

Paul Robbins training and consultancy

Credit Management

Performance Indicator Ratios

Exercise 2

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

	Year 1 (£000)	Year 2 (£000)	Year 3 (£000)
Sales Revenue	876	881	897
Cost of Sales	475	472	478
Current Assets	345	362	370
Current Liabilities	244	243	256
Inventory	47	52	51
Trade Receivables	78	79	81
Trade Payables	59	63	65
Profit from Operations	103	107	112
Interest Paid	16	18	23
Net Profit	87	89	89
Long Term Debt	100	105	115
Equity	300	300	300

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>			