Question 22 (12 marks)

Balance Sheet for Chalker Pty Ltd
as at year ending 30 June 2012

	$	$
Current Assets		
Cash	8 000	
Receivables	12 000	
Inventories	15 000	35 000
Non-Current Assets		
Property, Plant and Equipment		33 000
Total Assets		**68 000**
Current Liabilities		
Creditors		14 000
Non-Current Liabilities		
Loan		20 000
Owners Equity		
Capital	15 000	
Retained Net Profit	19 000	34 000
Total Liabilities and Owners Equity		**68 000**

(a) Calculate the current ratio (current assets ÷ current liabilities) of this business. Show all working. **2**

Current assets - $35,000 current liabilities - $14 000

$\frac{\text{current assets}}{\text{current liabilities}} = 2.5$

$\frac{35,000}{14,000}$

(b) Calculate the debt to equity ratio (total liabilities ÷ total equity) of this business. Show all working. **2**

Total liabilities = $34,000 Total equity = $34,000

$\frac{\text{liabilities}}{\text{equity}} = \frac{34,000}{34,000} = 1.$

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Question 22 (continued)

(c) Why is it important for a business to control its debt to equity ratio? **4**

It is important for a buisness to conrol debt & equity ratio because the less debt that a buisness endures the more profit can be obtained allowing a buisness to then grow financially and allow options for growth within development and reproduction.

(d) Explain the interdependence of finance and operations in a business. Support your answer with relevant examples. **4**

~~The~~ Interdependence of finance and operations within a buisness are the factors that operations is the manufacturing process which is the development of making products to distribute, finance on the other hand involves the cost factors within a buisness. Without these two main factors there would be no buisness therefore the interdependance of the two are extremely important and relevant to running a sucessful buisness.

End of Question 22