Mini Case GM vs. Toyota

A. Common-sized income statement

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Toyota | | | | | | |
| Common-Sized Income Statement | 2008 | | | | 2009 | | |
| Sales | $262,394 | 100.0% | | $172,749 | | 100.0% | |
| Cost of goods sold | 199,912 | 73.5% | | 129,100 | | 74.7% | |
| Gross profit | 62,482 | 26.5% | | 43,649 | | 25.3% | |
| Selling, general, and administrative expenses | 24,938 | 9.5% | | 25,804 | | 12.3% | |
| Depreciation and amortization | 14,883 | 5.7% | | 15,221 | | 7.3% | |
| Operating profit | 22,661 | 8.6% | | (4,693) | | -2.2% | |
| Interest expense | 460 | 0.2% | | 477 | | 0.2% | |
| Nonoperating income | 4,043 | 1.5% | | 147 | | 0.1% | |
| Taxable Income | 26,244 | 10.0% | | (5,023) | | -2.4% | |
| Income Taxes | 9,098 | 3.5% | | (275) | | -0.3% | |
| Net income | 17,146 | 6.5% | | (4,448) | | -2.1% | |
|  |  |  | |  | |  | |
|  | General Motors | | | | | | |
| Common-Sized Income Statement | 2007 | | | 2008 | | | |
| Sales | $179,984 | | 100.0% | $148,979 | | | 100.0% |
| Cost of goods sold | 160,856 | | 89.4% | 149,311 | | | 100.2% |
| Gross profit | 19,128 | | 10.6% | 149.311 | | | –0.2% |
| Selling, general, and administrative expenses | 14,412 | | 8.0% | 149,311 | | | 9.9% |
| Depreciation and amortization | 9,513 | | 5.3% | 9,931 | | | 6.7% |
| Operating profit | (4,797) | | –2.7% | (25,064) | | | –16.8% |
| Interest expense | 3,307 | | 1.8% | 3,055 | | | 2.1% |
| Nonoperating income | 1,969 | | 1.1% | (975) | | | –0.7% |
| Taxable Income | (6,135) | | –3.4% | (29,094) | | | –19.5% |
| Income Taxes | 37,162 | | 20.6% | 1,766 | | | 10.2% |
| Income before extraordinary items | (43,297) | | –24.1% | (30,860) | | | –20.7% |
| Extraordinary items | 4,565 | | 2.5% | — | | | — |
| Net income | (38,732) | | –21.5% | (30,860) | | | –20.7% |

Toyota

Common-Sized Balance Sheet 2008 2009

Assets:

Cash & Equivalents $23,012 7.1% $30,386 10.3%

Accounts receivables 68,519 21.1% 54,181 19.3%

Inventories 18,222 5.6% 14,857 5.0%

Other current assets 10,880 3.4% 12,601 4.3%

Total current assets 120,633 37.2% 115,025 39.9%

Gross plant, property & equipment 173,633 53.6% 175,027 59.2%

Accumulated depreciation (95,661) –29.5% (99,677) –33.7%

Net plant, property & equipment 77,972 24.1% 75,350 25.5%

Investments - 0.0% - 0.0%

Intangibles - 0.0% - 0.0%

Other assets 125,363 38.7% 105,482 35.7%

Total assets $323,968 100.0% $295,857 100.0%

Liabilities:

Accounts payable $22,086 6.8% $13,229 4.5%

Notes payable 46,124 14.2% 48,627 16.4%

Accrued expenses 16,039 5.0% 15,684 5.3%

Short-term notes - 0.0% 0 0.0%

Income taxes payable 3,050 0.9% 522 0.2%

Other current liabilities 31,882 9.8% 29,739 10.1%

Total Current liabilities 119,181 36.8% 107,801 36.4%

Long term notes 59,706 18.4% 64,150 21.7%

Deferred taxes 10,969 3.4% 6,539 2.2%

Other long-term liabilities 15,642 4.8% 14,942 5.1%

Total Liabilities 205,498 63.4% 193,432 65.4%

Common stock 3,963 1.2% 4,042 1.4%

Paid-in capital 4,966 1.5% 5,102 1.7%

Retained earnings 121,443 37.5% 106,117 35.9%

Less: Treasury stock (11,902) –3.7% (12,836) –4.3%

Common equity 118,470 36.6% 102,425 34.6%

Total liabilities and equity $323,968 100.0% $295,857 100.0%

General Motors

Common-Sized Balance Sheet 2008 2009

Assets:

Cash & Equivalents $26,956 18.1% $14,066 15.4%

Accounts receivables 9,659 6.5% 7,711 8.5%

Inventories 14,939 10.0% 13,042 14.3%

Other current assets 8,849 5.9% 6,505 7.1%

Total current assets 60,403 40.6% 41.324 45.4%

Gross plant, property & equipment 97,319 65.4% 86,919 95.5%

Accumulated depreciation 47,590 32.0% 45,042 49.5%

Net plant, property & equipment 49,729 33.4% 41,877 46.0%

Investments — 0.0% 0 0.0%

Intangibles 0 0.0% 0 0.0%

Other assets 38,751 26.0% 7,846 8.6%

Total assets $148,883 100.0% $91,047 100.0%

Liabilities:

Accounts payable $29,439 19.8% $22,236 24.4%

Notes payable 6,047 4.1% 15,754 17.3%

Accrued expenses 34,024 22.9% 35,921 39.5%

Short-term notes — 0.0% 0 0.0%

Other current liabilities 5,813 3.9% 1,822 2.0%

Total Current liabilities 75,323 50.6% 75,733 83.2%

Long term notes 33,384 22.4% 29,594 32.5%

Post-retirement benefits 47,375 31.8% 28,919 31.8%

Pension 11,381 7.6% 25,178 27.7%

Other long-term liabilities 18,514 12.4% 17,777 19.5%

Total Liabilities 185,977 124.9% 177,201 194.6%

Common stock 943 0.6% 1,017 1.1%

Paid-in capital 15,319 10.3% 15,755 17.3%

Retained earnings (53,356) –35.8% (102,926) –113.0%

Common equity (37,094) –24.9% (86,154) –94.6%

Total liabilities and equity $148,883 100.0% $91,0447 100.0%

1. **Prepare a common-size income statement and common-size balance sheet for each firm for both years.**
2. **How much profit (loss) was each company making per dollar of sales?**
   1. **To what would you attribute any differences?**
3. **What difference do you notice in the common-sized balance sheets that could account for the problems of GM relative to Toyota?**