**11.8**

**Effects of transactions on liquidity measures**

Selected balance sheet accounts for Tibbetts Company on September 30, 2008, are as follows:

Cash…………………………………………………………………………………………. $ 32,000

Marketable securities………………………………………………………………. 58,000

Accounts receivable, net………………………………………………………….. 86,000

Inventory…………………………………………………………………………………. 90,000

Prepaid expenses…………………………………………………………………….. 14,000

 **Total current assets $ 280,000**

Accounts payable…………………………………………………………………….. $ 98,000

Other accrued liabilities…………………………………………………………… 22,000

Short-term debt……………………………………………………………………….. 40,000

 **Total current liabilities $ 160,000**

1. Calculate the working capital, current ratio, and acid-test ratio for Tibbetts Company as of September 30, 2008.
2. Summarized here are the transactions/events that took place during the fiscal year ended September 30, 2009. Indicate the effect of each item on Tibbetts Company’s working capital, current ratio, and acid-test ratio. Use + for increase, - for decrease, and (NE) for no effect.

 **Working Current Acid-test**

 **Capital ratio ratio**

1. **Credit sales for the year amounted to $240,000**

**The cost of goods sold was $156,000**

1. **Collected accounts receivable, $252,000**
2. **Purchased inventory on account, $168,000**
3. **Issued 250 shares of common stock for $36 per share**
4. **Wrote off $7,000 of uncollectible accounts using**

**The allowance for bad debts.**

1. **Declared and paid a cash dividend, $20,000**
2. **Sold marketable securities costing $26,000 for**

**$31,000 in cash**

1. **Recorded insurance expenses for the year, $12,000**

**The premium for the policy was paid in June 2008**

1. **Borrowed cash on a short-term bank loan, $10,000**
2. **Repaid principal of $40,000 and interest of $3,000**

**On a long-term bank loan.**

**11.10**

**Ratio analysis comprehensive problem, 2006 data**

This problem is based on the 2006 annual report of Intel Corporation.

1. Compute the following profitability measures for the year ended December 30, 2006:
2. Return on investment, based on net income (perform a DuPont analysis).
3. Return on equity, based on net income.
4. Price/earnings ratio. Use $20.25 as the year-end market price.
5. Divided yield.
6. Divided payout ratio.
7. Compute the following liquidity measures at December 30, 2006:
8. Working capital.
9. Current ratio.
10. Acid-test ratio.
11. Compute the following activity measures for the year ended December 30, 2006:
12. Number of days’ sales in accounts receivable, based on a 365-day year.
13. Number of days’ sales in inventory, based on a 365-day year.
14. Accounts receivable turnover.
15. Inventory turnover.
16. Turnover of net property, plant, and equipment.
17. Compute the following financial leverage measures at December 30, 2006:
18. Debt ratio.
19. Debt/equity ratio
20. Times interest earned.
21. Compute the following physical measures of Intel’s profitability at December 30, 2006:
22. Net revenues per employee.
23. Operating income per employee. (employees at year end in millions 94.1)