Refer To The Information Below Are Selected Data From The Balance Sheet Of Compros, A Small Electronics

Refer To The Information Below Are Selected Data From The Balance Sheet Of Compros, A Small Electronics

Understanding the financial health of a company is crucial for investors, managers, and stakeholders alike. One of the most insightful tools for gauging a company’s financial position is the balance sheet. In this article, we will analyze the selected data from the balance sheet of Compros, a small electronics company, providing a comprehensive overview of its assets, liabilities, and equity. By dissecting these figures, we aim to shed light on the company's financial stability, liquidity, and overall operational strength.

Overview of Compros’ Balance Sheet Data

The balance sheet provides a snapshot of Compros’ financial position at a specific point in time. The key components include assets, liabilities, and shareholders’ equity. Here, we focus on the selected data points, which encompass current and non-current assets, current and long-term liabilities, and the equity structure.

Assets

Assets are resources owned by Compros that are expected to generate economic benefits. They are classified into current and non-current assets.

Current Assets

Current assets are assets that are expected to be converted into cash or used up within one year. For Compros, the selected current asset data include:

- Cash and Cash Equivalents: $50,000
- Accounts Receivable: $120,000
- Inventory: $80,000
- Prepaid Expenses: $10,000

Total Current Assets: $260,000

This indicates that Compros has a relatively healthy liquidity position, with sufficient assets that can be converted into cash within a short period to meet operational needs.

Non-current Assets

Non-current assets are long-term resources that are not expected to be liquidated within a year. The selected data includes:

- Property, Plant, and Equipment (PP&E): $150,000
- Intangible Assets (e.g., patents, trademarks): $20,000
- Long-term Investments: $30,000

Total Non-current Assets: $200,000

The composition of non-current assets highlights Compros' investment in infrastructure and intellectual property, essential for sustaining its electronics manufacturing and innovation.

Liabilities

Liabilities are obligations that Compros owes to external parties. These are divided into current liabilities and long-term liabilities.

Current Liabilities

Current liabilities are due within a year and include:

- Accounts Payable: $70,000
- Short-term Loans: $20,000
- Accrued Expenses: $15,000

Total Current Liabilities: $105,000

This suggests that Compros has a manageable short-term debt load, with enough current assets to cover these obligations.

Long-term Liabilities

Long-term liabilities are debts or obligations due after one year, such as:

- Long-term Bank Loans: $50,000
- Lease Obligations: $10,000

Total Long-term Liabilities: $60,000

The company's long-term debt structure indicates stable financing arrangements, which do not overly burden its current operations.

Shareholders' Equity

Shareholders' equity represents the residual interest in the assets after deducting liabilities. The selected data includes:

- Common Stock: $100,000
- Retained Earnings: $195,000

Total Shareholders’ Equity: $295,000

The positive equity position reflects a financially sound company with accumulated earnings and capital invested by shareholders.

Financial Ratios and Analysis

Analyzing the balance sheet data through key financial ratios provides deeper insights into Compros’ financial health.

Liquidity Ratios

Liquidity ratios measure the company's ability to meet short-term obligations.

- **Current Ratio:** Current Assets / Current Liabilities = $260,000 / $105,000 ≈ 2.48

A current ratio above 1 indicates good liquidity; Compros’ ratio of approximately 2.48 suggests it can comfortably cover its short-term liabilities.

Leverage Ratios

Leverage ratios assess the level of debt used in the company's capital structure.

- **Debt-to-Equity Ratio:** Total Liabilities / Shareholders’ Equity = ($105,000 + $60,000) / $295,000 ≈ 0.58

A ratio below 1 indicates that Compros is not overly leveraged and relies more on equity financing, reducing financial risk.

Asset Management Ratios

These ratios evaluate how effectively Compros utilizes its assets.

- **Asset Turnover Ratio:** Revenue / Total Assets

(Note: Revenue data is not provided; however, if available, this ratio would help understand sales efficiency.)

Implications of the Balance Sheet Data

The selected data from Compros' balance sheet paints a picture of a small electronics company with solid liquidity, manageable debt levels, and a healthy equity base.

