 5,00,000,
shareholders funds 2,50,000.

Solution:

Shareholder's funds + Non-current Liabilities + Current Liabilities = Total Assets

$$= 2,50,000 + 5,00,000 + \text{current liabilities} = 10,00,000$$

$$= \text{Current liabilities} = 10,00,000 - 7,50,000$$

$$= 2,50,000$$

Working capital = Current Assets - Current liabilities

$$= 6,25,000 - 2,50,000$$

$$= 3,75,000$$

Revenue from operations = 15,00,000

Working capital Turnover Ratio = $\frac{\text{Net Revenue from operation}}{\text{working capital}}$

$$= \frac{15,00,000}{3,75,000}$$

$$= 4 \text{ times}$$

123 A company earns Gross profit of 25% on cost. for the year ended 31st March, 2017 its Gross profit was 5,00,000; Equity share capital of the company was 10,00,000; Reserves and surplus 2,00,000; long-term loan 3,00,000 and Non-current Assets were 10,00,000.

Compute the 'working capital Turnover Ratio' of the company

Solution:

Gross profit = 25% on cost of goods sold

$$5,00,000 = \frac{25}{100} \times \text{cost of goods sold}$$

$$\begin{aligned}\text{Cost of goods sold} &= \frac{5,00,000 \times 100}{25} \\ &= 20,00,000\end{aligned}$$

$$\begin{aligned}\text{Net revenue from operation} &= \text{cost of goods sold} + \text{Gross profit} \\ &= 20,00,000 + 5,00,000 \\ &= 25,00,000\end{aligned}$$

Equity share capital + reserve & surplus = Non-current Assets +
+ long-term loans current
Assets

$$10,00,000 + 2,00,000 + 3,00,000 + \text{current liabilities} = 10,00,000 +$$

Current

Assets

$$\begin{aligned}\text{Current liabilities} - \text{current Assets} &= 10,00,000 + 2,00,000 + \\ &\quad 3,00,000 - \\ &10,00,000\end{aligned}$$

working capital = 5,00,000

$$\begin{aligned}\text{Working capital Turnover Ratio} &= \frac{\text{Net Revenue from operation}}{\text{working capital}} \\ &= \frac{25,00,000}{5,00,000} \\ &= 5 \text{ times}\end{aligned}$$

124 Net fixed Assets 5,00,000, Revenue from operations 25,00,000. calculate fixed Assets turnover ratio.

Solution:

Revenue from operation = 25,00,000

Net Fixed Assets = 5,00,000

$$\begin{aligned}\text{Fixed Assets Turnover Ratio} &= \frac{\text{Revenue from operation}}{\text{Net fixed Assets}} \\ &= \frac{25,00,000}{5,00,000} \\ &= 5 \text{ times}\end{aligned}$$

125 Fixed Assets (at cost) 7,00,000, Accumulated Depreciation 1,00,000, Credit Revenue from operations 17,00,000 cash revenue from operations 1,00,000. Calculate Fixed Assets Turnover Ratio.

Solution:

$$\begin{aligned}\text{Revenue from operations} &= \text{Credit revenue from operations} + \text{cash revenue from operation} \\ &= 17,00,000 + 1,00,000 \\ &= 18,00,000\end{aligned}$$

$$\begin{aligned}\text{Fixed Assets Turnover Ratio} &= \frac{\text{Revenue from operation}}{\text{Net fixed Assets}} \\ &= \frac{18,00,000}{6,00,000} \\ &= 3 \text{ times}\end{aligned}$$

126 Capital Employed 2,50,000, working capital 50,000, cost of Revenue from operations 8,00,000, Gross profit 2,00,000. Calculate fixed Assets Turnover Ratio.

Solution:

$$\text{Revenue from operation} = 1,00,000$$

Capital employed + Current liabilities = Net fixed Assets + Current Assets

Net fixed Assets = capital employed + current liabilities - current Assets

= Capital employed - (current Assets - Current liabilities)

= Capital Employed - working capital

= 2,50,000 - 50,000

= 2,00,000

Fixed Assets turnover ratio = $\frac{\text{Revenue from operation}}{\text{Net fixed Assets}}$
= $\frac{10,00,000}{2,00,000}$
= 5 times

127 Following information is of Raja Ltd. for 2 years, calculate fixed Assets Turnover Ratio:

	2021-22	2022-23
Fixed Assets at written down value	3,00,000	
6,00,000		
Cost of Revenue form operations	12,00,000	
18,00,000		

