Competency 13.0 – Presents information required for management to decision making by analyzing and interpreting financial statements using ratios.

- Briefly explains the advantages of calculating profitability ratios

- Financial year of Capital PLC was ended as at 31.03.217. Annual sales were Rs. 500 000. Gross profit was 40% of sales. Operating expenses except interest were Rs. 65 000 and interest expenses were Rs. 15 000. Income tax for the year was Rs. 30 000.

- Total Assets were Rs. 60 000 and Equity were 75% of assets.

- Calculate the following ratios.
    - Net Profit Ratio (before tax)
    - Return on total assets ratio
    - Return on equity ratio
    - Propose the actions to be taken in order to reach gross profit ratio up to 30%

- State the benefits of efficiency ratios

- Ratios calculated by Hasini PLC for 2 years are given below.

	2017	2018
Inventory Turn Over Ratio (No. of times)	18	15
Inventory holding period (days)	20	24
Debtors' Turn over Ratio (No of times)	10	12
Debtors' collection period (days)	36	30

Answer for followings referring above

- Year in which sales were more efficient.
- Year in which debtor collection was more efficient.
- Year in which the operations were more efficient