**NAME: KOLEMAN PARSLEY**

**Project 4**

**FIN 138**



1. Three ways to increase net worth…..1) cut back on expenses 2) create income, 3) pay down \_\_\_\_\_\_\_\_\_\_\_\_\_
2. List three examples of short-term and long-term liabilities.

Short-Term Liabilities Long-Term Liabilities

1. Car payments 1. House Mortage

2. small loans 2. Student debt

3. mortage payment due in that year 3. Loan

1. Explain what the liquidity ratio tells you. How many months can I go without a source of income using only liquid monetary assets

How do you calculate the liquidity ratio? Monetary (liquid) assets/ Monthly expenses

1. Net Worth = assets minus liabilitys
2. A balance sheet is also known as a Net Worth Statement.
3. Jerry earns $40,000 per year. He pays 25% of his gross income in taxes. He has fixed expenses of $1400 per month and variable expenses of $900 per month. Show your work.
   1. What is his disposable income?
      1. Disposable income = gross salary – income taxes so $40,000 – $10,000 = $30,000
   2. What is his discretionary income?
      1. Discretionary income = disposable income – necessities = $30,000 – ($1,400\*12months) = $13,200 then you minus variable expenses of $900 a month so 13,200 – (12months\* $900) = $2,400
   3. Does he have a surplus or deficit?
      1. He has a surplus!
4. Milly works at a bank. At age 30, her take-home pay is $26,000. What is the net worth? What is the cash flow for Milly? Show your work.
5. Not entirely sure what to put here, confused on what you are asking!

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| --- | --- | --- |
| Assets/Amount | Liabilities/Outstanding Balance | Monthly Expense/ Amount |
| Money Market Account – 5,000 | Mastercard – 1,500 | Car Expenses – 500 |
| Checking Account – 1,000 | Student Loan – 22,000 | Rent – 800 |
| Savings Account – 2,500 | Dental bill – 450 | Utilities/Phone – 225 |
| Value of Car – 6,000 |  | Personal Care – 50 |
| Personal Property – 4,500 |  | Clothes – 100 |
|  |  | Entertainment – 50 |
|  |  | Vacation – 100 |
|  |  | Gifts – 50 |
|  |  | Medical – 25 |
|  |  | Misc – 50 |

**You are expected to complete your own work for this course. To indicate your participation, complete the following statement by typing your name on the blank line.**

I, **Koleman Parsley**,completed this assignment and am submitting my own work.