

Use these financial statements to answer questions 1 through 16

Farm ABC

INCOME STATEMENT

Revenue	
Livestock Revenue	100,000
Crop Revenue	500,000
Govt Payments	<u>100,000</u>
<i>Gross Revenue</i>	<i>700,000</i>
Feed Purchased	<u>75,000</u>
<i>Value of Farm Production</i>	<i>625,000</i>
Expenses	
Cash Operating Expenses	350,000
Depreciation	<u>50,000</u>
<i>Total Operating Expenses</i>	<i>400,000</i>
Interest Expense	<u>80,000</u>
<i>Total Farm Expenses</i>	<i>480,000</i>
<i>Net Farm Income From Operations</i>	<i>145,000</i>
Gain on Sale of Capital Assets	<u>10,000</u>
Net Farm Income	155,000

BALANCE SHEET

Current Assets			
Cash	300,000		
Accounts Receivable	30,000		
Feed	50,000		
Prepaid Expenses	<u>20,000</u>		
<i>Current Assets</i>	<i>400,000</i>	<i>Current Liabilities</i>	<i>200,000</i>
Non-Current Assets			
Land	2,000,000		
Buildings	<u>0</u>		
<i>Non-Current Assets</i>	<i>2,000,000</i>	<i>Non-Current Liabilities</i>	<i>250,000</i>
Total Assets	2,400,000	Total Liabilities	450,000
		Equity	1,950,000
Value of unpaid labor	40,000		

- 1) What is the Current ratio?
- 2) How much working capital is there?
- 3) What is the working capital to gross revenue ratio?
- 4) What is the debt-to-asset ratio?
- 5) What is the equity-to-asset ratio?
- 6) What is the debt-to-equity ratio?
- 7) What is the ROA?
- 8) What is the ROE?
- 9) What is the operating profit margin?
- 10) What is NFI?
- 11) What is EBITDA?
- 12) What is the asset turnover ratio?
- 13) What is the operating expense ratio?
- 14) What is the depreciation expense ratio?
- 15) What is the interest expense ratio?
- 16) What is the NFIFO ratio?

The answers to the ratio questions and how to calculate them

Farm Ratios				
Liquidity Ratios				
Current Ratio	2.00	CA / CL		400000 / 200000
Working Capital	200,000	CA - CL		400000 - 200000
Working Capital to GR	28.57%	WC / GR		200000 / 700000
Solvency				
Debt-to-Asset	18.8%	D / A		450000 / 2400000
Equity-to-Asset	81.3%	E / A		1950000 / 2400000
Debt-to-Equity	23.1%	D / E		450000 / 1950000
Profitability				
ROA	7.71%	NFIFO + Interest - Unpaid labor / Total Assets		(145000 + 80000 - 40000) / 2400000
ROE	5.38%	NFIFO - Unpaid labor / Equity		(145000 - 40000) / 1950000
Operating Profit Margin	29.60%	NFIFO + Interest - Unpaid labor / VFP		(145000 + 80000 - 40000) / 625000
NFI	155,000	Net Farm Income		155,000
EBITDA	275,000	NFIFO + Interest + Depreciation		145000 + 80000 + 50000
Financial Efficiency				
Asset Turnover	26.04%	VFP / TA		625000 / 2400000
Operating Expense Ratio	56.00%	(Operating exp - Depreciation) / VFP		(400000 - 50000) / 625000
Depreciation Expense Ratio	8.00%	Depreciaton / VFP		50000 / 625000
Interest Expense Ratio	12.80%	Interest / VFP		80000 / 625000
NFIFO Ratio	23.20%	NFIFO / VFP		145000 / 625000
	100.00%			