Solution:

2021-22

Net fixed Assets = 3,00,000

Revenue from operations = cost of revenue from operations

$$= 12,00,000$$

Fixed Assets turnover ratio = $\frac{\text{Revenue from operation}}{\text{Net fixed Assets}}$

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

$$= 4 \text{ times}$$

Note: In the absence of any further data, revenue from operation is equal to cost of revenue from operation

2022-23

Net fixed Assets = 6,00,000

Revenue from operations = cost of revenue from operations

$$= 18,00,000$$

Fixed Assets turnover ratio = $\frac{\text{Revenue from operation}}{\text{Net fixed Assets}}$

$$= \frac{18,00,000}{6,00,000}$$

$$= 3 \text{ times}$$

Note: In the absence of any further data, revenue from operation is equal to cost of revenue from operation

128 Capital employed 30,00,000; working capital 5,00,000; cost of revenue from operations 40,00,000; Gross profit 25% of cost. Calculate Fixed Assets Turnover Ratio.

Solution:

Net fixed Assets = Capital employed - working capital

$$= 30,00,000 - 5,00,000$$

$$= 25,00,000$$

Gross profit = Revenue from operation - cost of revenue from

operation

$$\frac{25}{100} \times 40,00,000 = \text{Revenue from operation} - 40,00,000$$

$$\text{Revenue from operation} = 40,00,000 + 10,00,000$$

$$= 50,00,000$$

$$\text{Fixed Assets turnover ratio} = \frac{\text{Revenue from operation}}{\text{Net fixed Assets}}$$

$$= \frac{50,00,000}{25,00,000}$$

$$= 2 \text{ times}$$

129 Based on the following information, calculate net Assets or capital employed turnover ratio:

Share holder's funds 20,00,000 Equity share capital 10,00,000

Reserves and surplus 10,00,000 8% debentures 10,00,000

and revenue from operations 75,00,000.

Solution:

Capital employed = shareholders' funds + 8% Debentures

$$= 20,00,000 + 10,00,000$$

$$= 30,00,000$$

Revenue from operation = 75,00,000

$$\begin{aligned}\text{Net Assets Turnover Ratio} &= \frac{\text{Revenue from operation}}{\text{Capital Employed}} \\ &= \frac{75,00,000}{30,00,000} \\ &= 2.5 \text{ times}\end{aligned}$$

130 Property, plant and equipment and intangible Assets (at cost) 30,00,000; Accumulated depreciation 5,00,000; Trade investment 2,50,000; Current Assets 11,00,000; Current liabilities 8,50,000; Cash Revenue from operations 10,00,000; Credit revenue from operations 40,00,000

Calculate Net Assets Turnover Ratio.

Solution:

Net Assets = property plant and equipment and intangible Assets (at cost)

- Acc. depreciation + Trade investment + current Assets - Current liabilities

$$= 30,00,000 - 5,00,000 + 2,50,000 + 11,00,000 - 8,50,000$$

$$= 30,00,000$$

Revenue from operation = cash revenue from operation + credit revenue from operation

$$= 10,00,000 + 40,00,000$$

$$= 50,00,000$$

$$\begin{aligned}
 \text{Net Assets Turnover Ratio} &= \frac{\text{Revenue from operation}}{\text{Capital Employed (Net Assets)}} \\
 &= \frac{50,00,000}{30,00,000} \\
 &= 1.67 \text{ times}
 \end{aligned}$$

131 Fixed Assets 10,00,000; working capital 5,00,000; cost of revenue from operations 50,00,000 Gross profit 20% of cost.

Cost Net Assets or capital employed turnover Ratio.

Solution:

Gross profit = Revenue from operation - cost of revenue from

operation

$$\frac{20}{100} \times 50,00,000 = \text{Revenue from operation} - 50,00,000$$

$$\begin{aligned}
 \text{Revenue from operation} &= 50,00,000 + 10,00,000 \\
 &= 60,00,000
 \end{aligned}$$

Capital employed + Current liabilities = Net fixed Assets + Current Assets

Capital employed = Net fixed Assets + Current Assets - Current liabilities

= Net fixed Assets + working capital

= 10,00,000 + 5,00,000

= 15,00,000

$$\text{Net Assets Turnover Ratio} = \frac{\text{Revenue from operation}}{\text{Capital Employed}}$$

$$= \frac{60,00,000}{15,00,000}$$

$$= 4 \text{ times}$$

132 Shareholder's funds 10,00,000; Long-term Debts 20,00,000; Gross profit at 20% on cost was 20,00,000. Calculate Net Assets or capital employed turnover Ratio.

