

## **Exercise on Balance Sheet Analysis**

### **Background**

**RM Ramchandra has been analyzing a loan request from Dry Supply. After reviewing the company balance sheet, he makes the following observations. Three major asset accounts are on the books of Dry Supply: accounts receivable, inventory, and fixed assets. The amount of accounts receivable and inventory are of characteristics of a wholesaler.**

### **Instructions**

**For each of Ramchandra's observations listed below, develop questions you would ask Dry Supply, to complete your balance sheet analysis.**

- Observation 1: Accounts receivable have remained in the Rs.114,000 to Rs.118,000 range.**
- Observation 2: Inventory decreased during the period, while sales and accounts receivable increased.**
- Observation 3: Fixed assets increased from Rs.130,000 on July 15, 2015 to Rs.163,000 on July 15, 2017.**
- Observation 4: Accounts payable showed a larger decrease than inventory. Some of the decrease is to be expected, because inventory usually is financed by trade creditors.**
- Observation 5: Loans from shareholders has grown from Rs.48,000 on July 15, 2015 to Rs.67,000 in July 15, 2017.**
- Observation 6: Turning to equity, what two questions immediately come to mind?**