

Liquid ratio = current assets - stock - prepaid expenses ÷ current liabilities.

Q.

Given current assets Rs 50000

current assets including the following

stock 14000 prepaid expenses 1000

and current liability 20000 including bank overdraft

solution .

liquid ratio = current assets - stock - prepaid expenses ÷ current liabilities

= 50000 - 14000 - 1000 ÷ 20000

= 35000 ÷ 20000

= 1.75 : 1

Q. calculate stock turnover ratio from the following

opening stock Rs. 30000

closing stock Rs. 20000

cost of goods sold given Rs.400000

solution.

cost of goods sold = 400000

average stock = opening stock + closing stock ÷ 2

= 30000 + 20000 ÷ 2

= 25000

stock turnover ratio = cost of goods sold ÷ average stock

$$= 400000 \div 25000$$

= 16 times