

Paul Robbins training and consultancy

Credit Management

Performance Indicator Ratios

Worked Example

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

	Year 1 (£000)	Year 2 (£000)	Year 3 (£000)
Sales Revenue	965	987	1,105
Cost of Sales	540	571	623
Current Assets	459	470	525
Current Liabilities	238	267	282
Inventory	173	184	199
Trade Receivables	205	211	216
Trade Payables	148	152	167
Profit from Operations	96	102	111
Interest Paid	18	22	25
Net Profit	78	80	86
Long Term Debt	175	190	190
Equity	560	595	610

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>			