

	BALANCE SHEET	
	YEAR ENDED	
	<u>12/31/07</u>	<u>12/31/06</u>
<b>ASSETS:</b>		
Current Assets:		
Cash	\$ 8,000	\$ 4,000
Marketable securities (temp.investmts)	2,000	2,000
Accounts receivable	14,000	5,000
Less allowance for doubtful accounts	(2,000)	(1,000)
Merchandise inventory	9,000	10,000
Prepaid expenses	<u>3,000</u>	<u>2,000</u>
Total Current Assets	<u>34,000</u>	<u>22,000</u>
Plant and Equipment:		
Land	10,000	10,000
Building	30,000	30,000
Equipment	50,000	20,000
Less accumulated depreciation	<u>(25,000)</u>	<u>(20,000)</u>
Total Plant and Equipment	<u>65,000</u>	<u>40,000</u>
Total Assets	\$ 99,000	\$ 62,000
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<b>LIABILITIES:</b>		
Current Liabilities:		
Accounts payable	\$ 4,000	2,000
Notes payable	1,000	3,000
Wages payable	<u>3,000</u>	<u>1,000</u>
Total Current Liabilities	<u>8,000</u>	<u>6,000</u>
Long-Term Liabilities:		
Notes payable	10,000	9,000
Bonds payable	<u>4,000</u>	<u>5,000</u>
Total Long-Term Liabilities	<u>14,000</u>	<u>14,000</u>
Total Liabilities	<u>22,000</u>	<u>20,000</u>
<b>STOCKHOLDERS' EQUITY:</b>		
*Common stock, \$15.00 par value	37,500	24,000
Paid in capital in excess of par	7,500	3,000
Retained earnings	<u>32,000</u>	<u>15,000</u>
Total Stockholders' Equity	<u>77,000</u>	<u>42,000</u>
Total Liabilities & Stockholders' Equity	\$ 99,000	\$ 62,000
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INCOME STATEMENT

Year ended December 31, 2007

Net Sales	\$ 140,000
Less Cost of Goods Sold	<u>35,000</u>
Gross Margin	105,000
Operating Expenses:	
Depreciation	\$ 5,000
Other operating expenses	<u>50,000</u>
Operating Income	<u>50,000</u>
Less Interest Expense	<u>4,000</u>
Income Before Taxes	46,000
Less Income Taxes	<u>16,000</u>
Net Income	\$ 30,000
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Other information:

- Cost of new long-lived assets (Capital Expenditures) was \$30,000
- Net cash inflow from operating activities was \$29,000.

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

$$[(\$37,500 + \$24,000) / 2] / \$15.00 = 2,050 \text{ average shares outstanding}$$

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.

\$26,000	Working Capital $34,000 - 8,000 = 26,000$
4.250	Current Ratio $34,000 / 8,000 = 4.2500$
3.684	Inventory turnover $35,000 / [(9,000 + 10,000) / 2] = 3.6842$
20.857 Days	Average collection period 365 / Accounts receivable turnover ratio $365 / (140,000 / [(14,000 - 2,000) + (5,000 - 1,000)] / 2) =$ $365 / 17.500 = 20.8571$ Days
.222	Debt to Total Assets $22,000 / 99,000 = .2222$
12.500	Times interest earned $(30,000 + 4,000 + 16,000) / 4,000 = 12.5000$
-14,000	Free cash flows $29,000 - (30,000 + 13,000) = -14,000$
\$14.63	Earnings per share $(30,000 - 0) / 2,050 = \$14.634$
0.750	Gross Profit Rate $105,000 / 140,000 = .7500$
0.214	Profit Margin $30,000 / 140,000 = .2143$
0.373	Return on Assets $30,000 / [(99,000 + 62,000) / 2] = .3727$
1.739	Asset Turnover $140,000 / [(99,000 + 62,000) / 2] = 1.7391$
0.504	Return on Common Stockholders' Equity $(30,000 - 0) / [(77,000 + 42,000) / 2] = .5042$
\$13,000	Amount of Common Dividends Paid Beg. RE + Net income - Dividends = Ending RE $15,000 + 30,000 - X = 32,000$ $X = 13,000$