

	BALANCE SHEET	
	YEAR ENDED	
ASSETS:	<u>12/31/06</u>	<u>12/31/05</u>
Current Assets:		
Cash	\$ 4,000	\$ 7,400
Marketable securities (temp.investmts)	1,000	1,000
Accounts receivable	5,400	4,700
Less allowance for doubtful accounts	(400)	(700)
Merchandise inventory	10,000	15,000
Prepaid expenses	<u>2,000</u>	<u>1,600</u>
Total Current Assets	<u>22,000</u>	<u>29,000</u>
Plant and Equipment:		
Land	5,000	5,000
Building	11,000	8,000
Equipment	54,000	37,000
Less accumulated depreciation	<u>(15,000)</u>	<u>(12,000)</u>
Total Plant and Equipment	<u>55,000</u>	<u>38,000</u>
Total Assets	\$ 77,000	\$ 67,000
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LIABILITIES:		
Current Liabilities:		
Accounts payable	\$ 1,500	1,800
Notes payable	2,000	1,200
Wages payable	<u>2,000</u>	<u>1,000</u>
Total Current Liabilities	<u>5,500</u>	<u>4,000</u>
Long-Term Liabilities:		
Notes payable	13,500	10,000
Bonds payable	<u>1,000</u>	<u>4,000</u>
Total Long-Term Liabilities	<u>14,500</u>	<u>14,000</u>
Total Liabilities	<u>20,000</u>	<u>18,000</u>
STOCKHOLDERS' EQUITY:		
*Common stock, \$8.00 par value	38,400	36,000
Paid in capital in excess of par	6,600	5,000
Retained earnings	<u>12,000</u>	<u>8,000</u>
Total Stockholders' Equity	<u>57,000</u>	<u>49,000</u>
Total Liabilities & Stockholders' Equity	\$ 77,000	\$ 67,000
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INCOME STATEMENT

Year ended December 31, 2006

Net Sales	\$ 125,000
Less Cost of Goods Sold	<u>36,000</u>
Gross Margin	89,000
Operating Expenses:	
Depreciation	\$ 3,000
Other operating expenses	<u>63,000</u>
Operating Income	<u>23,000</u>
Less Interest Expense	<u>3,000</u>
Income Before Taxes	20,000
Less Income Taxes	<u>10,000</u>
Net Income	\$ 10,000
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Other information:

- Cost of new long-lived assets (Capital Expenditures) was \$20,000
- Net cash inflow from operating activities was \$18,100.

- * Average common shares outstanding calculation: (NOT GIVEN ON TEST #7)

$$[(\$38,400 + \$36,000) / 2] / \$8.00 = 4,650 \text{ average shares outstanding}$$

Use the financial statements provided to calculate the ratios indicated below. Put your final answer on the line to the left of the ratio name. For partial credit, show your ratio formula and calculations under the ratio name. Round to 3 significant digits to the right of the decimal place. (The number to left indicates on exam 1, 2 or 3; all the ratios are on the final.)

1_____ Working Capital

1_____ Current Ratio

3_____ Inventory turnover

4_____ Average collection period

1_____ Debt to Total Assets

5_____ Times interest earned

1_____ Free cash flows

1_____ Earnings per share

3_____ Gross Profit Rate

3_____ Profit Margin

5_____ Return on Assets

5_____ Asset Turnover

6_____ Return on Common Stockholders' Equity

6_____ Amount of Common Dividends Paid (This is not a ratio.)

Normally, you should round to 3 decimal places but you may drop trailing zeros on your answers if you wish.

\$16,500 Working Capital
 $22,000 - 5,500 = 16,500$

4.000 Current Ratio
 $22,000 / 5,500 = 4.0000$

2.880 Inventory turnover
 $36,000 / [(10,000 + 15,000) / 2] = 2.8800$

13.140 Average collection period
Days $365 / \text{Accounts receivable turnover ratio}$
 $365 / (125,000 / [(5,400 - 400) + (4,700 - 700)] / 2) = 13.1400$

.260 Debt to Total Assets
 $20,000 / 77,000 = .2597$

7.667 Times interest earned
 $(10,000 + 3,000 + 10,000) / 3,000 = 7.6666$

(\$7,900) Free cash flows
 $18,100 - (20,000 + 6,000) = \text{negative } 7,900$

\$2.15 Earnings per share
 $(10,000 - 0) / 4,650 = 2.150$

.712 Gross Profit Rate
 $89,000 / 125,000 = .7120$

.080 Profit Margin
 $10,000 / 125,000 = .0800$

.139 Return on Assets
 $10,000 / [(77,000 + 67,000) / 2] = .1388$

1.736 Asset Turnover
 $125,000 / [(77,000 + 67,000) / 2] = 1.7361$

.189 Return on Common Stockholders' Equity
 $(10,000 - 0) / [(57,000 + 49,000) / 2] = .1887$

\$6,000 Amount of Common Dividends Paid
Beg. RE + Net income - Dividends = Ending RE
 $8,000 + 10,000 - X = 12,000$
 $X = 6,000$