

RATIOS

Liquidity Ratios:

Number of Days Cash = (Cash * 360) / Annual Revenue

$$= 300,000 * 360 / 9,500,000$$

$$= 11.37 \text{ Days}$$

Accounts Receivable Turnover = (AR * 360) / Contract Revenue

$$= 1,200,000 * 360 / 9,500,000$$

$$= 45.47 \text{ Days}$$

Accounts Payable Turnover = (AP * 360) / Cost of Contract Revenue

$$= 210,000 * 360 / 7,790,000$$

$$= 9.70 \text{ Days}$$

Current Ratio = Current Assets / Current Liabilities

$$= 2,280,000 / 900,000$$

$$= 2.53 \text{ to } 1$$

Working Capital = Current Assets - Current Liabilities

$$= \$ 2,280,000 - 900,000$$

$$= \$ 1,380,000 \quad (\$1,380,000 * 15 = \$20,700,000 \text{ Bonding Program})$$

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Adjusted Working Capital = Working Capital adjusted for various items:

\$ 1,380,000	Working Capital
50,000	Add Back: Cash Surrender Value of Life Insurance
(100,000)	Less: Related Party Receivable
(125,000)	Inventory at 50%
<u>(40,000)</u>	Prepaid Taxes
\$ 1,165,000	(\$1,165,000 * 15 = \$17,475,000 Bonding Program)

Leverage Ratios:

Debt to Equity Ratio = Total Liabilities / Equity

$$= 1150000 / 1,850,000$$

$$= 0.62 \text{ to } 1$$

Long-Term Debt to Equity = Long-Term Debt / Equity

$$= 250,000 / 1,850,000$$

$$0.14 \text{ to } 1$$

Profitability Ratios:

Gross Profit to Sales = Gross Profit / Annual Revenue

$$= 1,710,000 / 9,500,000$$

$$= 18\%$$

NPBT = Net Profit before taxes / Annual Revenue

$$= 398,000 / 9,500,000$$

$$= 4\%$$

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