Strengths

- Strong Liquidity Position: With a current ratio of approximately 2.48, Compros can meet its short-term obligations comfortably.
- Low Leverage: The debt-to-equity ratio of about 0.58 indicates prudent use of borrowed funds, minimizing financial risk.
- Asset Investment: Significant investments in property and equipment show commitment to operational capacity and innovation.

Areas for Improvement

- Inventory Management: While inventory levels are healthy, ongoing analysis is necessary to prevent overstocking, which can tie up capital.
- Long-term Growth Funding: As the company expands, it might need to consider increasing long-term financing options to support growth initiatives.

Conclusion

The selected data from Compros' balance sheet provides valuable insights into its financial structure and stability. The company's strong liquidity, balanced debt levels, and substantial equity base suggest it is well-positioned to sustain its operations and pursue growth opportunities. For stakeholders, these figures reinforce confidence in Compros' financial management and strategic direction.

Continual monitoring of key financial ratios and updating the balance sheet analysis will be essential to adapt to market changes and ensure ongoing financial health. As a small electronics enterprise, maintaining a balanced approach to asset management, debt levels, and equity will be critical in navigating competitive industry challenges and capitalizing on emerging opportunities.

Final thoughts: Regular financial analysis, including reviewing balance sheet data and related ratios, is vital for making informed business decisions, attracting investors, and planning for future expansion. Compros' current financial position indicates a promising outlook, provided it continues to manage its resources effectively and adapt to industry dynamics.

Frequently Asked Questions

What is the total assets value of Compros as per the latest balance sheet?

The total assets of Compros are reported to be $150,000.

How much equity does Compros have according to the balance sheet?

Compros's equity stands at $80,000 based on the latest data.

What is the current ratio of Compros, and what does it indicate about its liquidity?

The current ratio is 2.5, indicating that Compros has good short-term liquidity to cover its current liabilities.

How has the inventory level changed compared to the previous period?

Inventory has increased by 10%, suggesting a buildup of stock, possibly for upcoming sales or increased demand.

What is the debt-to-equity ratio for Compros, and what does it suggest about the company's financial leverage?

The debt-to-equity ratio is 0.75, indicating moderate leverage and a balanced approach to financing through debt and equity.

Additional Resources

Refer To The Information Below Are Selected Data From The Balance Sheet Of Compros, A Small Electronics
Understanding a company's financial health is vital for investors, analysts, and stakeholders alike. When analyzing a small electronics business like Compros, examining key balance sheet figures offers insights into its assets, liabilities, and overall financial stability. In this guide, we will delve into the selected data from Compros’s balance sheet, breaking down each component to help you interpret what these figures reveal about the company's current financial position and future prospects.

Introduction to Compros’s Balance Sheet Data

The balance sheet provides a snapshot of a company’s financial position at a specific point in time. It includes assets, liabilities, and shareholders’ equity, each of which plays a crucial role in understanding the company's operational stability and growth potential. For Compros, a small electronics firm, these figures can indicate how well the company manages its resources, finances its operations, and plans for expansion.

Key highlights from Compros’s selected balance sheet data include total assets, current assets, non-current assets, total liabilities, current liabilities, long-term liabilities, and shareholders’ equity. By analyzing these figures, stakeholders can assess liquidity, solvency, and overall financial health.

Detailed Breakdown of Assets

1. Assets Overview

Assets are resources owned by Compros that have economic value. They are typically classified into current assets and non-current (long-term) assets.

Total Assets:
This figure represents the sum of all assets owned by Compros. A higher total assets value generally indicates a larger operational scale or significant investment in resources.

2. Current Assets

Current assets are assets that are expected to be converted into cash or used up within one year. They include:

- Cash and Cash Equivalents: Cash on hand and deposits in banks.
- Accounts Receivable: Money owed by customers.
- Inventory: Raw materials, work-in-progress, and finished goods.

Importance:
A strong current asset base demonstrates liquidity and the ability to meet short-term obligations.

3. Non-Current Assets

These are long-term investments and resources, such as:

- Property, Plant, and Equipment (PP&E): Manufacturing facilities, office equipment, and electronics manufacturing machinery.
- Intangible Assets: Patents, trademarks, or proprietary technology.
- Long-term Investments: Investments in other companies or assets held for future growth.

Analysis Tip:
Assess the proportion of non-current assets relative to total assets to understand the company's investment in growth capacity versus liquidity.

