Analyse solvency

Adjusted current ratio
Current assets 16500 current liabilities 13000+4000
Ratio = 0.97 a ratio below 1.0 indicates caution
The prudential requirements of the long term debt have been breached

Liquid ratio
Liquid assets 9400 current Liabilities 13000 +4000
Ratio = 0.55 the company has insufficient resources to meet its immediate requirements
Adjusting for unearned rent revenue the ratio is 0.85

Earning power potential
Gross profit margin is 43% but expenses have increased and the interest burden has also increased resulting in a trading loss.
Company's earnings all came from other income it made a trading loss of 500'. There is nothing to suggest this will not be repeated.
There are significant one time items and an exchange gain has been booked which may not be realised

Company's true financial position

There is unamortised goodwill of 5250 inflating assets
Payment of dividends out of windfall items will deplete available cash
Payment of management bonuses will deplete available cash
It is not apparent how these bonuses have been included in the accounts'
There is a substantial liability for unearned rent revenue, this means that rent income could be significantly overstated and that cash generated may no longer be available

What transactions has it entered into at year end and are they in the shareholders interest
There is a significant offshore debtor, exposing the company to exchange rate losses.
There is a short term note falling due in the new year. Although it is intended to roll this over there is no assurance this course of action can be accomplished exposing the company to default risk

What restrictions are there regarding debt and how has management reflected this in financial reports

The prudential requirements of the short term notes require a current ration of 1.0
The accounts have been manipulated to give the appearance this ratio has been maintained. adjustment of this to properly reflect the nature of the transaction shows the current ratio to be 0.97

Is the bad debts allowance sufficient
bad debts were 350 on a balance of 3650 and turnover 52500, 250 on a balance of 5700 and sales of 60000

Calculated days in receivables increased by an average 8 days
using the current years proportion of bad debts as a percentage of average sales provision should be 320. The actual provision is 400 and therefore adequate

What cash was received from Ellery and how large is Ellery' dividend'

Insufficient information

What cash was collected from customers in 2011

Debtors	3650
Bad debts	350
	4000
Sales	60000
	64000
Debtors	5700
Bad debts	400
	6100
Cash from debtors	
	57900