DATA 1

| | |
|---|---|
| **Asset** | |
| Cars | 20,000 |
| House | 150,000 |
| Monetary Asset | 5,000 |
| Furniture | 10,000 |
| **Total Asset** | **185,000** |
| | |
| **Liabilities** | |
| College loan | 10,000 |
| House Mortgage | 100,000 |
| Current Bill | 1,150 |
| Two cars loans | 20,000 |
| **Total Liabilities** | **131,150** |
| | |
| **NET WORTH** | **53,850** |

This family doesn't have financial problem, because their asset can cover all of their liabilities. If all liabilities needed to be pay, they can liquidate the entire asset they have and pay them off

DATA 2

**Annual Income**

| | |
|---|---|
| Wages | 50,000 |
| Taxes (15%) | 7,500 |
| Income for living expense | 42,500 |
| Charity (12%) | 6,000 |
| Living expenditure (10%) | 5,000 |
| **Total Income** | **31,500** |

**Expenses**

| | |
|---|---|
| Food | 6,000 |
| Utilities and property taxes | 2,270 |
| Mortgage per year | 7,730 |
| Insurance | 1,500 |
| Car Payment (7%) | 7,410 |
| College Loan (3%) | 1,160 |
| Other Expenses | 5,430 |
| **Living Expenses** | **31,500** |

DATA 3

**Liquidity**

**Current Ratio** = 5,000/1,150 **= 4.35 times**

**Month's Living Expense Covered Ratio**

= Monetary Assets/ (Total living expense*1/12)

= 5,000/ (31,500/12)

**= 1.9 months**

This family do not have problem in paying short term debt as you can see from the current ratio of 4.35. It means this family has some liquidity, if there is any emergency, this family could survive without problem. But month's living expense covered ratio is quite low, 1.9 months. It means that if all current income is gone, this family would be able to survive for another 1.9 months, which is quite low. If the family wants to improve, they should either increase their monetary asset or decrease some of their total living expense

**Debt**

**Debt Ratio** = 131,150/185,000 **= 70.9%**

**Long- term Debt Coverage Ratio**

**=** Income available for living expense/ Long term debt payments

**=** 42,250/ 16,300

**=2.6 times**

A high debt ratio means that most of the asset this family has are not belonged to them, but instead are financed. This mean only 29.1% of asset actually belong to them. This ratio show how debt can be paid based on income for living. The higher is the better.

**Saving Ratio**

**Saving Ratio**

**=** 5,000/42,500

= **11.8%**

**Gross Saving Ratio**

**=** 5,000/50,000

**= 10%**

The saving ratio shows that 11.8% of income after tax is saved; this is not bad at all. But I would recommend making it 20% so this family could achieve their financial goal faster. Gross saving ratio also tells almost the same thing, it tells saving from total income. So it would be better off if both of these ratio could get higher. The family can either save more or cut down spending or trying to earn more income in order to make this ratio higher.