**CU1 Credit Unit Assessment**

Use the information below to prepare an income statement and a balance sheet for Luna Yard Care, LLC. Then calculate the current ratio for the company. Remember to add the proper headings to your financial statements. Do not use the $ sign for this assignment.

Hint: Shaded boxes should be left empty.

**Luna Yard Care, LLC balances as of December 31, 20XX** (unless otherwise noted)

Accounts payable 11,600

Yard care income 39,500

Cash on 1/1/XX 14,300

Cash on 12/31/XX 9,300

Owner’s draw 4,800

Equipment 19,200

Equipment repairs expense 2400

Miscellaneous expense 3000

Notes payable 2800

Rent expense 12,600

Salaries expense 9,200

Supplies expense 2,400

Supplies 5,300

**Income Statement:**

|  |  |
| --- | --- |
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**Balance Sheet:**

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| --- | --- |
|  | |
|  | |
|  | |
|  |  |
| **Current assets** |  |
|  |  |
|  |  |
| **Non-current assets** |  |
|  |  |
|  |  |
|  |  |
|  |  |
| **Current liabilities** |  |
|  |  |
| **Non-current liabilities** |  |
|  |  |
|  |  |
| **Owner’s equity\*** |  |
|  |  |

\*Use this formula to calculate owner’s equity for use in statement above:

Owner’s equity = Beginning cash \_\_\_\_\_\_\_\_\_\_\_ + Net income \_\_\_\_\_\_\_\_\_\_\_ - Owner’s draw \_\_\_\_\_\_\_\_\_\_

Owner’s equity = \_\_\_\_\_\_\_\_\_\_

Using the information from your financial statements above calculate the current ratio for Luna Landscaping

1. The formula for calculating the current ratio is\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
2. Luna Yard Care’s current ratio is:

**Answer key for CU1 Credit Unit Assessment 45 points possible**

Income Statement:

Points possible; points earned

|  |  |  |  |
| --- | --- | --- | --- |
| Luna Yard Care, LLC | | 1 |  |
| Income Statement | | 1 |  |
| For the period ending December 31, 20xx | | 1 |  |
| Yard care income | 39500 | 2 |  |
| Expenses\* |  | 1 |  |
| Equipment repairs expense | 2400 | 2 |  |
| Rent expense | 12600 | 2 |  |
| Salaries expense | 9200 | 2 |  |
| Supplies expense | 2400 | 2 |  |
| Miscellaneous expense | 3000 | 2 |  |
| Total expenses | 29600 | 2 |  |
| Net Income | 9900 | 2 |  |

\*may be listed in any order

Balance Sheet:

|  |  |  |  |
| --- | --- | --- | --- |
| Luna Yard Care, LLC | | 1 |  |
| Balance Sheet | | 1 |  |
| December 31, 20xx | | 1 |  |
| ASSETS |  | 1 |  |
| **Current assets** |  | 0 |  |
| Cash | 9300 | 2 |  |
| Supplies | 5300 | 0 |  |
| **Non-current assets** |  | 2 |  |
| Equipment | 19200 | 2 |  |
| Total Assets | 33800 | 2 |  |
|  |  | 0 |  |
| LIABILITIES & EQUITY |  | 1 |  |
| **Current liabilities** |  | 0 |  |
| Accounts payable | 11600 | 2 |  |
| **Non-current liabilities** |  | 0 |  |
| Notes payable | 2800 | 2 |  |
| Total liabilities | 14400 | 2 |  |
| **Owner’s equity** | 19400 | 2 |  |
| Total liabilities & equity | 33800 | 2 |  |

Using the information from your financial statements above calculate the current ratio for Luna Yard Care, LLC.

a. The formula for calculating the current ratio is current assets/current liabilities. (1 point)

b. Luna Yard Care’s current ratio is: 14600/11600 = 1.26 (1 point)