

## B-16.01

Fairfield Corporation owns three separate subsidiaries. The Board of Directors is developing a strategy to withdraw \$1,000,000 in cash from one of the subsidiaries to finance the acquisition of a fourth business. Prepare the current and quick ratio for each subsidiary, and rank order the subsidiaries based on their ability to pay a dividend to the parent company without jeopardizing liquidity.

	Sub A	Sub B	Sub C
Cash	\$ 1,000,000	\$ 3,000,000	\$ 5,000,000
Trading securities	3,000,000	2,000,000	1,000,000
Accounts Receivable	6,000,000	5,000,000	14,000,000
Inventory	4,000,000	8,000,000	7,000,000
Prepaid Rent	2,000,000	2,000,000	3,000,000
Accounts Payable	5,000,000	2,000,000	8,000,000
Interest Payable	1,000,000	1,000,000	6,000,000
Note Payable (due in 6 months)	4,000,000	1,500,000	4,000,000
Unearned Revenues	3,000,000	500,000	2,000,000