

Worksheet 4: Personal Financial Ratios (10 points)

Directions: Use your personal financial statements to calculate your personal financial ratios. It may be helpful to refer to PFP worksheets 1 and 2 when filling in information for your personal financial ratios. Calculate your financial ratios (Liquidity and Asset-to-Debt ratio). Remember to **SHOW YOUR WORK** in order to receive full credit. Answer the response questions below. (2 points for each ratio)

*All worksheet answers **MUST be TYPED** or 2 points will be take off for each assignment turned in not typed (i.e., handwriting)

Personal Financial Criteria	
Liquidity ratio	2845.55
	/ 426.98
= Liquid assets / Monthly expenses	<hr/> 6.66
Asset-to-Debt ratio	2845.55
	/ 549.53
= Total assets / Total debts	<hr/> 5.18

(2 points for each ratio)

Response Questions: (2 points for each question)

1. Consider your personal financial ratios (liquidity ratio and asset-to-debt ratio): Are you on track for your stage of life for each of those ratios? Explain why or why not for each of those ratios?

Considering that the average college student is insolvent, which would thus infer that they would have financial ratios that are closer to 1 if not lower, I believe that I am doing well to be ahead of the track in regards to my stage in life. My asset-to-debt ratio shows that the assets that I have far outweigh the debts that I owe, which is uncommon to most college students. In most instances, a person in my stage of life would incur many debts due to student loans and housing payments. In regards to my liquidity

ratio, I am above the normal ratio of 3 which is needed by most people to sustain their living if their income was to stop.

2. Where would you like to make improvements (is there a financial ratio that you would like to see increase/decrease)?

I would like to focus on increasing my liquidity ratio so that I would have more time to find a new income source in the eventuality the I lose my job. While 6 months (currently) is enough to do so, the uncertainties of life can sometimes be very arduous to manage, thus ensuring that there is a long-term safety net in place is something that I would like to strive for. In addition to this, it may not only be myself that I would have to be supporting but potentially other dependents, so it would be in my best interest to increase my assets for the sake of maybe having to support others.