

ACTG 500
Spring 2024
Final Exam – Project

Due Date – May 3, 2024 at 11:59 PM

Solo Inc. is a publicly listed furniture company. The company is well known for manufacturing furniture for major hospitals and organizations in the United States and Europe. The company has experienced significant growth in recent years due to the increased demand for its quality products. Although the company is very profitable and is determined to maintain its profitability trend, its strategic focus in the last three years has been to manage its liquidity. The company has consulted you to analyze its financial data to determine if it is managing its liquidity effectively.

Additional Information Provided:

The following additional information has been provided in an excel file (included in the final exam group project folder on blackboard).

- 2020 selected account balances (tab/sheet1)
- 2021 financial data (tab/sheet2)
- 2022 and 2023 financial ratios (tab/sheet3)

Note: Assume the following:

- The financial information provided to you is the only information available.
- The liquidity ratios provided in this project are the only available for decision-making.

Deliverables:

You are required to submit the following work product:

1. 2021 financial statements of Solo Inc. - income statement, statement of retained earnings, cash flow statements, and balance sheet (all calculations/formulas must be shown on the excel sheet). (75 Points)
2. Liquidity ratios and analysis (all calculations/formulas must be shown on the excel sheet – separate tab of the same excel spreadsheet used for preparing the 2021 financial statements). (50 Points)
3. A memo to the company on the analysis and conclusions drawn. (75 Points)

Guidance

- (Requirement #1- 2021 financial statements):
 - Use the 2021 financial data provided in tab/sheet2 of the excel sheet to prepare the income statement, statement of retained earnings, cash flow statement, and the balance sheet.
 - Exhibit 1-6 in Chapter 1 of your hardcopy textbook provides a good framework of how all the statements are connected. Exhibit 1-6 is also available in the Chapter 1 powerpoint slides.
 - Also, several exhibits in Chapters 1 and 2 would guide you in setting up each financial statement.

- (Requirement #2- ratios/analysis):
 - The financial ratios for 2022 and 2023 include liquidity ratios (provided in tab/sheet2 of the excel sheet). You would need to identify those liquidity ratios.
 - You would need to calculate the same liquidity ratios for 2021.
 - Some information in the 2020 financial data (tab/sheet1 of the excel file provided) should be used to calculate the applicable liquidity ratios for 2021, specifically when the ratio requires averages to be computed. For example, total average assets for 2021 = (December 31 2020 total assets + December 31 2021 total assets)/2
 - Perform a trend analysis for the liquidity ratios for 2021, 2022 and 2023.
 - Interpret the results of the trend/ratios (i.e., what do the trend and ratios tell you about the company?)

- (Requirement #3- the memo): Provide a report to the company
 - Explaining your assessment of the ratios/trends (i.e., how you analyzed the ratios/trends)
 - Explaining the implications of the ratios (i.e., what do the ratios/trend mean? Does it mean the company is managing liquidity well? Does the company need to improve its position on liquidity? etc.)
 - Provide professional advice on maintaining or improving the company's liquidity posture.