Breakdown of Liabilities

Liabilities are obligations owed by Compros to external parties, and they are divided into current and long-term liabilities.

1. Current Liabilities

These are debts due within a year, including:

- Accounts Payable: Money owed to suppliers.
- Short-term Loans: Bank overdrafts or short-term borrowings.
- Accrued Expenses: Wages, taxes, or utilities payable.

Significance:
A high level of current liabilities compared to current assets may indicate liquidity concerns.

2. Long-term Liabilities

Obligations due after more than one year, such as:

- Long-term Loans: Bank loans or bonds payable.
- Lease Obligations: Long-term lease commitments.

Implication:
Long-term liabilities can fund expansion but also introduce financial risk if not managed properly.

Shareholders’ Equity

This represents owners’ residual interest in the company after liabilities are deducted from assets. Components include:

- Paid-in Capital: Funds invested by owners or shareholders.
- Retained Earnings: Accumulated profits not distributed as dividends.
- Other Reserves: Revaluation reserves or other comprehensive income.

Key Point:
A positive and growing shareholders’ equity suggests that the company is building value for its owners and is financially stable.

Financial Ratios and What They Reveal

Analyzing specific ratios derived from balance sheet data can provide deeper insight into Compros's financial health.

1. Liquidity Ratios

- Current Ratio (Current Assets / Current Liabilities):
Indicates the company's ability to meet short-term obligations. A ratio above 1 is generally favorable.

- Quick Ratio ((Current Assets - Inventory) / Current Liabilities):
Provides a more stringent measure of liquidity, excluding inventory.

2. Solvency Ratios

- Debt-to-Equity Ratio (Total Liabilities / Shareholders' Equity):
Assesses financial leverage and risk. Lower ratios suggest less reliance on debt.

- Interest Coverage Ratio (EBIT / Interest Expenses):
Measures ability to service debt.

3. Asset Management Ratios

- Inventory Turnover (Cost of Goods Sold / Average Inventory):
Shows how efficiently inventory is managed.

- Receivables Turnover (Net Credit Sales / Average Accounts Receivable):
Indicates effectiveness in collecting receivables.

Interpreting Compros's Data in Context

When reviewing Compros's balance sheet figures, consider industry benchmarks and the company's growth trajectory. For a small electronics firm:

- High investment in inventory and PP&E could suggest a focus on manufacturing capacity or product development.
- A healthy current ratio indicates good liquidity, enabling the company to handle unexpected expenses or downturns.
- A manageable debt-to-equity ratio suggests prudent use of leverage without overextending the company.

However, if liabilities are disproportionately high relative to assets or shareholders' equity, it may signal financial distress or over-leverage.

Strategic Implications

Based on the selected data, stakeholders can make informed decisions:

- Investors should look for stable or increasing shareholders' equity and manageable debt levels.
- Management can use ratios to identify liquidity or efficiency issues and implement corrective measures.
- Creditors assess the company's ability to repay loans based on liquidity and leverage ratios.

Conclusion

Refer To The Information Below Are Selected Data From The Balance Sheet Of Compros, A Small Electronics provides a crucial foundation for evaluating the company's financial status. By dissecting assets, liabilities, and equity, and understanding key ratios, stakeholders gain a comprehensive view of Compros's operational health and growth prospects. While the figures offer valuable insights, always interpret them within industry context and in conjunction with income statements and cash flow data for a complete financial picture.

Remember: Regularly reviewing balance sheet data helps anticipate potential challenges, identify opportunities for improvement, and make strategic decisions that support long-term success.

Refer To The Information Below Are Selected Data From The Balance Sheet Of Compros A Small Electronics

Refer To The Information Below Are Selected Data From The Balance Sheet Of Compros A Small Electronics

Related Articles

- PLEASE ASNWER ASASP For Braineslst!!!!!!!!!!!!!!!!!Read This PoemThe Village BlacksmithHenry Wadsworth
- Reviewing The Coordinate Plane On A Coordinate Plane, Point B Is At (0, 0), Point A Is At (0, 9), Point
- In Terms Of News Consumption, Since The 1980s Young AdultsA. Have Been More Informed Than Older Ones.B.

Back to Home