Tanner Company

Income Statement

For the Year Ended December 31

Sales…………………………………………………………………………………………………………………. $2,700,000

Cost of goods sold…………………………………………………………………………………………….. ? \_

Gross Margin……………………………………………………………………………………………………. ?

Selling and administrative expenses………………………………………………………………… \_\_\_\_\_\_?\_\_

Net operating income………………………………………………………………………………………. ?

Interest expense……………………………………………………………………………………………… \_\_\_\_45,000\_

Net income before taxes…………………………………………………………………………………. ?

Income taxes (40%)…………………………………………………………………………………………. \_\_\_\_\_\_?\_\_\_

Net income……………………………………………………………………………………………………… ===========

Tanner Company

Balance Sheet

December 31

Current Assets:

Cash……………………………………………………………………………………………………… $ ?

Accounts receivable, net……………………………………………………………………… ?

Inventory…………………………………………………………………………………………….. ?\_\_

Total current assets………………………………………………………………………………………….. $ ?\_\_

Current liabilities……………………………………………………………………………………………... $250,000

Bonds payable, 10%............................................................................................ ?\_\_

Total liabilities………………………………………………………………………………………………….. \_\_\_\_?\_\_

Stockholders’ equity:

Common stock, $2.50 par value…………………………………………………………. ?

Retained earnings……………………………………………………………………………… \_\_\_?\_\_\_

Total stockholders’ equity……………………………………………………………………………… \_\_\_?\_\_\_

Total liabilities and stockholders’ equity……………………………………………………….. $ ?

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The following information is available about the company:

1. Selected financial ratios computed from the statements above are given below:

Current Ratio……………………………………………….. 2.40

Acid-test ratio……………………………………………… 1.12

Accounts receivable turnover…………………….. 15.0

Inventory turnover……………………………………… 6.0

Debt-to-equity ratio……………………………………. 0.875

Times interest earned………………………………… 7.0

Earnings per share……………………………………….. $4.05

Return on total assets…………………………………. 14%

1. All sales during the year were on account.
2. The interest expense on the income statement relates to the bonds payable; the amount of bonds outstanding did not change throughout the year.
3. There were no changes in the number of shares of common stock outstanding during the year.
4. Selected balances at the beginning of the current year (January 1) were as follows:

Accounts receivable……………………………………. $160,000

Inventory……………………………………………………. $280,000

Total assets…………………………………………………. $1,200,000