

**SUBJECT –MANAGEMENT ACCOUNT**

**(B COM)**

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† **Return on net Worth** - It is calculated as follows:

† **Earning Per Share (EPS)** - This ratio is calculated to judge the overall profitability of the organization. The ratio measures the profit available for the equity shareholders on a per share basis.

† **Price-earning ratio (P/E ratio)** - This ratio measures the number of times the earning of the latest year, at which the share price of the company is quoted. P/E ratio is the barometer of the market sentiment. A high P/E ratio reflects high earnings potential, and a low P/E ratio reflects lower earnings potential.

† **Dividend Payout ratio** - This ratio expresses the relationship between what is available as earning per share and what is actually paid in the form of dividends out of the available earnings. A higher pay out ratio means a lower retention and ploughing back of profits, a deteriorating liquidity position and an increase in the profit earning capacity of the company.

† **Dividend yield ratio** - This ratio reflects the percentage yield that an investor receives on his investment at the current market price of the shares. This measure is useful for investors who are interested in yield per share rather than capital appreciation.

† **Stock Turnover ratio** - This ratio measures how many times a company's inventory has been sold during the year. If inventory turnover ratio is low, it means either the inventory is growing or the sales are dropping.

† **Debtors Turnover ratio** – It measures whether the resources tied up in debtors is reasonable and whether the company has been efficient in converting debtors into cash.

The higher the ratio, the better the position.

Accounts receivables include debtors and bills receivables.

† **Creditors / Payable Turnover ratio** - It indicates the speed with which the payments are made to the trade creditors.

Accounts payable include creditors and bills payable.

† **Working Capital Turnover ratio** – This ratio indicates the extent of working capital turnover in achieving sales of the firm:

† **Fixed Asset Turnover ratio** – This ratio indicates the number of times fixed assets are being turned over in a year :

† **Total Assets Turnover ratio** – This ratio indicates the number of times total assets are being turned over in a year:

† **Operating Ratio** – This ratio measures operating cost as a percentage of sales.

Operating cost = Material cost + Labour cost + Factory overheads + office & selling expenses.

† **Fund Flow Statement** - A fund flow statement is a statement in summary form that indicates changes in terms of financial position between two different balance sheet dates showing clearly the different sources from which funds are obtained and uses to which funds are put. It summarizes the financing and investing activities of the enterprise during an accounting period. By depicting all inflows and