

## Homework Problem Chapter 2

1. a. Given the information below, construct a balance sheet for ABC Inc.

ABC Inc. has current assets of \$1,970, net fixed assets of \$9,650, current liabilities of \$1,520, and long-term debt of \$4,370.

### **Balance Sheet**


- b. What is the value of the shareholders' equity account for this firm?
- c. How much is net working capital?
2. DEF Inc. has sales of \$795,000, costs of \$345,000, depreciation expense of \$76,000, interest expense of \$41,000, and a tax rate of 35 percent. Construct an income statement for this firm to show net income for this firm?

### **Income Statement**


3. In recent years, Dixie Co. has greatly increased its current ratio. At the same time, the quick ratio has fallen. What has happened? Has the liquidity of the company improved?