

## How do Facebook and Twitter's current and debt ratios compare?

Facebook, Inc. ([NASDAQ: FB](#)), and Twitter, Inc. ([NYSE: TWTR](#)), are two of the most popular publicly-held social media companies. Both are relatively young companies; Facebook was founded in 2004, while Twitter was started in 2006.

To follow are adapted and condensed balance sheets for both Facebook and Twitter as of December 31, 2015.

Facebook, Inc.		Twitter, Inc.	
Consolidated balance sheet (adapted for classroom use)		Consolidated balance sheet (adapted for classroom use)	
As of December 31, 2015		As of December 31, 2015	
	<i>In millions</i>		<i>In thousands</i>
<b>Assets</b>		<b>Assets</b>	
Current assets:		Current assets:	
Cash and cash equivalents	\$ 4,907	Cash and cash equivalents	\$ 911,471
Marketable securities	13,527	Short-term investments	2,583,877
Accounts receivable, net	2,559	Accounts receivable, net	638,694
Prepaid and other expenses	659	Prepaid and other expenses	247,750
Total current assets	\$ 21,652	Total current assets	\$ 4,381,792
Property and equipment, net	5,687	Property and equipment, net	735,299
Intangible assets, net	3,246	Intangible assets, net	141,015
Other long-term assets	18,822	Other long-term assets	1,184,333
Total assets	\$ 49,407	Total assets	\$ 6,442,439
<b>Liabilities and stockholders' equity</b>		<b>Liabilities and stockholders' equity</b>	
Current liabilities:		Current liabilities:	
Accounts payable	\$ 196	Accounts payable	\$ 134,081
Other current liabilities	1,729	Other current liabilities	371,958
Total current liabilities	\$ 1,925	Total current liabilities	\$ 506,039
Capital lease obligations, long-term	107	Convertible notes	1,455,095
Other long-term liabilities	3,157	Other long-term liabilities	113,258
Total liabilities	\$ 5,189	Total liabilities	\$ 2,074,392
Stockholders' equity:		Stockholders' equity:	
Common stock and other	34,431	Common stock and other	6,461,524
Retained earnings	9,787	Retained earnings	(2,093,477)
Total stockholders' equity	\$ 44,218	Total stockholders' equity	\$ 4,368,047
Total liabilities and stockholders' equity	49,407	Total liabilities and stockholders' equity	6,442,439

Please note: These balance sheets have been adapted and condensed for educational use and should not be relied upon for investment decisions.

### Questions

1. Which company is larger in terms of total assets?
2. Calculate the current ratio for both Facebook and Twitter. What do these current ratios tell you about each company?
3. Calculate the debt ratio for both Facebook and Twitter. Again, what do these ratios indicate about each company?
4. Twitter has negative retained earnings. What does this mean?