**CONCEPT:** RATIOS – CAPITAL ACQUISITIONS RATIO

● The ***capital acquisitions ratio*** reflects the portion of PPE financed by cash flows from operating activities.

$$Capital\ Acquisitions\ Ratio = \frac{Cash\ Flow\ from\ Operating\ Activities}{Cash\ Paid\ for\ PPE}$$

**Analysis**: This ratio shows how many times operating cash flows could cover the costs of capital expenditures. A ratio below _______ indicates that PPE needed to be financed from sources other than operating cash flows. The higher the ratio, the more cash the company has available for other activities and less need to take on debt.

**PRACTICE:** ABC Company's statement of cash flows indicated net cash provided/(used) in operating, investing, and financing activities as $140,000, ($80,000), and $25,000, respectively. If the cash flows from investing activities included the purchase of land for $100,000 and the sale of machinery for $20,000, what is the company's capital acquisitions ratio?

a) 0.85
b) 1.40
c) 1.65
d) 1.75

**PRACTICE:** XYZ Company had a capital acquisitions ratio of 3.50. During the period, XYZ purchased equipment with a price of $60,000. If the company had cash inflows from investing activities of $90,000 and cash outflows from financing activities of $30,000, what is the company's cash flow from operating activities?

a) $105,000
b) $210,000
c) $315,000
d) $420,000