

Using ratios to  
determine account  
balances  
(LO2)

32. We are given the following information for the Coleman Machine Tools Corporation.

Sales (credit) .....	\$7,200,000
Cash .....	300,000
Inventory .....	2,150,000
Current liabilities .....	1,400,000
Asset turnover .....	1.20 times
Current ratio .....	2.50 times
Debt-to-assets ratio .....	40%
Receivables turnover .....	8 times

Current assets are composed of cash, marketable securities, accounts receivable, and inventory. Calculate the following balance sheet items.

- Accounts receivable.
- Marketable securities.
- Fixed assets.
- Long-term debt.

Using ratios to  
construct financial  
statements  
(LO2)

33. The following data are from Sharon Stone and Gravel, Inc., financial statements. The firm manufactures home decorative material. Sales (all credit) were \$60 million for 2008.

Sales to total assets .....	3.0 times
Total debt to total assets .....	40%
Current ratio .....	2.0 times
Inventory turnover .....	10.0 times
Average collection period .....	18.0 days
Fixed asset turnover .....	7.5 times

Fill in the balance sheet:

Cash .....	_____	Current debt .....	_____
Accounts receivable .....	_____	Long-term debt .....	_____
Inventory .....	_____	Total debt .....	_____
Total current assets .....	_____	Equity .....	_____
Fixed assets .....	_____	Total debt and	
Total assets .....	_____	stockholders' equity .....	_____

Computing  
all the ratios  
(LO2)

34. Using the financial statements for the Goodyear Calendar Company, calculate the 13 basic ratios found in the chapter.

**GOODYEAR CALENDAR COMPANY**

**Balance Sheet**

**December 31, 2008**

**Assets**

Current assets:	
Cash .....	\$ 40,000
Marketable securities .....	30,000
Accounts receivable (net) .....	120,000
Inventory .....	180,000
Total current assets .....	\$ 370,000
Investments .....	40,000
Plant and equipment .....	450,000
Less: Accumulated depreciation .....	(100,000)
Net plant and equipment .....	350,000
Total assets .....	<u>\$ 760,000</u>

**GOODYEAR CALENDAR COMPANY**

**Liabilities and Stockholders' Equity**

Current liabilities:	
Accounts payable .....	\$ 90,000
Notes payable .....	10,000
Accrued taxes .....	10,000
Total current liabilities .....	110,000
Long-term liabilities:	
Bonds payable .....	170,000
Total liabilities .....	280,000
Stockholders' equity	
Preferred stock, \$100 par value .....	90,000
Common stock, \$1 par value .....	60,000
Capital paid in excess of par .....	230,000
Retained earnings .....	100,000
Total stockholders' equity .....	480,000
Total liabilities and stockholders' equity .....	<u>\$ 760,000</u>

**GOODYEAR CALENDAR COMPANY**

**Income Statement**

**For the Year Ending December 31, 2008**

Sales (on credit) .....	\$2,000,000
Less: Cost of goods sold .....	1,300,000
Gross profit .....	700,000
Less: Selling and administrative expenses .....	400,000*
Operating profit (EBIT) .....	300,000
Less: Interest expense .....	20,000
Earnings before taxes (EBT) .....	280,000
Less: Taxes .....	112,000
Earnings after taxes (EAT) .....	<u>\$ 168,000</u>

\*Includes \$10,000 in lease payments.