

Exercise

It is required to include the following items in the balance sheet of Beta Company, to be reclassified according to the financial position as of December 31, 2022, determining the value of the net income or loss by 2022. It is required to calculate the value of Current Assets, Current Liabilities, Non-current Liabilities, Other Current Assets, Equity or net capital and Fixed Assets. Additionally, it is required to calculate the following indexes: Current ratio, Quick ratio, Leverage ratio and Working Capital.

Bank	800
Share capital	4.000
Other receivables	400
Employee severance indemnity provision	1.500
Reserves	800
Cash	200
(Passive) Promissory Note	500
Plants	2.500
Medium/long-term bank payables	2.000
Equipments	3.000
Accounts payables	2.000
Property	5.000
Inventories	300
(Active) Promissory Note	500
Accounts receivable	1.200
Net income/loss	(?)

SOLUTION

Reclassified Statement of Financial Position on 31 December 2022					
Current Assets	Cash	200	Share Capital	4.000	Equity or net capital
	Bank	800	Reserves	800	
		1.000	Net income	3.100	
				7.900	
Other current Assets	Other receivables	400	(Passive) Promissory Note	500	Current Liabilities
	Accounts receivable (Active)	1.200			
	Promissory Note	500	Accounts payables	2.000	
	Inventories	300		2.500	
		2.400			
Fixed Assets	Plant	2.500	Employee severance indemnity provision	1.500	Non-current Liabilities
	Equipment	3.000	Medium/long-term bank payables	2.000	
	Property	5.000		3.500	
		10.500			
Total Assets		13.900		10.800	
			Total Funds		
					13.900

CURRENT RATIO=

$$\frac{\text{Current assets} + \text{Other current assets}}{\text{Current liabilities}} = \frac{(1.000 + 2.400)}{2.500} = \frac{3.400}{2.500} = 1,36$$

The current ratio has a minimum threshold of 2

QUICK RATIO=

$$\frac{\text{Current assets} + \text{Other current assets} - \text{inventories and/or other prepaid expenses}}{\text{Current liabilities}} = \frac{(1.000 + 2.400 - 300)}{2.500} = \frac{3.100}{2.500} = 1,24$$

The quick ratio has a minimum threshold of 1

LEVERAGE RATIO=

$$\frac{\text{Current Liabilities} + \text{non-current liabilities}}{\text{equity or net capital}} = \frac{(2.500 + 3.500)}{7.900} = \frac{6.000}{7.900} = 0,76$$

The leverage ratio has a maximum threshold of 1

WORKING CAPITAL= Current Assets + Other Current Assets– Total Current Liabilities =

$$= (1.000 + 2.400) - 2.500 = 3.400 - 2.500 = 900$$

