

## Group Project 17-5

### Problem Data

Summary information from the financial statements of two companies competing in the same industry follows:

#### Data from the 2012 year-end balance sheets

	<b>Birdy Co.</b>	<b>Bogey Co.</b>
<b>Assets</b>		
Cash	\$ 91,000	\$ 52,000
Accounts receivable, net	60,200	40,000
Merchandise inventory	50,400	80,500
Plant assets, net	<u>201,170</u>	<u>205,000</u>
Total assets	<u>\$402,770</u>	<u>\$377,500</u>
<b>Liabilities and Equity</b>		
Current liabilities	\$ 50,400	\$ 115,000
Long-term notes payable	64,000	176,000
Common stock, \$2 par value	100,000	50,000
Retained earnings	<u>188,370</u>	<u>36,500</u>
Total liabilities and equity	<u>\$402,770</u>	<u>\$377,500</u>

#### Beginning-of-year balance sheet data:

	<b>Birdy Co.</b>	<b>Bogey Co.</b>
Accounts receivable, net	\$ 54,700	\$38,000
Merchandise inventory	45,500	88,000
Total assets	181,166	355,870
Common stock, \$2 par value	100,000	40,000
Retained earnings	166,500	30,100

#### Data from the 2012 income statement:

	<b>Birdy Co.</b>	<b>Bogey Co.</b>
Sales	\$540,030	\$468,000
Cost of goods sold	393,190	303,300
Selling & Administrative expense	6,400	20,400
Income tax expense	54,031	114,100
Net income	86,409	30,200
Basic earnings per share	1.73	1.21

## Requirements

1. Prepare common-size 2012 balance sheets for each company.
2. Prepare common-size 2012 income statements for each company.
3. For both companies compute the (a) current ratio, (b) acid-test ratio, (c) accounts receivable turnover, (d) inventory turnover, (e) days' sales in inventory, (f) days' sales uncollected, (g) profit margin, (h) return on total assets, and (i) return on common stockholders' equity.
4. Assuming that each company paid cash dividends of \$.75 per share and each company's stock can be purchased at \$32 per share, compute their (a) price-earnings ratios and (b) dividend yields.
5. Prepare a statement containing the following items:
  - a. Identify the company your group considers to have the better short-term financial position. Back up your decision with appropriate analysis and numbers.
  - b. Assuming that you had funds to invest in only one of these companies, identify the company your group would invest in. Back up your decision with appropriate analysis and numbers.

Your analysis statement should be prepared on a word processor. The document should contain precise, clear statements indicating your group's viewpoints and supporting computations. Complete sentences composed of correct grammar and spelling should be applied in your document. The length of the statement should be adequate to cover your decisions and provide supporting data.

Place all work for this project in the order listed above and submit the project in a three-prong folder. Place a cover sheet at the front of the project as instructed in the project specifications.