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Week 3 Money Management

# Question 1

## Balance Sheet as of September 30

Assets		Liabilities	
<b>Liquid Assets</b>		<b>Current Liabilities</b>	
Savings account balance	1890	Credit card balance	2350
Cash in checking account	4500	<b>Long-term Liabilities</b>	
Total liquid assets	6390	Balance of education loan	21600
<b>Personal Possessions</b>			
Current value of auto	88000		
Video equipment	23500		
Personal computer	12000		
Household possessions	34000		
Total household assets	157500		
<b>Investment Assets</b>			
Value of stock investment	8600		
<b>Total assets</b>	<b>172490</b>	<b>Total liabilities</b>	<b>23950</b>

### Cash flow statement for the month Ended Sept 30

#### Income (cash inflows)

Monthly take-home salary	21850	<u>21850</u>
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#### Cash outflows

#### **Fixed Expenses**

Rent	6500	
Loan payment	800	
Auto insurance	<u>2300</u>	
Total fixed outflows		<u>9600</u>

#### **Variable expenses**

Spending for food	3450	
Lunches/Parking at work	1800	
Restaurant spending	1300	
Cloth purchase	1100	
Phone bill paid for month	650	
Payment for electricity	900	
Donations	<u>1600</u>	
Total variable outflows		<u>10800</u>

Total outflows		<u>20400</u>
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<b>Cash surplus (deficit)</b>		<u>1450</u>
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# Question 1

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c. How will you evaluate his current financial situation?

- Debt ratio =  $\$23950 / \$148540 = 0.16$
  - Current ratio =  $\$6390 / \$2350 = 2.72$
  - Liquidity ratio =  $\$6390 / \$20400 = 0.31$
  - Debt-payments ratio =  $\$800 / \$21850 = 0.04$
  - Savings ratio =  $\$1450 / \$21850 = 0.07$
- High risk of facing lost of income
- Low risk of insolvency
- Relatively low saving rate