Marketing Virtual Learning

HS/Accounting 1

Topic: Calculating ratio practice

May 14, 2020

Accounting 1: Ratio Practice

Objectives:

1. Practice figuring the following ratios:
    a. Debt-to-equity
    b. Current
    c. Return on sales

Instructions:

Complete the practice problems on accounting ratios

****This is a follow up to the lessons from May 11, 12, 13 and can be found on the google doc here****

Accounting 1: Debt-to-Equity Ratio Practice

Debt-to-Equity Ratio

Use the formula to the right to figure the debt-to equity ratio for the following problems.
Also remember the accounting equation of Assets = Liabilities + Owners Equity

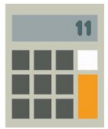
1. Assets of $379,500, Liabilities of $215,000
2. Liabilities of $35,000, Equity of $15,000
3. Equity of $25,000, liabilities of 8,000
4. Assets of $35,000, liabilities of $10,000
5. Liabilities of $4,500, equity of $11,450

Accounting 1: Current Ratio Practice

Current Ratio

Use the formula to the right to figure the current ratio for the following problems.

1. Assets of $379,500, Liabilities of $215,000
2. Liabilities of $35,000, Assets of $45,000
3. Asset of $25,000, liabilities of 8,000
4. Assets of $35,000, liabilities of $10,000
5. Liabilities of $4,500, Asset of $15,950



$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Accounting 1: Return on Sales Ratio

Return on sales Ratio:

- subtract the expenses from the revenue to find your profit on your sales. For example, if you have $575,000 in sales and $485,000 in expenses, your profit equals $90,000.
- Divide the profit by the sales to find the portion of each dollar you keep as profit. In this example, divide $90,000 by $575,000 to get 0.1565.
- Multiply by 100 (or move the decimal to the right 2 spaces) and you get 15.65%

Figure the Return on sales ratio for the following problems:

1. Expenses are $250,000, Sales are $498,000.
2. Expenses are $462,000, Sales are $899,000.
3. Expenses are $450,000, Sales are $420,000.
4. Profit is $48,000, Sales are $124,000
5. Profit is $6,000, Sales are $27,000