

3. Given the following balance sheet, fill in the ratio values for 2010 and discuss how these results compare with both the industry average and prior average performance of Sophie Enterprises.

**SOPHIE ENTERPRISES CONSOLIDATED BALANCE SHEET, YEARS ENDED DECEMBER 31, 2009 AND 2010**

ASSETS (\$ THOUSANDS)	2010	2009
Cash	\$ 100	\$ 90
Receivables	220	170
Inventories	330	230
Total current assets	650	490
Property, plant, and equipment	1,850	1,650
Depreciation	330	225
Net properties	1,500	1,425
Intangibles	150	150
Total assets	2,300	2,065

**LIABILITIES AND SHAREHOLDERS' EQUITY**

	2010	2009
Accounts payable	\$ 85	\$ 105
Short-term bank notes	125	110
Current portion of long-term debt	75	—
Accruals	65	85
Total current liabilities	350	300
Long-term debt	625	540
Deferred taxes	100	80
Preferred stock (10%, \$100 par)	150	150
Common stock (\$2 par, 100,000 issued)	200	200
Additional paid-in capital	325	325
Retained earnings	550	470
Common shareholders' equity	10,75	995
Total liabilities and shareholders' equity	2,300	2,065

**SOPHIE ENTERPRISES CONSOLIDATED STATEMENT OF INCOME, YEARS ENDED DECEMBER 31, 2009 AND 2010 (\$ THOUSANDS)**

	2010	2009
Net sales	\$3,500	\$2,990
Cost of goods sold	2,135	1,823
Selling, general, and administrative expenses	1,107	974
Operating profit	258	193
Net interest expense	62	54
Income from operations	195	139
Income taxes	66	47
Net income	129	91
Preferred dividends	15	15
Net income available for common shares	114	76
Dividends declared	40	30

	Sophie (2010)	Sophie's Average	Industry Average
Current ratio	—	2.000	2.200
Quick ratio	—	1.000	1.100
Receivables turnover	—	18.000	18.000
Average collection period	—	20.000	20.000
Total asset turnover	—	1.500	1.400
Inventory turnover	—	11.000	12.500
Fixed-asset turnover	—	2.500	2.400
Equity turnover	—	3.200	3.000
Gross profit margin	—	0.400	0.350
Operating profit margin	—	8.000	7.500
Return on capital	—	0.107	0.120
Return on equity	—	0.118	0.126
Return on common equity	—	0.128	0.135
Debt-equity ratio	—	0.600	0.500
Debt-total capital ratio	—	0.400	0.370
Interest coverage	—	4.000	4.500
Fixed charge coverage	—	3.000	4.000
Cash flow-long-term debt	—	0.400	0.450
Cash flow-total debt	—	0.250	0.300
Retention rate	—	0.350	0.400