

Financial ratio practice worksheet

Name _____ Date _____

1. Current ratio (problem 2601)

From the balances below, work out the current ratio.

SELECTED BALANCES AT 31 DECEMBER (\$)

Accounts payable	81,000
Inventory	84,000
Long-term loan, due after one year	190,000
Current portion of long-term loan	30,000
Equipment, net	335,000
Accrued expenses	13,000
Cash and cash equivalents	12,000
Share capital	120,000
Short-term bank loan	15,000
Accounts receivable	74,000
Prepaid expenses	10,000

1. Total current assets: _____
2. Total current liabilities: _____
3. Current ratio: _____

2. Current ratio (problem 2602)

From the balances below, work out the current ratio.

SELECTED BALANCES AT 31 DECEMBER (\$)

Cash and cash equivalents	27,000
Inventory	108,000
Prepaid expenses	10,000
Equipment, net	150,000
Accounts payable	88,000
Current portion of long-term loan	10,000
Short-term bank loan	10,000
Accounts receivable	28,000
Share capital	160,000
Accrued expenses	15,000
Long-term loan, due after one year	90,000

1. Total current assets: _____
2. Total current liabilities: _____
3. Current ratio: _____

3. Quick ratio (problem 2603)

From the balances below, work out the quick ratio (acid-test ratio).

SELECTED BALANCES AT 31 DECEMBER (\$)

Accounts receivable	88,000
Cash and cash equivalents	18,000
Equipment, net	325,000
Accounts payable	96,000
Short-term bank loan	40,000
Prepaid expenses	11,000
Share capital	50,000
Inventory	91,000
Accrued expenses	28,000
Long-term loan, due after one year	70,000
Short-term investments	29,000
Current portion of long-term loan	15,000

1. Quick assets: _____
2. Total current liabilities: _____
3. Quick ratio: _____

4. Quick ratio (problem 2604)

From the balances below, work out the quick ratio (acid-test ratio).

SELECTED BALANCES AT 31 DECEMBER (\$)

Short-term investments	31,000
Long-term loan, due after one year	290,000
Short-term bank loan	50,000
Accounts receivable	28,000
Prepaid expenses	5,000
Inventory	125,000
Share capital	80,000
Current portion of long-term loan	30,000
Accrued expenses	11,000
Accounts payable	120,000
Cash and cash equivalents	33,000
Equipment, net	350,000

1. Quick assets: _____
2. Total current liabilities: _____
3. Quick ratio: _____

5. Debt-to-equity ratio (problem 2605)

From the balances below, work out the debt-to-equity ratio, using total liabilities.

SELECTED BALANCES AT 31 DECEMBER (\$)

Short-term bank loan	40,000
Inventory	52,000
Lease liabilities	110,000
Property and equipment, net	400,000
Cash and cash equivalents	27,000
Long-term loan	140,000
Share capital	210,000
Retained earnings	170,000
Accounts payable	23,000
Accrued expenses	29,000
Accounts receivable	119,000

1. Total liabilities: _____
2. Shareholders' equity: _____
3. Debt-to-equity ratio: _____

6. Debt-to-equity ratio (problem 2606)

From the balances below, work out the debt-to-equity ratio, using total liabilities.

SELECTED BALANCES AT 31 DECEMBER (\$)

Share capital	150,000
Long-term loan	310,000
Retained earnings	140,000
Accounts payable	95,000
Property and equipment, net	200,000
Inventory	145,000
Cash and cash equivalents	48,000
Accrued expenses	11,000
Lease liabilities	80,000
Accounts receivable	94,000
Short-term bank loan	75,000

1. Total liabilities: _____
2. Shareholders' equity: _____
3. Debt-to-equity ratio: _____

7. Gross profit margin (problem 2607)

From the income statement items below, work out the gross profit margin.

INCOME STATEMENT ITEMS FOR THE YEAR (\$)

Cost of goods sold	251,000
Interest expense	4,000
Income tax expense	24,000
Sales revenue	460,000
Selling and administrative expenses	79,000
Sales returns and allowances	32,000

1. Net revenue: _____
2. Gross profit: _____
3. Gross profit margin (%): _____

8. Gross profit margin (problem 2608)

From the income statement items below, work out the gross profit margin.

INCOME STATEMENT ITEMS FOR THE YEAR (\$)

Cost of goods sold	549,000
Income tax expense	79,000
Selling and administrative expenses	155,000
Interest expense	4,000
Sales returns and allowances	37,000
Sales revenue	1,060,000

1. Net revenue: _____
2. Gross profit: _____
3. Gross profit margin (%): _____

9. Return on equity (problem 2609)

From the figures below, work out return on equity, using average shareholders' equity.

FIGURES FOR THE YEAR (\$)

Dividends paid	16,000
Profit before tax	85,000
Income tax expense	19,000
Shareholders' equity at the end of the year	1,510,000
Shareholders' equity at the start of the year	1,460,000
Total assets at the end of the year	3,464,000

1. Net income: _____
2. Average shareholders' equity: _____
3. Return on equity (%): _____

10. Return on equity (problem 2610)

From the figures below, work out return on equity, using average shareholders' equity.

