

DK Goel Solutions Class 12 – Chapter 5 – Part B

Question 1

From the following, compute the current ratio.

	₹
Non-Current Investments	1,00,000
Current Investments	40,000
Inventories (including loose tools of ₹ 50,000/-)	2,80,000
Trade Receivables:	
Sundry Debtors	1,60,000
Bills Receivables	20,000
Trade Payables:	
Sundry Creditors	1,20,000
Bills Payables	10,000
Long-term Borrowings	2,00,000
Short-term Borrowings	50,000
Short-term Provision (Provision for Tax)	20,000
Cash and Bank Balance	30,000

Solution:

Current Assets = Current Investments + Inventories (Excluding Loose Tools) + Trade Receivables (Sundry Debtors + Bills Receivables) + Cash and Bank Balance

= 40,000 + 2,30,000 + 1,60,000 + 20,000 + 30,000

= ₹. 4,80,000/-

Current Liabilities = Trade Payables (Sundry Creditors + Bills Payables) + Short term Borrowings + Short term Provision (Provision for Tax)

= 1,20,000 + 10,000 + 50,000 + 20,000

= ₹. 2,00,000/-

Question 2

Following particulars are given to you:

		₹
Trade Investments		2,50,000
Marketeable Securities		40,000
Tangible Fixed Assets		6,00,000
Intangible Assets (Goodwill)		1,00,000
Trade Receivables	2,00,000	1,80,000
Less: Provision for Doubtful Debts	20,000	
Cash and Bank Balance		80,000
Trade Payables		1,20,000

Rent Payables		10,000
Dividend Payable		30,000
Inventories		3,90,000
Long term Borrowings (8% Debentures)		2,80,000
Short term Borrowings (Bank Overdraft)		25,000
Short term Provisions:		
Provisions for Tax		55,000
Income Tax paid in Advance		30,000

Calculate the Liquidity Ratios.

Solution:

Liquidity Ratios include the following 2 ratios. Namely,

- Current ratio
- Quick ratio

Current Assets = Marketable Securities + Trade Receivables + Cash and Bank Balance + Inventories + Income Tax paid in advance

$$= 40,000 + 1,80,000 + 80,000 + 3,90,000 + 30,000$$

$$= ₹. 7,20,000/-$$

Current Liabilities = Trade Payables + Rent Payable + Dividend Payable + Bank Overdraft + Provisions for Tax

$$= 1,20,000 + 10,000 + 30,000 + 25,000 + 55,000$$

$$= ₹. 2,40,000/-$$

Liquid Assets = Current Assets – Inventories – Income Tax Paid in Advance

= 7,20,000 – 3,90,000 – 30,000

= 3,00,000

