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**Subject: business finance**

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**Roll number: 15095**

**Problem number 1:**

**Solution:**

1. **Current Ratio:**

Current Assets

Current Liabilities

 $\frac{3800}{1680}=2.26$

1. **Acid-Test Ratio:**

Current Assets − Inventory

 Current Liabilities

 $\frac{3800-2100}{1680}=\frac{1700}{1680}=1.01$

1. **The Overage Collection Period:**

Net Credit Sales

 Receivable

 $\frac{12680}{1300}=0.97$

Total Days in Year

 Receivable Turnover

$\frac{360}{0.97}=376.28$

1. **The Inventory Turnover Ratio:**

Cost of Goods sold

 Average Inventories

 $\frac{8930}{(2100+1800)/2}=\frac{8930}{1950}=4.57$

1. **The Debt to Net Worth Ratio:**

Total Liabilities

Total Net Worth

$$\frac{3680}{3440}=1.06$$

1. **Long Term Debt to Total Capitalization Ratio:**

Long Term Debt

 Total Capitalization

$$\frac{2000}{2000+3440}=\frac{2000}{5440}=0.36$$

1. **Gross Profit Margin:**

Net sales − CGs

 Net Sales

 $\frac{12680-8930}{12680}=\frac{3750}{12680}=0.29$

1. **Net Profit Margin:**

Net Profit

 Net Sales

$$\frac{670}{12680}=0.05$$

1. **Return On Equity:**

Net Income

 Equity

$$\frac{670}{8440}=0.19$$

**Question number 2:**

**Solution:**

 **Company “A” Company “B”**

Total Assets Turnover: Total Assets Turnover:

 Net sales Net sales

 Total Assets Total Assets

 $\frac{10}{8}=0.8$ $\frac{20}{10}=2$

 Net Profit Margin: Net Profit Margin:

Net Profit Net Profit

 Total Sales Total Sales

 $\frac{0.7}{10}=0.07$ $\frac{2}{20}=0.1$

 Earning Power: Earning Power:

 $=0.8 ×0.07$ $2 ×0.1=0.2$

$=0.056$

**Company “C” Company “D”**

Total Assets Turnover: Total Assets Turnover:

 Net sales Net sales

 Total Assets Total Assets

 $\frac{8}{6}=1.333$ $\frac{5}{2.5}=0.1$

 Net Profit Margin: Net Profit Margin:

Net Profit Net Profit

 Total Sales Total Sales

 $\frac{0.8}{8}=0.1$ $\frac{0.5}{5}=0.1$

 Earning Power: Earning Power:

 $1.33 ×0.1=0.133$ $2 ×0.1=0.2$

**Company “E” Company “F”**

Total Assets Turnover: Total Assets Turnover:

 Net sales Net sales

 Total Assets Total Assets

 $\frac{17}{8}=2.125$ $\frac{12}{4}=3$

 Net Profit Margin: Net Profit Margin:

Net Profit Net Profit

 Total Sales Total Sales

 $\frac{1}{17}=0.05$ $1.5$

 Earning Power: Earning Power:

 $2.125×0.05=0.10625$ $3 ×1.5=4.5$