Solution:

Capital Employed = Shareholder's funds+ Long-term debts

Capital Employed = 10,00,000 + 20,00,000

Capital Employed = 30,00,000

Gross profit = 20% on cost

20,00,000 = 20% on cost

Cost of Revenue from operation = 20,00,000 x 100/20

Cost of Revenue from operation = 1,00,00,000

Revenue from operation = cost of revenue from operation + Profit

Revenue from operation = 1,00,00,00 + 20,00,000

Revenue from operation = 1,20,00,000

Net Assets Turnover operation = Revenue from operation/ Capital

Employed

Net Assets Turnover Ratio = 1,20,00,000/30,00,000

Net Assets Turnover Ratio = 4 times

133 From the following Balance Sheet of Akhil Ltd. as at 31st march, 2023, calculate (i) net assets turnover ratio and (ii) fixed assets turnover ratio:

Particulars	Note No.	
I. EQUITY AND LIABILITIES		
1. Shareholders' Funds		
(a) Share capital		10,00,000
(b) Reserve and surplus		3,00,000
2. Non-Current Liabilities		
Long-term Borrowings		5,00,000
8% Debentures:		
3. Current Liabilities		
(a) Trade payables		1,50,000
(b) Other current liabilities		<u>50,000</u>
Total		<u>20,00,000</u>
II. ASSETS		
1. Non-current Assets		
Property, Plant and Equipment and intangible Assets:		13,00,000
-property, plant and equipment (net of Depreciation)		
2. Current Assets		
(a) Inventories		3,00,000
(b) Trade Receivables		2,50,000
(c) Cash and Cash Equivalents		<u>1,50,000</u>

Total		<u>20,00,000</u>
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Revenue from operations for the year was 45,00,000.

Solution:

Capital Employed = share capital + reserve & surplus + 8% Debentures

$$= 10,00,000 + 3,00,000 + 5,00,000$$

$$= 18,00,000$$

Revenue from operation = 45,00,000

$$\begin{aligned}\text{Net Assets Turnover Ratio} &= \frac{\text{Revenue from operation}}{\text{Capital Employed}} \\ &= \frac{45,00,000}{18,00,000} \\ &= 2.5 \text{ times}\end{aligned}$$

Net Fixed Assets = Property plant & Equipment (Net Depreciation)

$$= 13,00,000$$

Revenue from operation = 45,00,000

$$\begin{aligned}\text{Net Assets Turnover Ratio} &= \frac{\text{Revenue from operation}}{\text{Capital Employed}} \\ &= \frac{45,00,000}{13,00,000} \\ &= 3.4615 = 3.46 \text{ times}\end{aligned}$$

134 From the following, calculate Gross Profit Ratio:

Gross Profit: 50,000; revenue from operation 5,00,000; sales Return 50,000.

Solution:

$$\begin{aligned}\text{Gross Profit Ratio} &= \frac{\text{Gross Profit}}{\text{Revenue from operation}} \times 100 \\ &= \frac{50,000}{5,00,000} \times 100 \\ &= 10\%\end{aligned}$$

135 Compute Gross profit Ratio from the following information:

Cost of revenue from operations (cost of goods sold) 5,40,000;
revenue from operations (Net sales) 6,00,000.

Solution:

Gross profit = revenue from operation - cost of revenue from
operation

$$\begin{aligned}&= 6,00,000 - 5,40,000 \\ &= 60,000\end{aligned}$$

$$\begin{aligned}\text{Gross Profit Ratio} &= \frac{\text{Gross Profit}}{\text{Revenue from operation}} \times 100 \\ &= \frac{60,000}{6,00,000} \times 100 \\ &= 10\%\end{aligned}$$

136 Computer Gross profit Ratio from the following information:

Revenue from operations, i.e., Net sales = 4,00,000; Gross profit 25% on cost.

