Understanding the Notes to the Balance Sheet

Student’s Name

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Date

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Based on the analysis of the balance sheet and other financial statement provided, in the future, Target Company may experience increase in more liabilities, which are mentioned. The financial report also shows that until the FY 2010 the financial and operating lease commitment have been made. A total of $1,721 million as an alternative to extend the terms of the lease which ware guaranteed by exercised (Brouwers & Koetzier, 2015). It means that $1,721 million of the commitment can be extended for the future lease. Additionally, lease payment for the stores will be opened in 2008, and therefore, it includes more undertaking by the company. Target additional commitments besides the existing debt are as illustrated below:

|  |  |
| --- | --- |
| Long term liabilities | $15126.00 |
| Current Liabilities | $11782.00 |
| Other liabilities | $2345.00 |
| **Target’s Total Debts** | **$29253.00** |
| Extension lease | $1721.00 |
| Minimum of lease payment for the shop | $98.00 |
| Current value of the lease payment | $127.00 |
| Remaining part of the lease | $1874.00 |
| **Target’s updated total debts** | **$33075.00** |
| **The Total Assets of the company** | **$44560.00** |
| The Debt to assets ratio | **74% or 0.74.** |

The chances of future financial commitments for Target Company in the form of lease payments bring up the total liabilities. Even if there is an alternative or option of making purchase, the payment will still make the total PV of the amount of lease payments, which if added up still the same as the value of lease payments (Jiliow, 2018). Therefore, Target Company’s intention seems to be to renew the lease agreement after the end of the FY 2010. This therefore, would require additional financial commitment for leasing and therefore, the liability of the company would increase.

# References

Brouwers, R., & Koetzier, W. (2015). Basics of Financial management. *International Journal of Accounting* , 2-31.

JILIOW, A. (2018). AN OVERVIEW ABOUT FINANCE & FINANCIAL MANAGEMENT. *Financial management* , 3-37.