Part III Quiz

I. Use the following information to make a December 31, 1999, classified balance sheet for Slow Clean Laundry. Income was $100,000 and dividends of $40,000 were paid to owners of common stock.

Accounts Receivable	$21,000	Common Stock	$145,000
Inventory	9,000	Salaries Payable	2,100
Taxes Payable	11,000	Equipment	190,000
Prepaid Expenses	2,000	Accounts Payable	19,900
Cash in Checking Account	22,000	Land	100,000
Contributed Capital in Excess of Par-CS	35,000	Allowance for Bad Debts	1,000
Accumulated Depreciation	10,000	Bonds Payable	60,000

II. Complete a December 31, 1998, statement of cash flows for Netcon Corporation.

A. Net income for 1998 was $490,000.
B. Dividends of $100,000 were paid.
C. Depreciation expense for 1998 was $100,000

Netcon Corporation
Balance Sheets
December 31,1998

Assets	1998	1997	Change
Cash	$ 1,200,000	$ 1,100,000	$ 100,000
Accounts Receivable (Net)	1,400,000	1,000,000	400,000
Prepaid Expenses	105,000	100,000	5,000
Inventory	1,200,000	800,000	400,000
Land	9,000,000	9,000,000	0
Fixed Assets (Net)	6,270,000	5,700,000	570,000
Total Assets	$19,175,000	$17,700,000	$1,475,000
Liabilities and Equity			
Accounts Payable	$ 1,307,000	$ 890,000	$ 417,000
Salaries Payable	15,000	10,000	5,000
Notes Payable	8,500,000	8,500,000	0
Stockholders' Equity	9,353,000	8,300,000	1,053,000
Total Liabilities	$19,175,000	$17,700,000	$1,475,000

Analysis

Notes provided by
www.businessbookmall.com
are available at Amazon.com
by searching Walter Antoniotti.

III. Use horizontal and vertical analysis to better understand these income statements. Make sales revenue 100% when doing vertical analysis. Round answers to one decimal place.

A. Horizontal Analysis

Quick Company
Income Statements
For Period Ending December 31, 1998

	1998	1997
Sales Revenue	$5,200,000	$4,000,000
Cost of Goods Sold	2,400,000	2,000,000
Gross Profit	$2,800,000	$2,000,000
Operating Expenses	2,310,000	1,650,000
Operating Income Before Taxes	$ 490,000	$350,000

B. Analyze the result.

C. Vertical Analysis

Quick Company
Income Statements
For Period Ending December 31, 1998

	1998	1997
Sales Revenue	$5,200,000	$4,000,000
Cost of Goods Sold	2,400,000	2,000,000
Gross Profit	$2,800,000	$2,000,000
Operating Expenses	2,310,000	1,650,000
Operating Income Before Taxes	$ 490,000	$ 350,000

D. Analyze the result.

IV. This problem continues the trend analysis problem started in Unit 15 on Financial Statement Analysis. Complete the trend analysis and analyze the result. Round answers to nearest percent.

Quick Company
Income Statements
For Period Ending December 31, 2001

	1997	1998	1999	2000	2001
Sales Revenue (Net)	$4,000,000	$5,200,000	$6,500,000	$7,475,000	$8,222,500
Cost of Goods Sold	2,000,000	2,400,000	2,760,000	3,036,000	3,339,600
Gross Profit	$2,000,000	$2,800,000	$3,740,000	$4,439,000	$4,882,900
Operating Expenses	1,650,000	2,310,000	2,541,000	2,668,050	2,134,440
Operating Income Before Taxes	$ 350,000	$ 490,000	$1,199,000	$1,770,950	$2,748,460

Quick Company
Net Income Trend Analysis
For Period Ending December 31, 2001

	1997	1998	1999	2000	2001
Sales Revenue	$4,000,000	$5,200,000	$6,500,000	$7,475,000	$8,222,500
Change		$1,200,000	$1,300,000	$975,000	$747,500
% Change		30%	25%	15%	10%
Cost of Goods Sold	$2,000,000	$2,400,000	$2,760,000	$3,036,000	$3,339,600
Change		$400,000	$360,000	$276,000	$303,600
% Change		20%	15%	10%	10%
Gross Profit	$2,000,000	$2,800,000	$3,740,000	$4,439,000	$4,882,900
Change		$800,000	$940,000	$669,000	$443,900
% Change		40%	34%	18%	10%

Analysis

V. Do a ratio analysis for December 31, 1999. See problem IV on page 37 for 1999 income statement data. Income taxes were $199,000 in 1999. Round answers to one decimal place.

Quick Company
Balance Sheets
December 31,1999

Assets	**1999**	**1998**	**Liabilities**	**1999**	**1998**
Cash	$ 1,300,000	$ 1,200,000	Accounts Payable	$ 1,607,000	$ 1,307,000
Accounts Receivable (Net)	1,900,000	1,400,000	Salaries Payable	55,000	15,000
Prepaid Expenses	110,000	105,000	Total Current Liabilities	$ 1,662,000	$ 1,322,000
Inventory	1,700,000	1,200,000	Notes Payable	8,500,000	8,500,000
Total Current Assets	$ 5,010,000	$ 3,905,000	Total Liabilities	$10,162,000	$ 9,822,000
Land	9,000,000	9,000,000	**Stockholders' Equity**		
Fixed Assets (Net)	5,970,000	6,270,000	Stockholders' Equity	9,818,000	9,353,000
Total Assets	$19,980,000	$19,175,000	**Total Liabilities and Equity**	$19,980,000	$19,175,000

A. **Liquidity Ratios**

1. **Current Ratio** $\frac{\text{Current Assets}}{\text{Current Liabilities}} =$

2. **Quick Ratio** $\frac{\text{Quick Assets}}{\text{Current Liabilities}} =$

B. **Activity Ratios**

1. **Accounts Receivable Turnover** $\frac{\text{Net Receivable Sales}}{\text{Average Net Accounts Receivable}} =$

2. **Average Collection Period** $\frac{\text{Average Net Accounts Receivable}}{\frac{\text{Net Receivable Sales}}{365}} =$

3. **Inventory Turnover** $\frac{\text{Cost of Goods Sold}}{\text{Average Inventory}} =$

4. **Long-Term Asset Turnover** $\frac{\text{Net Sales}}{\text{Average Long-Term Assets}} =$

C. **Profitability Ratios**

1. **Return on Sales** $\frac{\text{Operating Income}}{\text{Net Sales}} =$

2. **Return on Equity** $\frac{\text{Operating Income}}{\text{Average Common Stock Equity}} =$

D. **Leverage Ratio**

1. **Debt-to-Equity Ratio** $\frac{\text{Total Liabilities}}{\text{Stockholders' Equity}} =$