

PM100 Practice Management Institute:
Legal News You Can Use
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Administrator

Enclosed is a Balance Sheet for a company you serve as a member of the Board of Directors.

Review this financial document knowing several additional facts:

1. The last three years of net profits were \$7,000, \$5,000 and (\$3,000).
2. The interest on the long-term debt is \$15,750 per year.
3. There are 1000 outstanding shares of the stock.

Questions for you are as follows:

1. This company is discussing going to the bank for a loan for new equipment. As a board member you need to approve or disapprove. What is your vote and why?
2. Is the amount of debt in line with your comfort level or acceptable standards? What is leverage?
3. What is the Book value of this company? Is it the only measure of a company's worth?