

Example 11.1 pg 267 FA

Busu Bhd

Comparative Income Statement for the year ended 31 December

Account	2016	2015
	RM'000	RM'000
Sales	240,000.00	290,000.00
(-) Cost of Sales	<u>(200,800.00)</u>	<u>(246,300.00)</u>
Gross Profit	39,200.00	43,700.00
(-) Expenses	<u>(21,200.00)</u>	<u>(23,800.00)</u>
Net Profit Before Tax	<u>18,000.00</u>	<u>19,900.00</u>

Required

Perform a horizontal analysis and analyse the changes

Example 11.1 pg 267 FA

Busu Bhd

Comparative Income Statement for the year ended 31 December

Account	2016 RM'000	2015 RM'000	Variance	%
Sales	240,000.00	290,000.00	(50,000.00)	-17.24%
(-) Cost of Sales	<u>(200,800.00)</u>	<u>(246,300.00)</u>	(45,500.00)	-18.47%
Gross Profit	39,200.00	43,700.00	(4,500.00)	-10.30%
(-) Expenses	<u>(21,200.00)</u>	<u>(23,800.00)</u>	(2,600.00)	-10.92%
Net Profit Before Tax	<u>18,000.00</u>	<u>19,900.00</u>	(1,900.00)	-9.55%

Required

Perform a horizontal analysis and analyse the changes

1) Sales dropped by 17% amounting by RM50,000 due one major customer leaving us

Note

- 1
- 2
- 3
- 3

Example 11.2 pg 268 FA

Kundur Bhd

Comparative Income Statement for the year ended 31 December

Account	2016	2015
	RM'000	RM'000
Sales / Revenue	240,000.00	180,000.00
<u>(-) Cost of Sales</u>		
Opening Stock	54,000.00	50,000.00
+) Purchases	122,000.00	107,000.00
-) Closing Stock	(47,000.00)	(54,000.00)
	<u>129,000.00</u>	<u>103,000.00</u>
Gross Profit	111,000.00	77,000.00
(-) Expenses	<u>(73,200.00)</u>	<u>(41,200.00)</u>
Net Profit Before Tax	<u>37,800.00</u>	<u>35,800.00</u>

Required

Perform a vertical analysis and analyse the changes

Example 11.2 pg 268 FA

Kundur Bhd

Comparative Income Statement for the year ended 31 December

Account	2016 RM'000	Over Sales Ratio	2015 RM'000		Variance
Sales / Revenue	240,000.00	100%	180,000.00	100%	60,000.00
<u>(-) Cost of Sales</u>					
Opening Stock	54,000.00		50,000.00		
+) Purchases	122,000.00		107,000.00		
-) Closing Stock	(47,000.00)		(54,000.00)		
	<u>129,000.00</u>	54%	<u>103,000.00</u>	57%	26,000.00
Gross Profit	111,000.00	46%	77,000.00	43%	34,000.00
(-) Expenses	<u>(73,200.00)</u>	31%	<u>(41,200.00)</u>	23%	32,000.00
Net Profit Before Tax	<u>37,800.00</u>	16%	<u>35,800.00</u>	20%	2,000.00

Required

Perform a vertical analysis and analyse the changes

%

33%

25%

44%

78%

6%

Example 11.3 pg 269 FA

	2016	2015		
	RM	RM		
Net Sales	2,000,000.00	1,900,000.00	100,000.00	5%
Net Profit	260,000.00	200,000.00	60,000.00	30%

Calculate Net Profit Margin and analyse about the ratio

Net Profit Margin	13.00%	10.53%
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	2016	2015
	RM	RM
<u>Current Assets</u>	<u>1,200,000.00</u>	<u>940,000.00</u>
Current Liabilities	350,000.00	300,500.00

Calculate current ratio and analyse about the ratio

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	2016	2015
	RM	RM
Cash in Hand	110,000.00	150,000.00
Shor Term Investment	21,000.00	73,000.00
Trade Receivables	220,000.00	190,000.00
Inventories	600,000.00	510,000.00
Prepaid Expenses	50,000.00	40,000.00
Total Assets	<u>1,001,000.00</u>	<u>963,000.00</u>
Total Liabilities	<u>350,000.00</u>	<u>300,500.00</u>

Calculate quick ratio and analyse about the ratio

Answer

Current Assets - Inventory - Prepaid Expenses	351,000.00	413,000.00
Quick Ratio	1.00	1.37
	1.00:1	1.37:1
Current Ratio	2.86	3.20

Answer

3.43	3.13
3.43:1	3.13:1

in 2016, the company assets is sufficient to pay off its liabilities

Example 11.12 pg 275 FA

Credit Sales for 2016 and 2015 are RM2,000,000 and RM1,800,000, respectively.
Net Receivables for 2014 was RM300,000. Net receivables for 2015 and 2016 as per below:

	2016	2015
Trade Receivables	220,000.00	190,000.00

Calculate debtors turnover ratio in days and times and interpret the ratio

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The opening inventory for 2015 or closing inventory for 2014 is RM440,000. The closing inventory for 2015 and 2016 are RM510,000 and RM600,000, respectively. The cost of sales for 2015 and 2016 are RM1,050,000 and RM1,300,000 respectively.

Calculate inventory turnover ratio in days and times and interpret the ratio

Example Online

Company A

Total supplier purchases were \$100 million for the year.
Accounts payable was \$30 million for the start of the year while accounts payable came in at \$50 million at the end of the year.

Company B

Total supplier purchases were \$110 million for the year.
Accounts payable of \$15 million for the start of the year and by the end of the year had \$20mil.

Calculate payables turnover ratio in days and times for both Company A & B and interpret which company having a good cash flow position

Answer

	2016	2015
Sales	2,000,000.00	1,800,000.00
Average Debtors	$= (190,000 + 220,000) / 2$ 205,000.00	$= (300,000 + 190,000) / 2$ 245,000.00
Debtor Turnover Times	9.76	7.35
Debtor Turnover Days	365 / Debtor Turnover Times	
Debtor Turnover Days	37.41	49.68

Answer

	<u>Co A</u>	<u>Co B</u>
Purchases	100	110
Average Payable	$= (30 + 50) / 2$ 40	$= (15 + 20) / 2$ 17.5
Payable Turnover Ratio on Times	$\frac{= \text{Purchase}}{\text{Average Payable}}$	$\frac{= \text{Purchase}}{\text{Average Payable}}$
	2.5	6.29
Payable Turnover ratio in Days	146	58
= 365 / Payable turnover ratio in times		