# Assignment 6.2: Ratio Analysis

## Instructions:

1. Review the following table:

**XYZ Hospital**

**Balance Sheet**

**December 31, 20xx**

|  |  |  |
| --- | --- | --- |
|  | **Description** | **Amount** |
| **Current Assets** | Cash and investments (savings/checking) | $80,000 |
|  | Patient revenue (money owed to hospital) | $472,000 |
|  | Inventory (on the shelf) | $16,400 |
|  | **Subtotal** | $568,400 |
|  | **Less** |  |
|  | Bad debt | ($57,200) |
|  | Charitable allowance | ($14,100) |
|  | Contractual allowance | ($269,300) |
|  | **Subtotal** | ($340,600) |
|  | **Total Current Assets** | $227,800 |
| **Fixed Assets** | Land | $29,000 |
|  | Buildings (plant) | $805,000 |
|  | Equipment | $610,000 |
|  | Construction in progress | $37,000 |
|  | **Total Fixed Assets** | $1,481,000 |
|  | Less accumulated depreciation | ($880,800) |
|  | **Net Fixed Assets** | $600,200 |
|  | **Total Assets** | $828,000 |
| **Current Liabilities** | Accounts payable salaries, supplies, pharmaceutical | $36,560 |
|  | Accrued compensation and benefits | $10,900 |
|  | Accrued liabilities (interest, physician contracts) | $10,870 |
|  | **Total Current Liabilities** | $58,330 |
| **Debt** | Long-term debt | $38,000 |
|  | Short-term debt | $2,100 |
|  | **Total Debt** | $40,100 |
|  | **Total Liabilities (Total Current Liabilities + Debt)** | $98,430 |
|  | **Net Worth (Assets − Liabilities)** | $729,570 |
|  | **Total Liabilities and Net Worth** | $828,000 |

1. **Complete the following based on information provided in the table:**
   1. Calculate the current ratio, quick ratio, and debt ratio.
   2. What information do each of these ratios provide?
   3. For each of the three ratios, give one way each ratio could be positively impacted.
   4. For each of the three ratios, give one way each ratio could be negatively impacted.
   5. When assessing the results of these ratios, what advice would you have for this organization if it was considering securing financing for a major capital expense?