***Common size statements; profitability, efficiency, and market value ratios*** Cotter Company’s balance sheet at December 31, 2005 and income statement for the year ended December 31, 2005 are shown here:

Cotter Company

BalanceSheet

December 31, 2005

**Assets**

Current assets $35,000

Market securities 60,000

Accounts receivable 45,000

Inventories 215,000

Prepaid expenses 45,000

Total current assets 400,000

Property, plant, and equipment, net 1,300,000

**Total assets $1,700,000**

**Liabilities and Stockholder’s Equity**

Liabilities:

Current liabilities $105,000

Long-term debt 420,000

Total liabilities 525,000

Stockholders’ equity

Common stock, $15 par value $150,000

Paid-in capital in excess of par 300,000

Retained earnings 725,000

Total stockholders’ equity 1,175,000

**Total liabilities and stockholder’s equity $1,700,000**

**Cotter Company**

**Income Statement**

**For the Year Ended December 31, 2005**

Sales $2,500,000

Cost of sales 975,000

Gross profit $1,525,000

Selling, general, and administrative expenses 945,000

Operating profit 580,000

Internet expense 38,000

Pretax income 542,000

Income taxes 216,800

Net income 325,200

a. Present the income statement and balance sheet in (monetary and) common size form.

b. Cotter Company’s common stock price per share at the end of 2005 was $125, and dividends per share were $3.45. Compute the following ratios:

* Return on assets
* Return on common equity
* Basic earnings per share
* Dividend yield ratio
* Gross profit margin
* Operating profit margin
* Net profit margin
* Price earnings ratio
* Market to book value