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Balance Sheet

Assets

Liquid Assets

Monetary Asset ..... $ 5,000

Real Estate

House ..... $ 150,000

Personal Possessions

Car ..... $ 20,000
Furniture ..... $ 10,000
Total household asset ..... $ 30,000

Total Assets $ **185,000**

Liabilities

Current Liabilities

Bills ..... $ 1,150

Long-Term Liabilities

House Mortgage ..... $ 100,000
College Loans 10,000
Car Loans 20,000
Total long-term liability ..... $ 130,000

Total Liability **$ 131,150**

Net Worth **$ 53,850**

Comments:
Steve and Mary Jo net worth is 53,850, which is considerably high. But they might face difficulty in liquidity problem since their share of current asset to non current asset is small.

Income Statement

Annual Income	
Wages	$50,000
Taxes (15%)	7,500
Income for Living Expenses	42,500
Paying the Lord (12%)	6,000
Paying Yourself (10%)	5,000
Total Income	**$31,500**

Expenses	
Mortgage	$7,730
Utilities, taxes	2,270
Food	6,000
Insurance	1,500
College Loan	1,160
Car Payment	7,410
Other Expenses	5,430
Total Expenses	**$31,500**

Comment:

Steve and Mary Jo net income is zero which mean their income cover the expense completely. A surplus in net income is good since there are available money for saving and investment.

Liquidity Ratio

Current ratio: current asset / current liabilities = 5,000/1,150 = 4.34

Month's Living Expense Covered Ratio: Monetary assets / (annual living expenses/ 12) = 5,000/ (31,500/12) = 1.90

Comment:

Steve and Mary Jo ability to pay bill is high since their current ratio indicate that $4.34 in liquid asset for ever $1 in current liabilities, but this will cover the expenses for less than 2 months in which would need to cut their expenses to pay off their debt. High current ratio is desirable. But too high of a current ratio might not be desirable since you could have invested your money into financial market to create cash flow. Monthly living expense covered ratio is in a good position since they were able to cover every $1 living expense by $1.90 monetary assets.

Debt Ratio

Debt ratio: total liabilities / total assets = 131,150/185,000 = 0.71

Long-term deb coverage ratio: income available for living expenses/ long term debt payments = 42,500/16,300 = 2.61

Comment:

The indicated debt ratio is high in which both Steve and Mary Jo would have risk in repaying the debt. They has lots of debt in which 71% are the debt to their asset. Their

long term debt expense coverage ratio, 2.6, is on a risk level which is just above 2.5. Steve and Mary Jo could have invested in financial market in which 38.6% of their total income available goes to the debt payment.

Saving Ratio

Saving ratio: income available for savings and investment / income available for living expenses = 5,000/42,5000 = 0.12
Gross savings ratio: income available for saving and investment / gross salary = 5,000 / 50,000 = 0.1

Comment:

Steve and Mary Jo would need more saving whereby saving will increase the net worth of both. Both Steve and Mary Jo save up t 11.7% of their income or 10% of their salary. In which their saving is consider to be the minimum amount an average person should save.