Increase in Cash is $6,030 i.e. $(7,750 - 1,720)

<table>
<thead>
<tr>
<th>Inflow</th>
<th>Cash A/C</th>
<th>Outflow</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bal. b/f 1,720</td>
<td>5,400</td>
<td>0…………………..</td>
</tr>
<tr>
<td>F+…………….. 12,000</td>
<td>12,000</td>
<td>o…………………..</td>
</tr>
<tr>
<td>O+…………….. 1,100</td>
<td>600</td>
<td>0…………………..</td>
</tr>
<tr>
<td>O………………….. 750</td>
<td>1,700</td>
<td>F…………………..</td>
</tr>
<tr>
<td>Bal. b/d 7,750</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Using Financial Information

Evaluating Solvency
✓ Ability of the business to meet financial obligations as they become due i.e. S-T debt paying ability
✓ Measures of S-T debt paying ability:
1. Working Capital = CA – CL
   = $(15,880 – 720)
   = $15,160
2. Current Ratio = CA/CL
   = $15,880/$720
   = 22.06 times

Using Financial Information

Evaluating Profitability
✓ Increase in owners/shareholders equity
✓ Results from revenues exceeding expenses.
1. Net Income Percentage = NI/Total Revenue
   = $4,300/$6,100
   = 0.705 or 70.5%
2. Return on Owner’s Equity = NI/Average OE
   = $4,300/$31,460
   = 0.137 or 13.7%