

Example : there is cash flow statement to Al-Basra co.

Liabilities	2011	2012	Assets	2011	2012
Equity Share Capital	20,000	27,500	Machinery	9,000	22,500
General Reserve	2,500	4,000	Stock	10,000	11,500
Profit and Loss A/c	3,000	2,500	Land & Building	7,500	10,000
6% Debentures	5,000	10,000	Debtors	4,000	3,500
Creditors	4,500	7,250	Bills Receivable	3,250	4,200
Bills Payable	1,700	2,500	Goodwill	3,500	2,500
Unclaimed Dividend	300	250	Bank	2,250	2,800
Tax Provision	2,500	3,500	Discount on Issue of Debentures	—	500
	39,500	57,500		39,500	57,500

Required :

From the information above, calculate the operating cash flow produced in 2011 , 2012 and calculate the operating cash flow ratio

Example : calculate the current ratio

Cash = \$15 million

Marketable securities = \$20 million

Inventory = \$25 million

Short-term debt = \$15 million

Accounts payables = \$15 million

Current assets = 15 + 20 + 25 = 60 million

Current liabilities = 15 + 15 = 30 million

Current ratio = 60 million / 30 million = 2.0x

Example : : calculate the acid ratio

Current Assets	Current Liabilities
Cash: \$1,500	Accounts payable: \$12,500
Accounts receivables: \$12,500	Accrued payable: \$1,500
Inventory: \$15,000	Notes payable: \$5,00

Acid test ratio = $(\$2,500 + \$12,500) / (\$12,500 + \$1,500 + \$500) = 1.03$

Example : The following are the current assets and current liabilities of Apple Inc. for the period ending 29 September 2018:

Current assets (in millions)	Current liabilities (in millions)
Cash And Cash Equivalent: \$25,913	Accounts payable: \$55,888
Short Term Investments: \$40,388	Short/Current Long Term Debt: \$20,748
Net Receivables: \$48,995	Other Current Liabilities: \$40,230
Inventory: \$3,956	
Other Current Assets: \$12,087	

Calculate the acid test ratio of Apple Inc for the period ending 29 September 2018:

Acid test ratio = $(\$25,913 + \$40,388 + \$48,995 + \$12,087) / (\$55,888 + \$20,748 + \$40,230)$
= 1.09

Example : The following are the assets and liabilities of Apple Inc. for the period ending 29 September 2018:

	A	B	C	D	E
1	Period Ending (all amount in \$ Millions)	29-Sep-18	30-Sep-17	24-Sep-16	26-Sep-15
2	Current Assets				
3	Cash And Cash Equivalents	25,913	20,289	20,484	21,120
4	Short Term Investments	40,388	53,892	46,671	20,481
5	Net Receivables	48,995	35,673	29,299	30,343
6	Inventory	3,956	4,855	2,132	2,349
7	Other Current Assets	12,087	13,936	8,283	15,085
8	Total Current Assets	131,339	128,645	106,869	89,378
9	Current Liabilities				
10	Accounts Payable	55,888	44,242	59,321	60,671
11	Short/Current Long Term Debt	20,748	18,473	11,605	10,999
12	Other Current Liabilities	40,230	38,099	8,080	8,940
13	Total Current Liabilities	116,866	100,814	79,006	80,610
14					
15	Acid Test ratio	?	?	?	?
16					

Salutation:

	A	B	C	D	E
1	Period Ending (all amount in \$ Millions)	29-Sep-18	30-Sep-17	24-Sep-16	26-Sep-15
2	Current Assets				
3	Cash And Cash Equivalents	25,913	20,289	20,484	21,120
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12	Other Current Liabilities	40,230	38,099	8,080	8,940
13	Total Current Liabilities	116,866	100,814	79,006	80,610
14					
15	Acid Test ratio	1.090	1.228	1.326	1.080
16					

Particulars of current assets	Amount in crore
Cash and equivalent	Rs. 65,000
Marketable securities	Rs. 15,000
Accounts receivables	Rs. 35,000
Inventory	Rs. 45,000
Total current assets	Rs. 160,000
Total current liabilities	Rs. 60,000

Current ratio = (Rs. 65,000 + Rs. 15,000 + Rs. 35,000)/ Rs. 60,000

= 115,000/. 60,000 = 1.91

Quick ratio = (current assets – inventory) / current liabilities

=(160000 – 45000) / 60000 =1.91

Example : From the following particulars calculate the liquidity ratios:

articulars	Amount
Inventory	140000
Sundry Debtors	280000
Cash	50000

Bills receivable	20000
Creditors	300000
Bank Overdraft	50000

Ans.

1. Current Ratio = Current Assets / Current Liabilities = 490000 / 350000 = 1.4:1

Current Assets = Sundry Debtors + Inventories + Cash-in-hand + Bills Receivable

$$= 280000 + 140000 + 50000 + 20000 = 490000$$

Current Liabilities = Creditors + Bank Overdraft

$$= 300000 + 50000 = 350000$$

2. Quick Ratio or Acid-test Ratio = Quick Assets / Current liabilities

$$= 350000 / 350000 = 1:1$$

Quick Assets = Current Assets – Inventories

$$= 490000 - 140000 = 350000$$

3. Cash Ratio = Cash Balance / Current Liabilities = 50000 / 350000 = 0.14:1

4. Net Working Capital Ratio = Current Assets – Current Liabilities (exclude short-term bank borrowing)

$$= 490000 - 300000 = 190000$$