

Paul Robbins training and consultancy

Credit Management

Performance Indicator Ratios

Exercise 1

You have been provided with a summary from the Financial Statements of Cambridge Consultants Ltd for the last three years.

	Year 1 (£000)	Year 2 (£000)	Year 3 (£000)
Sales Revenue	916	925	937
Cost of Sales	529	544	558
Current Assets	382	393	405
Current Liabilities	299	302	317
Inventory	86	90	98
Trade Receivables	121	135	140
Trade Payables	76	79	74
Profit from Operations	85	90	95
Interest Paid	12	16	21
Net Profit	73	74	74
Long Term Debt	150	150	180
Equity	425	470	475

Note that Current Liabilities includes short-term debt and trade payables only.

You should express your answers to two decimal places.

You should use this information to calculate the following ratios, including stating the formula you used to perform the calculation.

Performance Indicator Ratio	Year 1	Year 2	Year 3
<u>Current Ratio</u>			

<u>Quick Ratio</u>			
<u>Inventory Holding Period</u>			
<u>Accounts Receivable Collection Period</u>			
<u>Accounts Payable Payment Period</u>			
<u>Net Profit Margin %</u>			
<u>Return on Capital Employed</u>			
<u>Interest Cover</u>			
<u>Gearing %</u>			