1. Prepare horizontal and vertical analyses.

The comparative balance sheets of Philip Morris Companies, Inc. are presented here.

PHILIP MORRIS COMPANIES, INC.

Comparative Balance Sheets

December 31

($ in millions)

**Assets 2004 2003**

 Current assets $25,901 $21,382

 Property, plant, and equipment (net) 16,305 16,067

 Other assets 59,442 58,726

 Total assets $101,648 $96,175

 **Liabilities and Stockholders’ Equity**

 Current liabilities $23,574 $21,393

 Long-term liabilities 47,360 49,705

 Stockholders’ equity 30,714 25,077

 Total liabilities and stockholders equity $101,648 $96,175

**Instructions:**

Prepare horizontal analysis of the balance sheet data for Philip Morris using 2003 as a base. (Show the amount on increase or decrease as well.) Prepare a vertical analysis of the balance sheet data for Philip Morris for 2004.

1. Prepare horizontal and vertical analyses.

Here are the comparative income statements of Erik Corporation.

ERIK CORPORATION

Comparative Income Statement

For the Years Ended December 31

 **2007 2006**

Net sales $572,000 $520,000

Cost of goods sold 477,000 450,000

Gross profit $95,000 $70,000

Operating expenses 60,000 45,000

Net income $35,000 $25,000

**Instructions:**

Prepare a horizontal analysis of the income statement data for Erik Corporation using 2006 as a base. (Sow the amounts of increase or decrease). Prepare a vertical analysis of the income statement for Erik Corporation for both years.

1. Compute liquidity ratios.

Nordstrom, Inc. operates department stores in numerous states. Selected financial statement data (in millions) for 2005 are presented on page 668.

 End of Year Beginning of Year

Cash and cash equivalents $360.3 $340.3

Receivables (net) 645.7 666.8

Merchandise inventory 917.2 901.6

Other current assets 649.2 616.1

Total current assets $2,572.4 $2,524.8

Total current liabilities $1,341.2 $1,122.6

For the year, net credit sales were $7,131.4 million, cost of goods sold was $4,559.4 million, and cash from operations was $660.3 million.

**Instructions:**

Compute the current ratio, current cash debt coverage ratio, receivables turnover ratio, average collection period, inventory turnover ratio, and days in inventory at the end of the current year.