

# [Acme company](https://assignbuster.com/acme-company/)

[Finance](https://assignbuster.com/essay-subjects/finance/)

Finance and Accounting of Response to Problem Acme Company Income ment for the year Sales126, 000
Less Operating Expenses 80, 200
Income 45, 800
Less Tax (30%) 13, 740
Net Income 31, 060
Statement of Returned Earnings
Net Income for the year 201231, 060
Less Dividends20, 000
Retained Earnings 201211, 060
Acme Company
Balance Sheet
Current Assets
Cash25, 000
Accounts Receivable20, 300
Inventory81, 000
Total Current Assets126, 300
Non-Current Assets
Equipment60, 700
Less Accumulated Depreciation20, 000
Total Non-current Assets 40, 700
Total Assets167, 000
Liabilities and Capital
Current Liabilities
Accounts Payable66, 140
Accrued Salary 1, 800
Total Current Liabilities 67, 940
Capital
Shares Outstanding87, 000
Add retained Earnings11, 060
Total Capital 98, 060
Total Liabilities and Capital167, 000
Liquidity Ratios
Current Ratio = Current Assets/Current Liabilities (Fridson, and Alvarez, 2011)
= 126, 300 ÷ 67, 940
= 1. 9
Quick Ratio = (Current Assets – Inventory)/ Current Liabilities
= (126, 300 – 81, 000)/67, 940
= 0. 67
The current ratio is 1. 9. That indicates that the company is in a position to furnish its short-term obligations. As for the quick ratio, it is 0. 67. That indicates that the value of liquid assets available to furnish current obligations is less than the current liabilities.
Response to Problem 2
Description
Debit
Credit
Cash
9, 000
Investments (Short-Term)
4, 000
Accounts Receivable
13, 000
Inventory
22, 000
Notes Receivable (Long-term)
1, 000
Equipment
48, 000
Factory building
90, 000
Intangibles
3, 000
Accounts Payable
15, 000
Accrued Liabilities Payable
2, 000
Notes payable (short-term)
7, 000
Long-term notes payable
46, 000
Contributed Capital
90, 000
Retained Earnings
30, 000
Total
190, 000
190, 000
Cash Account
Description
$
Description
$
Balance b/d
9, 000
Short-term investments
10, 000
Capital
12, 000
Accounts receivable
8, 000
Notes Payable
20, 000
Equipment
28, 000
Equipment
1, 000
Intangibles
4, 000
Balance c/d
53, 000
Buildings
45, 000
Total
95, 000
Total
95, 000
Short Term Investments
Description
$
Description
$
Balance b/d
4, 000
Cash
10, 000
Balance c/d
14, 000
Total
14, 000
Total
14, 000
Accounts Receivable
Description
$
Description
$
Balance b/d
13, 000
Cash
8, 000
Balance c/d
21, 000
Total
21, 000
Total
21, 000
Inventory
Description
$
Description
$
Balance b/d
22, 000
Balance c/d
22, 000
Total
22, 000
Total
22, 000
Long-Term Notes Receivable
Description
$
Description
$
Balance b/d
1, 000
Balance c/d
1, 000
Total
1, 000
Total
1, 000
Equipment
Description
$
Description
$
Balance b/d
48, 000
Cash
1, 000
Cash
4, 000
Short-term notes payable
24, 000
Balance c/d
75, 000
Total
76, 000
total
76, 000
Factory Building
Description
$
Description
$
Intangibles
90, 000
Cash
10, 000
Long-term Notes payable
35, 000
Balance c/d
135, 000
Total
135, 000
Total
135, 000
Intangibles
Description
$
Description
$
Balance b/d
3, 000
Cash
4, 000
Balance c/d
Total
7, 000
Total
7, 000
Accounts Payable
Description
$
Description
$
Balance c/d
15, 000
Balance b/d
15, 000
Total
15, 000
Total
15, 000
Accrued Liabilities Payable
Description
$
Description
$
Balance c/d
2, 000
Balance b/d
2, 000
Total
2, 000
Total
2, 000
Notes Payable (Short-Term)
Description
$
Description
$
Balance c/d
7, 000
Balance b/d
7, 000
Total
7, 000
Total
7, 000
Long-Term Notes Payable
Description
$
Description
$
Balance b/d
46, 000
Balance c/d
81, 000
Factory Building
35, 000
Total
81, 000
Total
81, 000
Capital
Description
$
Description
$
Balance b/d
90, 000
Balance c/d
102, 000
Cash
12, 000
Total
102, 000
Total
102, 000
Retained Earnings
Description
$
Description
$
Balance c/d
30, 000
Balance b/d
30, 000
Total
30, 000
Total
30, 000
Item did does not require to be entered. That is because it does not involve any payment made or liability incurred.
Balance Sheet
As at 31/12/12
Description
$
$
Assets
Current Assets
Cash
(93, 000)
Accounts receivable
21, 000
Inventory
22, 000
(50, 000)
Total Current Assets
Non-Current Assets
Notes Receivable (Long-Term)
1, 000
Equipment
75, 000
Factory Building
135, 000
Intangibles
7, 000
Total Non-Current Assets
218, 000
Total Assets
168, 000
Liabilities and Capital
Current Liabilities
Accounts Payable
15, 000
Accrued Liabilities Payable
2, 000
Notes Payable (Short Term)
7, 000
Total Current Liabilities
24, 000
Non-Current Liabilities
Long-Term notes payable
81, 000
Total Non-Current Liabilities
81, 000
Total Liabilities
105, 000
Contributed Capital
102, 000
Add Retained Earnings
30, 000
Total Capital
132, 000
Total Liabilities and Capital
237, 000
Current ratio = current assets/ Current liabilities
20122013
Current Assets = 49, 000/24, 000(50, 000)/24, 000
= 2. 04-2. 08
The current ratio for 2013 is -2. 08. That indicates that the company is not in a position to meet its current obligations from its current assets. In 2012, the company had a better current ratio of 2. 04.
Response to Problem 3
1. Assets = 32, 666 Million
Liabilities = 18, 809 Million
Owner’s Equity = 13, 857 Million
2. If the company was to go through liquidation, the shareholders would get the $13, 857 million as it is the difference between the assets and liabilities.
3. Non-current liabilities for the year 2012 = 18, 809 – 7, 708 = $11, 101Million
4. Current Ratio = 9, 784/7, 708 = 1. 3
5. In 2012, the company had a cash outflow. The cash outflow was $903 million
6. The cash flow from operating activities in 2012 is $3, 762 million. The amount is not the same as the operating income due to the depreciation, interest and taxes charged against the income in the income statement.
References
Fridson, M. S. and Alvarez, F. (2011). Financial Statement Analysis: A Practitioners Guide 4th Ed. Hoboken, New Jersey: Wiley.