

HW - Chapter 10 - Working Capital - Q3

- (i) Cost of Goods Sold = Sales – Gross Profit (35% of Sales)
= Rs. 90,00,000 – Rs. 31,50,000 = Rs. 58,50,000
- (ii) Closing Stock = Cost of Goods Sold / Stock Turnover = Rs. 58,50,000/6 = Rs. 9,75,000
- (iii) Fixed Assets = Cost of Goods Sold / Fixed Assets Turnover
= Rs. 58,50,000/1.5 = Rs. 39,00,000
- (iv) Current Assets and Current Liabilities
Current Ratio = 2.5 and Liquid Ratio = 1.5
CA / CL = 2.5 ... (i)
(CA – Inventories) / CL = 1.5 ... (ii)
By subtracting equation (ii) from (i), we get, Inventories / CL = 1
Current Liabilities = Inventories (stock) = Rs. 9,75,000
Current Assets = Rs. 9,75,000 x 2.5 = Rs. 24,37,500
- (v) Liquid Assets (Receivables and Cash)
= Current Assets – Inventories (Stock)
= Rs. 24,37,500 – Rs. 9,75,000 = Rs.14,62,500
- (vi) Receivables (Debtors) = Sales × Debtors Collection period /12
= Rs. 90,00,000 × 1/12
= Rs. 7,50,000
- (vii) Cash = Liquid Assets – Receivables (Debtors)
= Rs.14,62,500 – Rs. 7,50,000 = Rs. 7,12,500
- (viii) Net worth = Fixed Assets /1.3
= Rs. 39,00,000/1.3 = Rs. 30,00,000
- (ix) Reserves and Surplus / Share Capital = 1/1.5
Let Reserves and Surplus be x and Share Capital be 1.5x
Reserves and Surplus + Share Capital = 30,00,000
x + 1.5 x = 30,00,000
X = 12,00,000
1.5x = 18,00,000
- (x) Long-term Debts

Capital Gearing Ratio = Long-term Debts / Equity Shareholders' Fund Long-term Debts =
 Rs. 30,00,000 × 0.7875 = Rs. 23,62,500

(a) Balance Sheet of the Company

Particulars	31-03-2021	31-03-2020
I. EQUITY AND LIABILITIES		
Shareholders' funds		
(a) Share capital	18,00,000	-
(b) Reserves and surplus	12,00,000	-
Non-current liabilities		
(a) Long-term borrowings	23,62,500	-
Current liabilities	9,75,000	-
TOTAL	63,37,500	-
II. ASSETS		
Non-current assets		
Fixed assets	39,00,000	-
Current assets		
Inventories	9,75,000	-
Trade receivables	7,50,000	-
Cash and cash equivalents	7,12,500	-
TOTAL	63,37,500	-

(b) Statement Showing Working Capital Requirement

	(Rs.)
A. Current Assets	
(i) Inventories (Stocks)	9,75,000
(ii) Receivables (Debtors)	7,50,000

(iii) Cash in hand & at bank	7,12,500
Total Current Assets	24,37,500
B. Current Liabilities:	
Total Current Liabilities	9,75,000
Net Working Capital (A - B)	14,62,500
Add: Provision for contingencies (15% of Net Working Capital)	2,19,375
Working capital requirement	16,81,875