

Financial Statement Analysis FIN621
Spring Semester 2009
Assignment Solution

A:

Amount of cash for the year 2007

$$= 247,000 + 30,000 - 180,000 - 61,000 - 29,000$$

$$= \text{Rs. 7,000}$$

B:

Current ratio for the year 2007

$$= \text{Current assets} / \text{Current liabilities}$$

$$= 97,000 / 39,000$$

$$= \text{2.49: 01}$$

***Current assets:**

$$= 61,000 + 29,000 + 7,000$$

$$= \text{Rs. 97,000}$$

C:

Amount of Inventory for the year 2008

$$= 285,000 + 40,000 - 210,000 - 36,000$$

$$= \text{Rs. 75,000}$$

D:

Inventory turnover ratio for the year 2008

$$= \text{Cost of goods sold} / \text{Average Inventory}$$

$$= 300,000 / 68,000$$

$$= \text{4.41 times}$$

*** Average inventory**

$$= (\text{Opening inventory} + \text{Closing inventory}) / 2$$

$$= (75,000 + 61,000) / 2$$

$$= 136,000 / 2$$

= **Rs. 68,000**

E:

Amount of dividend declared and paid during the year 2008

Opening balance of Retain earning	138,000
Add: Net Income	<u>20,000</u>
Total	158,000
Less closing balance of Retain earning	<u>150,000</u>
Dividend paid	<u>8,000</u>

*** Closing balance of Retain earning:**

= 285,000 – 45,000 – 90,000

= **Rs. 150,000**

*** Common stock for the year 2007**

= 247,000 – 138,000 – 39,000

= **Rs. 70,000**

F:

XYZ Company
Cash Flow Statement
For the year ended 31st December, 2008

<u>Cash flow from operating activities:</u>	Rs.	Rs.
Net income	20,000	
Adjustment to convert net income to a cash basis:		
Depreciation charges for the year	10,000	
Increase in Accounts receivable	(7,000)	
Increase in inventory	(14,000)	
Increases in Accounts payable	<u>6,000</u>	
Net cash provided by operating activities		<u>15,000</u>

Cash flow from investing activities:

Additions to plant and equipment	(30,000)	
Net cash used by investing activities		<u>(30,000)</u>

Cash flow from financing activities:

Increase in common stock	20,000	
Cash dividend	(8,000)	
Net cash provided by financing activities		<u>12,000</u>
Net decrease in cash		(3,000)
Cash, January 01, 2008		7,000
Cash, December 31, 2008		<u>4,000</u>