Okay, here’s a set of financial statements for a fictitious manufacturing company, “Acme Products Inc.”, designed for teaching purposes. I’ll include a balance sheet, income statement, cost of goods sold schedule, and statement of cash flows. Following the statements, I will calculate some key business ratios and comment on the company’s financial health.

Acme Products Inc.
Balance Sheet
As of December 31, 2024
(in U.S. Dollars)

Assets	
Current Assets:	
Cash	$35,000
Accounts Receivable	$120,000
Inventory	$185,000
Prepaid Expenses	$10,000
Total Current Assets	**$350,000**
Non-Current Assets:	
Property, Plant, & Equipment	$400,000
Accumulated Depreciation	($80,000)
Total Non-Current Assets	**$320,000**
Total Assets	**$670,000**
Liabilities and Equity	
Current Liabilities:	
Accounts Payable	$70,000
Salaries Payable	$20,000
Short-Term Loans	$40,000
Total Current Liabilities	**$130,000**
Non-Current Liabilities:	
Long-Term Debt	$150,000
Total Non-Current Liabilities	**$150,000**
Total Liabilities	**$280,000**
Equity:	
Common Stock	$300,000
Retained Earnings	$90,000
Total Equity	**$390,000**
Total Liabilities & Equity	**$670,000**

Acme Products Inc.
Income Statement
For the Year Ended December 31, 2024
(in U.S. Dollars)

Revenue	
Sales Revenue	$800,000
Cost of Goods Sold	
Beginning Inventory	$150,000
Purchases	$450,000
Direct Labor Costs	$120,000
Manufacturing Overhead	$80,000
Cost of Goods Available For Sale	$800,000
Ending Inventory	($185,000)
Total Cost of Goods Sold	**$615,000**
Gross Profit	**$185,000**
Operating Expenses	
Salaries & Wages	$50,000
Rent Expense	$20,000
Utilities Expense	$10,000
Depreciation Expense	$20,000
Sales & Marketing Expense	$15,000
Total Operating Expenses	**$115,000**
Operating Income	**$70,000**
Interest Expense	$10,000
Income Before Taxes	**$60,000**
Income Tax Expense	$15,000
Net Income	**$45,000**

Acme Products Inc.
Statement of Cash Flows
For the Year Ended December 31, 2024
(in U.S. Dollars)

Cash Flows from Operating Activities	
Net Income	$45,000
Adjustments to reconcile net income to cash flows	
Depreciation	$20,000

Cash Flows from Operating Activities	
Increase in Accounts Receivable	($40,000)
Increase in Inventory	($35,000)
Increase in Accounts Payable	$25,000
Increase in Salaries Payable	$10,000
Increase in Prepaid Expenses	($5,000)
Net Cash from Operating Activities	**$20,000**
Cash Flows from Investing Activities	
Purchase of Property, Plant & Equipment	($100,000)
Net Cash from Investing Activities	**($100,000)**
Cash Flows from Financing Activities	
Proceeds from Short-Term Loans	$30,000
Proceeds from Long-Term Debt	$150,000
Payment of Long-Term Debt	($50,000)
Net Cash from Financing Activities	**$130,000**
Net Increase in Cash	**$50,000**
Cash at Beginning of Year	($15,000)
Cash at End of Year	**$35,000**

Business Ratios and Financial Health Analysis

Now, let's calculate some key ratios and comment on the financial health of Acme Products Inc.

Liquidity Ratios

- **Current Ratio:** Current Assets / Current Liabilities = $350,000 / $130,000 = 2.69
  - *Interpretation:* Acme has $2.69 in current assets for every $1 in current liabilities. This indicates a good ability to cover short-term obligations.
- **Quick Ratio (Acid-Test Ratio):** (Current Assets - Inventory) / Current Liabilities = ($350,000 - $185,000) / $130,000 = 1.27
  - *Interpretation:* Acme has $1.27 in quick assets for every $1 in current liabilities, meaning that the company has a good ability to pay its debts even without having to sell any inventory.

Profitability Ratios

- **Gross Profit Margin:** Gross Profit / Sales Revenue = $185,000 / $800,000 = 23.125%
  - *Interpretation:* Acme is making 23.125 cents of gross profit for every dollar of sales.

- **Net Profit Margin:** Net Income / Sales Revenue = $45,000 / $800,000 = 5.625%
    - *Interpretation:* Acme is making 5.625 cents of net profit for every dollar of sales. This could be improved.
- **Return on Assets (ROA):** Net Income / Total Assets = $45,000 / $670,000 = 6.72%
    - *Interpretation:* Acme is generating 6.72 cents of profit for every dollar of assets.
- **Return on Equity (ROE):** Net Income / Total Equity = $45,000 / $390,000 = 11.54%
    - *Interpretation:* Acme is generating 11.54 cents of profit for every dollar of equity.

Efficiency Ratios

- **Inventory Turnover:** Cost of Goods Sold / Average Inventory = $615,000 / (($150,000+$185,000)/2)= 3.67
    - *Interpretation:* Acme sold its entire inventory 3.67 times during the year.
- **Asset Turnover:** Sales Revenue / Total Assets = $800,000 / $670,000 = 1.19
    - *Interpretation:* Acme is generating $1.19 in sales for every $1 in assets.

Leverage Ratios

- **Debt-to-Equity Ratio:** Total Liabilities / Total Equity = $280,000 / $390,000 = 0.72
    - *Interpretation:* For every $1 of equity, Acme has 72 cents of debt. This is moderately leveraged.

Financial Health Commentary

Strengths:

- **Strong Liquidity:** Acme has a healthy current ratio and quick ratio, indicating the company can comfortably meet its short-term obligations.
- **Moderate Profitability:** The gross profit margin is reasonable, but the net profit margin and other profitability metrics could be improved by reducing operating expenses.
- **Moderate Leverage:** The debt-to-equity ratio is reasonable, indicating the company isn’t overly reliant on debt.
- **Positive Cash Flow:** The company has a positive cash flow from operations, showing it is generating cash from its core business.

Weaknesses/Areas for Improvement:

- **Net Profitability:** While the gross profit is good, the net profit margin is relatively low, suggesting room for improvement in expense management.
- **Inventory Management:** While the inventory turnover is an ok number, the increase in inventory needs monitoring to ensure that the company is not tying up too much money in unsold goods.
- **Capital Expenditure:** The company made significant investments into PP&E which resulted in a negative cash flow from investing. Future management of capital expenditure will need monitoring.

Overall:

Acme Products Inc. appears to be in decent financial health. The company is liquid, has moderate profitability, and isn't excessively leveraged. However, there's room for improvement in net profit margins, inventory management and capital expenditure management. By monitoring costs and strategically managing assets, Acme can improve its overall financial performance.

Disclaimer: This analysis is based on the provided fictitious data and is for educational purposes only. Real-world financial analysis would require a more comprehensive review and an understanding of the industry and economic environment