Balance Sheet Ford Motor Company

[Name of the Writer]

[Name of the Institution]

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**Purpose of the Balance Sheet**

The balance sheet is the statement that defines the financial position of a company or business by disclosing assets, liabilities, and owners’ equity. The balance sheet reveals the financial performance and health of the company or business. The balance sheet mainly has two parts, one is assets and the other is liabilities plus owners’ equity. It means that the assets used by the company are financed by the owners of the company through making investments and through other financial obligations known as debt financing. While some part is covered by retained earnings as well.

**Assets**

Assets include everything that the business or company owns such as land, buildings, inventory, supplies, buildings, equipment, accounts receivables, cash and intangible assets like goodwill, etc.

**Liabilities**

Liabilities include all funding that the company has made from creditors. The main examples of liabilities are; accounts payable, interest payable, salaries payable, wages payable, and income taxes payable and so on.

**Owners’ Equity**

Owners’ Equity is the total assets of the company that excludes the liabilities of the company. The examples are; the common stock preferred stock and retained earnings, etc.

**Balance Sheet of Ford Motor Company (2012)**

The company’s balance sheet reveals the financial performance for the two consecutive years (2011-2012). Generally, Ford’s balance indicates an increase in the company’s cash flow during the period.

* **Assets**

The assets include everything the Ford owns and the use of its business operations. The company can convert it into cash. In the period (2011-12), the cash flow of the company increased to 12 million dollars from 2011 to 2012 (Macrotrends, 2019).

* **Liabilities**

It includes everything that Ford has as debt or money or assets that the company has generated through debt financing. The liabilities of the company in the period also show an increase from 163 million dollars to 174 million dollars when compared to the previous year.

* **Owners’ Equity**

Owners’ Equity is the total assets of the company that excludes the liabilities of Ford. In the financial year 2011, the owners’ equity of the company was 172,447 million dollars while it is/was 183,193 million dollars in 2012 (Macrotrends, 2019).

**Financial Ratios of Ford Motor Company**

The main three ratios are calculated for the purpose to understand the financial worthiness of Ford Motor Company. These ratios are current, quick, and cash ratio for the period of 2011-12.

**Current Ratio**

CR = CA/CL

2011: 178,348/163,277 = 1.09

2012: 190,554/174,243 = 1.09

The ratio above states that the company’s liabilities are higher than the assets. While, the current ratio of the company is 1 and Ford has to put efforts to increase the assets (Ford Motor Company, 2012).

**Quick Ratio**

QR = CA-Inventories/CL

2011: 178,348 – 5,901/163,277 = 1.06

2012: 190,554 – 7362, / 174,243 = 1.05

The quick ratio states that the company’s ratio in 2012 has decreased comparatively to 2012. So the company has to increase this figure.

**Cash Ratio**

CR = cash + cash equivalent + funds invested/CL

2011: 178,348/163,227 = 1.09

2012: 190,554/174,243 = 1.09

The ratio of the company is higher than 1 which means that the company is capable enough to pay its short term obligation immediately (Ford Motor Company, 2012).

**Standards of the Industry**

The industry of automobiles is in a fine and excellent position. The fate of the industry was not much fine but it was during 2008 which was mainly due to the global economic crisis.

**Ford Ratio and Industry Standard**

The ratios of the company look fine and almost great. The F- series of the company is credible as it sold out a huge variety of cars and trucks in the American markets for more than 30 years continuously while the longevity record also ranks the company in the list of top brands in the industry. Based on overall industry analysis the standards are; 1) QR is 0.45 while CR is 2.25. So after the comparison with the standards of the overall industry, it can be stated that ford is a good performer. In short, the company is efficient enough to pay its short term debts while the assets that Ford owns are greater enough than the liabilities of the company (CSIMarket, 2019).

**References**

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