**Name: Tijuana Perry A35 Week 8 Chapter 13 Exercise**

**Task #1**

Below is a real estate investor’s balance sheet (in millions) as of December 31, 2013. All the businesses in her real estate empire were separately incorporated for liability reasons, and many of them were heavily leveraged, or debt-financed.

Calculate the **debt ratios** for each of the properties; then answer the questions on the next page. **Formula Debt Ratio = total debt/total assets**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Asset** | **Estimated****Worth (Total Assets)** | **Total Debt** | **Net Worth** | **Debt Ratio** |
| The Pyramids of Gaza | $820 | $820 | $0 | 1:0 |
| East Side Yards | 450 | 175 | 30 | 7:18 |
| Phoenix Casino | 640 | 275 | 345 | 55:128 |
| Mogul’s Lair Casino | 600 | 415 | 6 | 83:120 |
| Serena’s Shuttle | 400 | 400 | 0 | 1:0 |
| Serena’s Tower | 200 | 100 | 100 | 1:2 |
| Cash | 130 | 160 | -30 | 16:13 |
| Igor’s Condos | 115 | 5 | 45 | 1:23 |
| Marketable Securities  | 90 | 75 | 15 | 5:6 |
| Serena’s Palace | 80 | 80 | 0 | 1:0 |
| Stefania’s Plaza | 70 | 50 | 3 | 5:7 |
| Grand Brand Hotel (50%) | 70 | 30 | 40 | 3:7 |
| Igor Regency | 65 | 85 | -20 | 17:13 |
| Igor Plaza Coops | 45 | 0 | 25 | 0:1 |
| Mogul Air | 40 | 0 | 30 | 0:1 |
| Personal Transportation | 30 | 0 | 30 | 0:1 |
| Personal Housing | 30 | 40 | -9 | 4:3 |
| Total (in millions) | $  | $ | $ |  |

**Week 8 A35 Chapter 13 Exercise**

**Questions for Task #1 Balance Sheet (Debt Ratio)**

1. What was the investor’s highest-priced asset?

2. What was investor’s net worth for the Serena’s Shuttle? Why**?**

3. On which asset was the investor’s net worth the greatest?

4. Which asset carried the most debt?

5. Which properties did the investor own free of debt?

|  |
| --- |
| Igor Plaza Coops |
| Mogul Air |
| Personal Transportation |

6. On which properties did the investor owe one dollar of debt for each dollar of the asset?