Academy for Lease & Finance Professionals
Credit & Financial Statement Review Examples

Balance Sheet			
Cash	$ 1,000,000.00	Accounts Payable	$ 1,300,000.00
Accounts Receivable	$ 1,500,000.00	Current Portion LT Debt	$ 1,000,000.00
Fixed Assets	$ 6,000,000.00	Long Term Debt	$ 3,500,000.00
Other Assets	$ 80,000.00	Total Liabilities	$ 5,800,000.00
		Net Worth	$ 2,780,000.00
Total Assets	$ 8,580,000.00	Total Liabilities & Net Worth	$ 8,580,000.00

Income Statement	
Revenue	$ 18,000,000.00
Cost of Sales	$ 15,000,000.00
G & A	$ 1,800,000.00
Total Expenses	$ 16,800,000.00
Income (before tax)	$ 1,200,000.00
Income taxes	$ 480,000.00
Income (after tax)	$ 720,000.00

ABC Company has come to you to lease a $1,250,000 machine tool over a seven-year period. Review the following condensed financial information, then calculate the following ratios.

a. Debt to equity
b. Current ratio
c. Return on equity
d. Gross profit margin

a. Debt to equity

Debt/Equity (Total Liabilities/Net Worth)
$5,800,000 = 2.086:1
$2,780,000

2:1 is pretty good; every $2 of debt you take one, you have a $1 worth of equity

b. Current ratio ((Cash + A/R)/(A/P + Current Portion LT Debt))

Current Assets/Current Liabilities
$2,500,000 = 1.086:1
$2,300,000

Generally, a ratio of more than 1.25:1 is preferred

c. Return on equity (Income (after tax)/Net Worth)

Income (After Tax)/Equity
$720,000 = 25.9%
$2,780,000

If you were to invest in this company, for every $1, you'll get a $0.26 return. This is a good ratio

d. Gross profit margin ((Revenues – COGS))/Net Sales)

Gross Profit on Sales/Net Sales
$3,000,000 = 16.67%
$18,000,000