**M1-24 Relating Financing and Investing Activities (Best Buy BBY)**

Balance sheet Equation states that **Asset=Liabilities+ Equity**

* Total Asset of Best Buy=$13,519 (millions)
* Total Liabilities of Best Buy=$9, 141(millions)

1. Applying balance Sheet Equation , Total Equity of Best Buy =**4,378$(millions)**
2. Best Buy receives **more financing from non owners**
3. Total Percentage of financing provided by owners= **4378/13519=32.38%**

**M1-25 Applying the Accounting Equation and Computing the Financing Proprtions**

Balance sheet Equation states that **Asset=Liabilities+ Equity**

1. Applying Balance sheet equation

$106882 =78731+$ (a)

so Equity of **HPQ** is **$28151**

1. Applying Balance sheet equation

$21712 =${b}+$ 5307

so Liability of **GIS** is **$16405**

1. Applying Balance sheet equation

${c}=$ 27,305 + $12,957

So total Assets of **TGT** is **$40262**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Company | Assets | Liabilities | Equity | Owner Percentage=Equity\*100/Asset | Non Owner Percentage=Liability\*100/Asset |
| **HPQ** | 106882 | 78731 | 28151 | 26.34% | 73.66% |
| **GIS** | 21712 | 16405 | 5307 | 24.44% | **75.56%** |
| **TGT** | 40262 | 27305 | 12957 | **32.18%** | 67.82% |

As per the Tabular Calculation above Target is more Owner Financed and General Mills (GIS) is nore non owner financed.

There are many reasons why the proportion of owner financing may vary across three business is some business like GIS require large upfront capital to setup factories or market a new line of business and the fresh capital is usually borrowed from non Owners

or raised in IPO and repaid after a long time. Technology based companies like HPQ also raise capital to aquire other companies and suppress competition. So usually proportion of Owner Financing keeps varying across the business.

As the business turns more and more profitable, Proportion of Owner’s Equity increases.