

Name: _____ ID: _____

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Homework 1 – The Balance Sheet
AGEC 3403

30 points. Complete all parts of this homework to receive full credit. You can work alone or in groups of two. Each group submits only one (1) completed homework with both names listed.

Billy Jones has applied for a loan at his local bank. His banker, Sara Smith, says his balance sheet on file with the bank is too old to use and says Billy must file a new one before a loan will be considered. Billy spends the rest of the afternoon taking inventory.

Using the information below compiled by Billy on Feb 1, 2015:

- 1) Complete the blank balance sheet in the three-category format on page 2
- 2) Answer the questions on page 3

Transaction	Value
Land (present market value)	2,000 acres @ \$400 per acre
Beef brood cows	135 head @ \$800 per head
Bulls	3 head @ \$1,000 each
Checking account balance	\$7,200
Account payable at Bill's Feed Store	\$4,000
Horses (working)	4 @ \$1500 each
Cash on hand	\$1,800
Wheat on hand	2,000 bu. @ \$4.50 per bu.
Hay on hand	85 tons @ \$65.00 per ton
Growing wheat	300 acres @ \$30 per acre
Ranch mortgage - payment due 6/1/15	\$13,000
balance after payment	\$605,000
Buildings & improvements	\$50,000
Loan on feeder cattle (all due 3/1/15)	\$27,000
Calves (to be sold this spring)	100 head @ \$300
Savings account	\$7,000
Feeder cattle (to be sold in 40 days)	90 head @ \$625
Note at bank (all due 8/31/15)	\$10,000
Truck	\$4,000
Other machinery & equipment	\$56,000
Loan on beef cows - payment due 5/1/15	\$6,000
bal. after payment	\$55,000
U.S. Savings bond (mkt. security)	\$1,000
Past due real estate taxes	\$3,000
Account receivable	\$2,000
Saddles, tack, etc.	\$600
Corporate stock (mkt. security)	\$3,000

BALANCE SHEET (15 points)

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15 points. Answer the following questions in the space provided.

1. (2 pts) What is Billy's net worth as of February 1, 2015?
2. (1 pt) What percent of his total assets are current assets?
3. (1 pt) What is his debt-to-asset ratio?
4. (1 pt) What is his working capital?
5. (1 pt) What is his current ratio?
6. (2 pts) What is the weakest part of Billy's financial condition?
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8. Billy wants to borrow \$80,000 from the bank to buy new machinery, which will cost \$80,000. Assume the loan is made and the machinery is purchased.
 - a) (1 pt) What will Billy's net worth be the day the transactions are completed?
 - b) (1 pt) What will his debt-to-asset ratio be?
 - c) (1 pt) What will be his debt-to-equity ratio after the loan?
9. (2 pts) If you were Sara, would you lend Billy the money based on his balance sheet? Explain your reasons.