

RATIOS

Liquidity Ratios:

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

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

$$= 11.37 \text{ Days}$$

Target = 14 days or more

Age of Accounts Receivable = (AR * 360) / Contract Revenue

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

$$= 45.47 \text{ Days}$$

Target = 45 days or less

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

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

$$= 9.70 \text{ Days}$$

Target = 45 days or less

Current Ratio = Current Assets / Current Liabilities

$$= \$ 4,130,000 / \$ 2,400,000$$

$$= 1.72 \text{ to } 1$$

Target = Greater than 1.25 to 1.0

Discussion Draft - for Planning
Purposes Only
Not to Be Released to Third
Parties without the Express
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Weber O'Brien LTD

Working Capital = Current Assets - Current Liabilities

$$= \$ 4,130,000 - \$ 2,400,000$$

$$= \$ 1,730,000$$

Target = Positive Working Capital Balance

Leverage Ratios:

Debt to Equity Ratio = Total Liabilities / Equity

$$= \$ 2,650,000 / \$ 1,850,000$$

$$= 1.43 \text{ to } 1$$

Target = 4.0 to 1.0 or less

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

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

$$0.14 \text{ to } 1$$

Target = 3.0 to 1.0 or less

Profitability Ratios:

Gross Profit to Sales = Gross Profit / Annual Revenue

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

$$= 18\%$$

Target = 25% or more

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NPBT = Net Profit before taxes / Annual Revenue

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

= 4%

Target = 4% or more

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