Solution to January 17 homework

1. 
   \[ \text{Current} = 1.5 = \frac{\$3 \text{ million}}{\text{Current liabilities}} \]
   current liabilities = $2,000,000

   \[ \text{Quick} = 1.0 = \frac{\$3 \text{ million} - \text{Inventories}}{\$2 \text{ million}} \]
   inventories = $1,000,000

2. 
   \[ \text{Current} = 3 = \frac{\$810,000}{\text{Current liabilities}} \]
   current liabilities = $270,000

   \[ \text{Quick} = 1.4 = \frac{\$810,000 - \text{Inventories}}{\$270,000} \]
   inventories = $432,000

   \[ \text{Inventory turnover} = 6 = \frac{\text{Sales}}{\$432,000} \]
   sales = $2,592,000

Current assets = $810,000 = $120,000 + $432,000 + accounts receivable
Accounts receivable = $258,000

\[ \text{DSO} = \frac{\text{Receivables annual sales}}{360} = \frac{\$258,000}{\$2,592,000 / 360} = 35.83 \text{ days (360 day year)} \text{ or} \]
\[ \text{DSO} = \frac{365 \text{ days}}{\text{Receivables turnover}} = \frac{365 \text{ days}}{\$2,592,000 / \$258,000} = 36.33 \text{ days (365 day year)} \]