

HW - Chapter 3 - Ratios - Q1

- (a) GP Ratio is 15%. Hence COGS will be 85% of sales = 85% of 640000 = Rs. 5,44,000
Inventory turnover = Cost of goods sold ÷ Average inventory
Hence Average inventory = COGS ÷ Inventory turnover = 544000 ÷ 5 = Rs. 1,08,800
- (b) CR = CA ÷ CL
Closing CA = CL x CR = 96000 x 2.5 = Rs. 2,40,000
Closing Debtors = Closing CA - Inventories - Cash = 240000 - 48000 - 16000 = Rs. 1,76,000

Average Receivables
= (Opening Receivables + Closing Receivables) ÷ 2
= (80000 + 176000) ÷ 2 = Rs. 1,28,000

Average collection period
= Average Receivables ÷ Credit Sales × 360 days
= 128000 ÷ 640000 × 360 = 72 Days