Solution;

Gross profit = revenue from operation - cost of revenue from

operation

$$\frac{25}{100} x = 4,00,000 - x$$

$$\frac{1}{4} x + x = 4,00,000$$

$$\frac{5x}{4} = 4,00,000$$

$$x = \frac{4,00,000 \times 4}{5}$$

Cost of revenue from operation = 3,20,000

Gross profit = Revenue from operation - cost of revenue from operation

$$= 4,00,000 - 3,20,000$$

$$= 80,000$$

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Revenue from operation}} \times 100$$

$$= \frac{80,000}{4,00,000} \times 100$$

$$= 20\%$$

137 Calculate gross profit ratio from the following data:

Cash sales are 20% of Total sales are 5,00,000; purchases are 4,00,000; Excess of closing inventory over opening inventory 25,000.

Solution:

Total sales = cash sales + credit sales

$$X = \frac{20}{100} X = 5,00,000$$

$$X - \frac{20}{100} X = 5,00,000$$

$$\frac{80X}{100} = 5,00,000$$

$$\text{Total sales} = 5,00,000 \times \frac{100}{80}$$

Revenue from operation = 6,25,000

Cost of goods sold = opening inventory + purchases - closing inventory

$$= \text{purchases} - (\text{closing inventory} - \text{opening inventory})$$

$$= 4,00,000 - 25,000$$

$$= 3,75,000$$

Gross profit = Revenue from operation - cost of goods sold

$$= 6,25,000 - 3,75,000$$

$$= 2,50,000$$

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Revenue from operation}} \times 100$$

$$= \frac{2,50,000}{6,25,000} \times 100$$

$$= 40\%$$

138 From the following information, calculation Gross profit Ratio:

Credit sales	10,00,000
Purchases	6,00,000
Carriage inwards	20,000
Decrease in inventory	20,000
Return outward	20,000
Wages	1,00,000
Rate of credit sales to cash sale	4:1

Solution:

Revenue from operation = credit sales + cash sales - sales return

$$= 10,00,000 + 10,00,000 \times \frac{1}{4} - 0$$

$$= 12,50,000$$

Cost of goods sold = purchases - Return outward + Carriage inward + wages + Decrease In inventory

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

$$= 7,20,000$$

Gross profit = Revenue from operation - cost of Goods sold

$$= 12,50,000 - 7,20,000$$

$$= 5,30,000$$

Gross Profit Ratio = $\frac{\text{Gross Profit}}{\text{Revenue from operation}} \times 100$

$$= \frac{5,30,000}{12,50,000} \times 100$$

$$= 42.4 \%$$

139 From the following information, calculate Gross profit Ratio:

Revenue from operations:

Cash	2,00,000	Carriage inwards	8,000
Credit	8,00,000	Salaries	42,000
Purchases:		Decreases in inventory	
1,22,000			
Cash	40,000	Return Outwards	20,000
Credit	3,60,000	Wages	20,000

Solution:

Revenue from operation = Credit sales + Cash sales

$$= 8,00,000 + 2,00,000$$

$$= 10,00,000$$

Cost of goods sold = purchases (cash + credit) - Return outward + wages + Carriage inward + Decrease In inventory

$$= (3,60,000 + 40,000) - 20,000 + 20,000 + 8,000 + 1,22,000$$

$$= 5,30,000$$

Gross profit = Revenue from operation - cost of goods sold

$$= 10,00,000 - 5,30,000$$

$$= 4,70,000$$

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Revenue from operation}} \times 100$$

$$= \frac{4,70,000}{10,00,000} \times 100$$

$$= 47 \%$$

140 Opening inventory 2,00,000; closing inventory 1,20,000. Inventory Turnover Ratio 8 times; Selling price 25% above cost. Calculate Gross profit Ratio.

Solution:

$$\text{Inventory Turnover Ratio} = \frac{\text{Cost of goods Sold}}{\text{Avg. Inventory}}$$

$$8 = \frac{\text{Cost of goods sold}}{\frac{2,00,000 + 1,20,000}{2}}$$

$$\text{Cost of Goods sold} = \frac{8 (3,20,000)}{2}$$

$$= 12,80,000$$

$$\text{Revenue from operation} = \text{cogs} + 25\% \text{ of cogs}$$

$$= 12,80,000 + \frac{25}{100} \times 12,80,000$$

$$= 12,80,000 + 3,20,000$$

$$= 16,00,000$$

$$\text{Gross profit} = \text{Revenue from operation} - \text{cost of goods sold}$$

$$= 16,00,000 - 12,80,000$$

$$= 3,20,000$$

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Revenue from operation}} \times 100$$

$$= \frac{3,20,000}{16,00,000} \times 100$$