

Financial Analysis - Homework

Use the information on the attached financial statements to identify the strengths and weaknesses of this restaurant business. Calculate the main financial ratios on each balance sheet and income statement. Compare the ratios to the appropriate benchmark, and look at the trend in ratios over the past 3 years.

Restaurant Business

	2020		2021		2022	
	Ratio	Rating	Ratio	Rating	Ratio	Rating
Liquidity (Current Ratio)						
Solvency (Debt/Asset)						
Profitability (ROA)						
Financial Efficiency (Op. Exp/Rec)						

How would you rate this restaurant's overall financial condition?

Liquidity

Solvency

Profitability

Financial Efficiency

Overall

Restaurant Balance Sheet

As of: August 30

Assets	2020	2021	2022
Current Assets			
<u>Cash</u>	<u>\$10,000</u>	<u>\$28,000</u>	<u>\$25,000</u>
<u>Food & Drink Inventory</u>	<u>\$75,000</u>	<u>\$68,000</u>	<u>\$70,000</u>
<u>Supplies</u>	<u>\$25,000</u>	<u>\$23,000</u>	<u>\$26,000</u>
<u>Accounts Receivable</u>	<u>\$15,000</u>	<u>\$14,000</u>	<u>\$12,000</u>
Total Current Assets	<u>\$125,000</u>	<u>\$133,000</u>	<u>\$133,000</u>
Non-Current Assets			
<u>Building & facilities</u>	<u>\$750,000</u>	<u>\$750,000</u>	<u>\$750,000</u>
<u>Equipment</u>	<u>\$325,000</u>	<u>\$320,000</u>	<u>\$315,000</u>
Total Non-Current Assets	<u>\$1,075,000</u>	<u>\$1,070,000</u>	<u>\$1,065,000</u>
Total Assets	<u><u>\$1,200,000</u></u>	<u><u>\$1,203,000</u></u>	<u><u>\$1,198,000</u></u>

Liabilities

Current Liabilities			
<u>Operating Loan</u>	<u>\$60,000</u>	<u>\$50,000</u>	<u>\$55,000</u>
<u>Wages Payable</u>	<u>\$12,000</u>	<u>\$14,000</u>	<u>\$15,000</u>
<u>Accrued Interest</u>	<u>\$7,500</u>	<u>\$5,200</u>	<u>\$6,300</u>
Total Current Liabilities	<u>\$79,500</u>	<u>\$69,200</u>	<u>\$76,300</u>
Non-Current Liabilities			
<u>Mortgage Remaining</u>	<u>\$350,000</u>	<u>\$294,000</u>	<u>\$225,000</u>
<u>Equipment Loans Remaining</u>	<u>\$75,000</u>	<u>\$48,000</u>	<u>\$22,000</u>
Total Non-Current Liabilities	<u>\$425,000</u>	<u>\$342,000</u>	<u>\$247,000</u>
Total Liabilities	<u>\$504,500</u>	<u>\$411,200</u>	<u>\$323,300</u>
Net Worth (Owners Equity)	<u>\$695,500</u>	<u>\$791,800</u>	<u>\$874,700</u>
(Total Assets - Total Liabilities)			
Total Liabilities & Net Worth	<u><u>\$1,200,000</u></u>	<u><u>\$1,203,000</u></u>	<u><u>\$1,198,000</u></u>

	2020	2021	2022
Current Ratio	<u> </u>	<u> </u>	<u> </u>
(Current Assets/Current Liabilities)			
Debt/Asset Ratio	<u> </u>	<u> </u>	<u> </u>
(Total Liabilities/Total Assets)			

Income Statement

Restaurant

For the Years Ending December 31

	2020	2021	2022
Revenues			
Food Sales	\$450,000	\$550,000	\$575,000
Beverage Sales	\$240,000	\$270,000	\$265,000
Total Revenues	\$690,000	\$820,000	\$840,000
Cost of Goods Sold:	\$425,000	\$435,000	\$440,000
Gross Margin	\$265,000	\$385,000	\$400,000
Overhead Expenses:			
Administrative	\$25,000	\$35,000	\$35,000
Labor (wages)	\$80,000	\$82,500	\$85,000
Rent	\$40,000	\$45,000	\$45,000
Interest	\$22,000	\$20,000	\$18,000
Depreciation	\$15,000	\$15,000	\$15,000
Other	\$10,000	\$12,000	\$9,000
Total Overhead Expenses	\$192,000	\$209,500	\$207,000
Total Expenses	\$617,000	\$644,500	\$647,000
Net Income	\$73,000	\$175,500	\$193,000

	2020	2021	2022
Rate of Return on Assets (ROA)			
(Net Income + Interest Expense)/Total Assets			
Operating Expense/Receipt			
(Total Expenses - Interest - Depreciation)/Total Revenues			