Bus Finance

Practice Test - 2

Please show work or calculations if you use a business calculator.

Use the following financial sheets and information for all questions.

The balance sheet and income statement shown below are for Apple Jax Inc. Note that the firm has no amortization charges, it does not lease any assets, none of its debt must be retired during the next 5 years, and the notes payable will be rolled over.

|  |  |  |
| --- | --- | --- |
| Tax rate |  | 40% |
| Stock price | | $17.00 |
| Shares outstanding | | 3,800,000 |
| Dividends are 50% of net income | |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Income Statement** | | | |  |
| Period Ending | | | | **31-Dec-13** |
| **Total Revenue** | | | | **148,239,000** |
| COGS | |  | | 118,094,000 |
| Selling General and Administrative | | | | 13,384,000 |
| Depreciation | | | | 72,000 |
| Earnings Before Interest And Taxes | | | | **16,689,000** |
| Interest Expense | | | | 829,000 |
| Income Before Tax | | | | 15,860,000 |
| Income Tax Expense (40%) | | | | 6,344,000 |
|  | |  | |  |
| **Net Income** | | | | **9,516,000** |
| **Balance Sheet** | | | | |
| Date |  | | **31-Dec-13** | |
| **Assets** | | | | |
| Current Assets | | | | |
|  | Cash | | 14,468,000 | |
|  | Net Receivables | | 98,359,000 | |
|  | Inventory | | 18,758,000 | |
| **Total Current Assets** | | | **131,585,000** | |
|  |  | |  | |
| Property Plant and Equipment | | | 70,441,000 | |
|  | | | | |
| **Total Assets** | | | **202,026,000** | |
|  | | | | |
| **Liabilities** | | | | |
| Current Liabilities | | | | |
|  | Accounts Payable | | 22,446,500 | |
|  | Accruals | | 14,315,500 | |
|  | Notes Payable | | 3,631,000 | |
| **Total Current Liabilities** | | | **40,393,000** | |
|  |  | |  | |
| Long Term Debt | | | 134,919,000 | |
|  | | | | |
| **Total Liabilities** | | | **175,312,000** | |
|  | | | | |
| **Stockholders' Equity** | | | | |
| Common Stock | | | 40,000 | |
| Retained Earnings | | | 26,674,000 | |
|  |  | |  | |
| **Total Stockholder Equity** | | | **26,714,000** | |
|  |  | |  | |
| **Total Assets** | | | **202,026,000** | |
|  | | | | | | |

Question/Problem 1) (Worth 30 points)

1. What is the firm's current ratio?
2. What is the firm's days-sales-outstanding (DSO)? Assume a 360-day year for this calculation.
3. What is the firm's total assets turnover?
4. What is the firm's inventory turnover ratio?
5. What is the firm's TIE?
6. What is the firm's ROA?
7. What is the firm's basic earning power?
8. What is the firm's ROE?
9. What is the firm's P/E ratio?
10. What is the firm's market-to-book ratio?

Question/Problem 2) (Worth 50 points)

Calculate the additional or external funds needed if the firm is expecting a growth rate of 10% next year. The firm is currently operating at 95% of capacity and the fixed assets can only by $10,000,000 increments.

Question/Problem 3) (Worth 20 points)

Calculate the common size balance sheet and the common size income statement for the company.