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Qr. Calculate from the following information:—

- (a) P/v Ratio
- (b) B.E.P.
- (c) Margin of Safety

	2015 (Rs)	2016 (Rs)
Sales	1,20,000	1,80,000
Less variable cost	66,000	1,08,000
Contribution	54,000	72,000
Less fixed cost	24,000	30,000
Profit	30,000	42,000

Solution

(a.) P/v Ratio =  $\frac{\text{Contribution} \times 100}{\text{Sales}}$

2015  
 $\frac{54000 \times 100}{120000}$

$\Rightarrow \frac{540}{12} = 45\%$

2016  
 $\frac{72000 \times 100}{180000}$

$\Rightarrow \frac{720}{18} = 40\%$

(b.) B.E.P =  $\frac{\text{Fixed Cost}}{\text{P/v ratio}}$

2015  
 $= \frac{24000 \times 100}{45}$

$= 53,333$

2016  
 $\frac{30000 \times 100}{40}$

$= 75,000$

(c.) margin of safety = Sales - B.E.P.

2015  
120000 - 53333  
 $= 66667$

2016  
180000 - 75000  
 $= 1,05,000$

B

Q. No. 2: Given

$$\begin{aligned}\text{Current ratio} &= 2.8 \\ \text{Liquidity Ratio} &= 1.5 \\ \text{Working Capital} &= 1,62,000\end{aligned}$$

Find out

- (a) Current Assets (b) current Liabilities  
(c) Liquid assets

Solution

(a.) Calculation of Current Assets

Working capital = Current assets - Current liabilities  
Current ratio is 2.8 therefore working capital on the basis of current ratio

$$= 2.8 - 1 = 1.8$$

when working capital

$$\begin{array}{r} 1.8 \\ \hline 162000 \end{array} \qquad \begin{array}{r} \text{Current Assets} \\ 2.8 \\ \hline ? \end{array}$$

$$\Rightarrow \frac{162000 \times 2.8}{1.8} = 252000$$

Current Assets will be = 252000

(b.) Current liabilities (C.L)

Current Assets - Working Capital

$$\begin{aligned}252000 - 162000 \\ = 90,000\end{aligned}$$

(c.) Liquid Assets =  $\frac{\text{Liquid Assets}}{\text{current liabilities}}$

$$1.5 \text{ given} = \frac{\text{Liquid Assets}}{90000}$$

$$\Rightarrow 90000 \times 1.5 = 135000$$

Stocks = Current Assets - Liquid Assets

$$\begin{aligned}\text{So, that } 252000 - 135000 \\ = 117000 \text{ (stock)}\end{aligned}$$

$$a = 252000, \quad b = 90000, \quad c = 135000 \quad \text{S.B.}$$