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Session 2022-23  
Compartment

Q-33\*



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(i) Operating Ratio = 
$$\frac{\text{Cost of Revenue from Operations} + \text{Operating Expenses}}{\text{Revenue from Operations}}$$

$$= \frac{4,00,000 + (80,000 + 1,20,000)}{10,00,000}$$
$$= \frac{6,00,000}{10,00,000}$$
$$= \mathbf{60\%}$$

(ii) Interest Coverage Ratio = 
$$\frac{\text{Profit before Interest and Tax}}{\text{Interest on Long Term Debt}}$$

Interest on Long Term Debt = 10% of Rs. 5,00,000

$$= \text{Rs. } 50,000$$

Interest Coverage Ratio = 
$$\frac{2,00,000 + 50,000}{50,000}$$

$$= \frac{2,50,000}{50,000}$$
$$= \mathbf{5 \text{ times}}$$