FIGURES FOR THE YEAR (\$)

Dividends paid	138,000
Shareholders' equity at the end of the year	843,000
Income tax expense	99,000
Shareholders' equity at the start of the year	680,000
Total assets at the end of the year	1,503,000
Profit before tax	400,000

1. Net income: _____
2. Average shareholders' equity: _____
3. Return on equity (%): _____

Answer key

1. Current ratio (problem 2601)

1. **Total current assets: 180,000.** Cash 12,000 + Accounts receivable 74,000 + Inventory 84,000 + Prepaid expenses 10,000 = 180,000
2. **Total current liabilities: 139,000.** Accounts payable 81,000 + Accrued expenses 13,000 + Short-term bank loan 15,000 + Current portion of long-term loan 30,000 = 139,000
3. **Current ratio: 1.29.** $180,000 \div 139,000 = 1.29$

2. Current ratio (problem 2602)

1. **Total current assets: 173,000.** Cash 27,000 + Accounts receivable 28,000 + Inventory 108,000 + Prepaid expenses 10,000 = 173,000
2. **Total current liabilities: 123,000.** Accounts payable 88,000 + Accrued expenses 15,000 + Short-term bank loan 10,000 + Current portion of long-term loan 10,000 = 123,000
3. **Current ratio: 1.41.** $173,000 \div 123,000 = 1.41$

3. Quick ratio (problem 2603)

1. **Quick assets: 135,000.** Cash 18,000 + Short-term investments 29,000 + Accounts receivable 88,000 = 135,000
2. **Total current liabilities: 179,000.** Accounts payable 96,000 + Accrued expenses 28,000 + Short-term bank loan 40,000 + Current portion of long-term loan 15,000 = 179,000
3. **Quick ratio: 0.75.** $135,000 \div 179,000 = 0.75$

4. Quick ratio (problem 2604)

1. **Quick assets: 92,000.** Cash 33,000 + Short-term investments 31,000 + Accounts receivable 28,000 = 92,000
2. **Total current liabilities: 211,000.** Accounts payable 120,000 + Accrued expenses 11,000 + Short-term bank loan 50,000 + Current portion of long-term loan 30,000 = 211,000
3. **Quick ratio: 0.44.** $92,000 \div 211,000 = 0.44$

5. Debt-to-equity ratio (problem 2605)

1. **Total liabilities: 342,000.** Accounts payable 23,000 + Accrued expenses 29,000 + Short-term bank loan 40,000 + Long-term loan 140,000 + Lease liabilities 110,000 = 342,000
2. **Shareholders' equity: 380,000.** Share capital 210,000 + Retained earnings 170,000 = 380,000
3. **Debt-to-equity ratio: 0.90.** $342,000 \div 380,000 = 0.90$

6. Debt-to-equity ratio (problem 2606)

1. **Total liabilities: 571,000.** Accounts payable 95,000 + Accrued expenses 11,000 + Short-term bank loan 75,000 + Long-term loan 310,000 + Lease liabilities 80,000 = 571,000
2. **Shareholders' equity: 290,000.** Share capital 150,000 + Retained earnings 140,000 = 290,000
3. **Debt-to-equity ratio: 1.97.** $571,000 \div 290,000 = 1.97$

7. Gross profit margin (problem 2607)

1. **Net revenue: 428,000.** Sales revenue 460,000 – Sales returns and allowances 32,000 = 428,000
2. **Gross profit: 177,000.** Net revenue 428,000 – Cost of goods sold 251,000 = 177,000
3. **Gross profit margin (%): 41.4%.** $177,000 \div 428,000 = 41.4\%$

8. Gross profit margin (problem 2608)

1. **Net revenue: 1,023,000.** Sales revenue 1,060,000 – Sales returns and allowances 37,000 = 1,023,000
2. **Gross profit: 474,000.** Net revenue 1,023,000 – Cost of goods sold 549,000 = 474,000
3. **Gross profit margin (%): 46.3%.** $474,000 \div 1,023,000 = 46.3\%$

9. Return on equity (problem 2609)

1. **Net income: 66,000.** Profit before tax 85,000 – Income tax expense 19,000 = 66,000
2. **Average shareholders' equity: 1,485,000.** $(1,460,000 + 1,510,000) \div 2 = 1,485,000$
3. **Return on equity (%): 4.4%.** $66,000 \div 1,485,000 = 4.4\%$

10. Return on equity (problem 2610)

1. **Net income: 301,000.** Profit before tax 400,000 – Income tax expense 99,000 = 301,000
2. **Average shareholders' equity: 761,500.** $(680,000 + 843,000) \div 2 = 761,500$
3. **Return on equity (%): 39.5%.** $301,000 \div 761,500 = 39.5\%$

Free to copy for teaching and study. Fresh problems and step-by-step checking: financialratios.guide/guides/financial-ratio-practice-problems/