

The following data apply to A.L. Kaiser & Company (millions of dollars)

Cash and marketable securities \$100.00

Fixed assets \$283.50

Sales \$1000.00

Net income \$50.00

Quick ratio 2.0 X

Current ratio 3.0 X

Average collection period 40 days

Return on equity 12%

Kaiser has no preferred stock – only common stock equity, current liabilities and long term debt.

Required:

Find Kaiser's

- |                             |                            |                   |                 |
|-----------------------------|----------------------------|-------------------|-----------------|
| 1. Account receivable (A/R) | 2. Current liabilities     | 3. Current assets | 4. Total assets |
| 5. Return on assets (ROA)   | 6. Common stock equity and | 7. Long term debt |                 |

## Assignment — 2002

## 1. Account Receivable (A/R)

Given Data:

Average Collection Period = 40 days

Net Sales = \$1000.00

Formula:

$$\text{Collection Period} = \frac{\text{Account Receivable} \times 365}{\text{Net Sales}}$$

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$$\text{Account Receivable} = \frac{\text{Collection Period} \times \text{Net Sales}}{365}$$

$$= \frac{40 \times 1000}{365}$$

$$= 109.58$$

$$\text{Account Receivable} = \boxed{109.58}$$

## 2. Current Liabilities — ?

Given Data:

Current Ratio = 3.0X

Current Asset = 109.58

To find:

Current Liabilities = ?

Formula:

$$\text{Current Ratio} = \frac{\text{Current Asset}}{\text{Current Liability}}$$

$$\text{Current Liability} = \frac{109.58}{3}$$

$$\text{Current Liability} = 36.52$$

### 3. Current Assets

Given :-

$$\text{Account Receivable} = 109.58$$

$$\text{Cash \& marketable securities} = \$100.00$$

Formula.

$$\text{Current Assets} = \text{A/R} + \text{cash and market securities}$$

$$= 109.58 + 100$$

$$\boxed{\text{Current Asset} = \$209.58}$$

### 4. Total Assets

Given :-

$$\text{Current Asset} = \$209.58$$

$$\text{Fixed Assets} = \$283.50$$

Formula

$$\text{Total Assets} = \text{CA} + \text{F.A}$$

$$= \$209.58 + 283.50$$

$$= \$209.58 + \$283.50$$

$$= \boxed{493.08}$$

So Return on Asset - ?

Given Data :-

$$\text{Net Profit} = \$50.00$$

$$\text{Total asset} = \$493.08$$

Formula :-

$$\text{ROA} = \frac{\text{Net Profit}}{\text{Total asset}} \times 100$$

$$= \frac{50}{493.08} \times 100$$

$$= 10.14\%$$

$$ROA = 10.14\%$$

Common stock equity