GROUP ASSIGNMENT SBSC 1303 SEM 1 2021/ 2022

GROUP NO:5

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ANSWER

The following are the financial statements for Sky Air Sdn Bhd for the year ended 30 November 2019.

Sky Air Sdn Bhd
Statement of Profit or Loss and Comprehensive Income
for the Year Ended 30 November 2019

	Vertical 2019 (RM)	**Vertical 2018 (RM)**	**Horizontal Analysis (RM)**	**Horizontal Analysis (%)**
Sales	100%	100%	656,000	↑ 18.84%
Less: Cost of goods sold	65.13%	62.35%	524,000	↑ 24.14%
Gross profit	**34.87%**	**37.65%**	132,000	↑ 10.07%
Less: ***Operating expenses***				
Selling expenses	3.29%	4.25%	(12,000)	↓ 8.11%
Administrative exp	5.73%	6.35%	16,000	↑ 7.24%
Depreciation expense	1.26%	1.35%	5,000	↑ 10.64%
Net profit before taxes	24.60%	25.70%	123,000	↑ 13.74%
Less: Taxes (24%)	5.90%	6.17%	29,520	↑ 13.74%
Net profit after taxes	**18.70%**	**19.53%**	93,480	↑ 13.74%

Ratio Analysis

2019	**2018**
Profitability Ratio ***Gross profit ratio @ Gross profit margin*** $= \frac{\text{Gross profit}}{\text{Net sales}} \times 100\%$ $= \frac{1\ 443\ 000}{4138000} \times 100\%$	**Profitability Ratio** ***Gross profit ratio @ Gross profit margin*** $= \frac{\text{Gross profit}}{\text{Net sales}} \times 100\%$ $= \frac{1\ 311\ 000}{3482000} \times 100\%$

= 34.87% This indicates that the amount of gross profit is 34.87 % for every RM1.00 sales ***Net profit ratio @ Net profit margin*** $= \frac{773\ 680}{4138000} \times 100\%$ =18.7 % This indicates that the amount of net profit is 18.7% for every RM1.00 sales ***Return on Capital Employed (ROCE) @ Return on Investment (ROI)*** $= \frac{\text{Net profit}}{\text{Capital employed*}} \times 100\%$ $= \frac{773680}{3633000} \times 100\%$ = 21.30% * Capital employed = Total assets - current liabilities @ Owner's equity + Non-current liabilities The capital has been used by the business to generate income of 21.30%	= 37.65 % This indicates that the amount of gross profit is 37.65 % for every RM1.00 sales ***Net profit ratio @ Net profit margin*** $= \frac{680\ 200}{3482000} \times 100\%$ = 19.53 % This indicates that the amount of net profit is 76% for every RM1.00 sales ***Return on Capital Employed (ROCE) @ Return on Investment (ROI)*** $= \frac{\text{Net profit}}{\text{Capital employed*}} \times 100\%$ $= \frac{680200}{3357000} \times 100\%$ = 20.26% * Capital employed = Total assets - current liabilities @ Owner's equity + Non-current liabilities The capital has been used by the business to generate income of 20.26%
<u>2. Liquidity ratio</u> ***Current ratio @ Working capital ratio*** $= \frac{\text{Current assets}}{\text{Current liabilities}} = \geq 1$ time $= \frac{1156000}{665000} = 1.74$ times This shows that the current assets can cover the current liabilities 1.74 times ***Quick ratio @ Acid test ratio*** $= \frac{\text{Current assets–stock- prepaid assets}}{\text{Current liabilities}} = \geq 1$ time $= \frac{1156000-237000}{66500} = 13.82$ times	**<u>2. Liquidity ratio</u>** ***Current ratio @ Working capital ratio*** $= \frac{\text{Current assets}}{\text{Current liabilities}} = \geq 1$ time $= \frac{1052000}{529000} = 2.00$ times This shows that the current assets can cover the current liabilities 2.00 times ***Quick ratio @ Acid test ratio*** $= \frac{\text{Current assets–stock- prepaid assets}}{\text{Current liabilities}} = \geq 1$ time $= \frac{1052000-198000}{529000} = 1.61$ times

This shows that the current assets can cover the current liabilities 13.82 times after taking out the least liquid items	This shows that the current assets can cover the current liabilities 1.61 times after taking out the least liquid items
3. Activity ratio ***Stock turnover ratio*** $= \frac{\text{Cost of Goods Sold}}{\text{Average stock*}}$ = No of times $= \frac{2695000}{(198000+237000)/2*}$ = No of times $= \frac{2695000}{217500*}$ = 12.39 times *Average stock = $\frac{\text{Opening + Closing stock}}{2}$ The average frequency of stock movement for the year is 12.39 times. ***Debtors/ Receivables turnover ratio*** $= \frac{\text{Net sales}}{\text{Average debtors}}$ = No of times $= \frac{4138000}{(276000+301000)/2}$ = No of times $= \frac{4138000}{288500}$ = 14.34 times The receivables are collected 14.34 times during the year.	**3. Activity ratio** ***Stock turnover ratio*** $= \frac{\text{Cost of Goods Sold}}{\text{Average stock*}}$ = No of times $= \frac{2171000}{(182000+198000)/2*}$ = No of times $= \frac{2171000}{190000*}$ = 11.43 times *Average stock = $\frac{\text{Opening + Closing stock}}{2}$ The average frequency of stock movement for the year is 11.43 times. ***Debtors/ Receivables turnover ratio*** $= \frac{\text{Net sales}}{\text{Average debtors}}$ = No of times $= \frac{3482000}{(234000+276000)/2}$ = No of times $= \frac{3482000}{255000}$ = 13.65 times The receivables are collected 13.65 times during the year.