Indian Bank SO(Credit)

Topic: Ratio Analysis

Liquidity Ratios

BANK EXAMS Today

Examples of Current Assets

- Cash
- Cash Equivalents
- Inventory
- Accounts Receivables
- Marketable Securities
- Prepaid Expenses
- Other Liquid Assets

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Examples of Current Liabilities

- Accounts payable
- Short-term debt such as bank loans or commercial paper issued to fund operations
- Dividends payable
- Notes payable—the principal portion of outstanding debt
- Current portion of deferred revenue, such as prepayments by customers for work not completed or earned yet
- Current maturities of long-term debt
- Interest payable on outstanding debts, including long-term obligations
- Income taxes owed within the next year

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Current ratio

The current ratio measures a company's ability to pay off short-term liabilities with current assets:

Current ratio = Current assets / Current liabilities

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Acid-test ratio

The acid-test ratio measures a company's ability to pay off short-term liabilities with quick assets:

Acid-test ratio = Current assets – Inventories / Current liabilities

Cash ratio

The cash ratio measures a company's ability to pay off short-term liabilities with cash and cash equivalents:

Cash ratio = Cash and Cash equivalents / Current Liabilities

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Operating cash flow ratio

The operating cash flow ratio is a measure of the number of times a company can pay off current liabilities with the cash generated in a given period:

Operating cash flow ratio = Operating cash flow / Current liabilities

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	2013	2014	2015	2016	2017
Net cash provided by operating activities (A)	20,776	20,418	19,017	21,808	22,110
Total current liabilities (B)	13,568	16,019	15,667	20,302	17,421
Operating cash flow ratio (A/B)	1.53	1.27	1.21	1.07	1.27

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<u>Ques 1.</u> Williams Ltd has current assets of $55,000, which includes inventory worth $15,000. Current liabilities are $35,000 and overall net assets are $120,000. What is the acid test ratio for Williams Ltd?

a) 1.14

b) 1.42

c) 2.09

d) 1.21

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<u>Ques 2.</u> Quick ratio is 1.8:1, current ratio is 2.7:1 and current liabilities are Rs 60,000. Determine value of stock.

a) Rs.54,000

b) Rs.60,000

c) Rs.1,62,000

d) None of the above

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Indian Bank SO 2020
Credit Officer Course

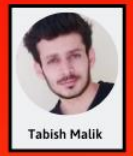
- Video classes for all the sections
- Notes (Downloadable)
- Quizzes
- Test series
- Live sessions

- Link available in the description

IBPS RRB Scale 2 and 3 2019

All India Rank 1st in IBPS RRB Scale 2 and 3 2019


Tripti Arora


Tabish Malik


Kanhaiya Jha


Joydeep Saha


Nagendramma


Bhavnish Kumar


Arunendra Shukla


Mritunjay Singh


Nallabelli Raja Sekhar


Ajay Singh Meena


Adari Chathurya


Yogesh Pandey


Virendra Singh


Viswanath Reddy


Adarsh Dwivedi


Katari Sreekanth


Shubham Surela


Shravan Bangaram


Sarthak Sharma


Shivkesh Meena


Kolipaka Abhilash


Mukesh Kumar


Himanshu Singh


Bibekanand Mishra


Gara Trinadha Rao


Abhishek Ranjan


Nagendra Bhukya


Mukesh Kumar


Kotagiri Srikanth


Usha bennur


Surendra Kumar


Abhishek


Amitap Meena


Aditya Sharma

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BOB Wealth Management 2019



BANK EXAMS Today

IBPS SO Marketing Officer 2019



BANK EXAMS Today

Vijaya Bank Credit Officer 2019


Mothisagar


Anand T.


Kandregula


Kanav Arora


Rinku Sharma


Sita Kumari


Royal Ravi Garg


Rahul Alok


Ankush Narang


Anju


Srivatsa Tejaswi


Zartab Framin


Krishna


Aarushi Jain

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