

Recommendations for MBC Farms

Explanation of Corrective Action

Financial Data	MBC Farms	Projected
1 Gross Revenues (Item W)	\$ 1,796,651	_____
2 Fixed Costs (Items C+X+V) (Depreciation, interest, family living and income taxes)	\$ 385,638	_____
3 Variable Costs (Item Y-C) (Other expenses minus depreciation)	\$ 1,280,494	_____
4 Net Income (1-2-3)	\$ 130,519	_____
5 Total Farm Assets (Item Q)	\$ 4,655,476	_____
6 Owner's Equity (Item S)	\$ 3,534,037	_____
7 Interest Expense (Item X)	\$ 98,716	_____
A Operating Profit Margin $[(4+7)/1]$	12.8%	_____
B Asset Turnover Ratio $[1/5]$	38.6%	_____
C Return on Assets $[(A*B)*100]$	4.9%	_____
D Interest Cost Adjustment $[7/5]$	0.021	_____
E Financial Structure $[5/6]$	1.32	_____
F Return on Equity $[(C/100-D)*E]*100]$	3.7%	_____