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|  | Comparative statement data for Douglas Company and Maulder Company, two competitors, appear below. All balance sheet data are as of December 31, 2009, and December 31, 2008.

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| http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif |

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|   | **Douglas Company** | **Maulder Company** |
| --- | --- | --- |
|   | **2009** | **2008** | **2009** | **2008** |
| Net sales | $1,549,035 |   | $339,038 |   |
| Cost of goods sold | 1,080,490 |   | 241,000 |   |
| Operating expenses | 302,275 |   | 79,000 |   |
| Interest expense | 8,980 |   | 2,252 |   |
| Income tax expense | 54,500 |   | 6,650 |   |
| Current assets | 325,975 | $312,410 | 83,336 | $ 79,467 |
| Plant assets (net) | 521,310 | 500,000 | 139,728 | 125,812 |
| Current liabilities | 65,325 | 75,815 | 35,348 | 30,281 |
| Long-term liabilities | 108,500 | 90,000 | 29,620 | 25,000 |
| Common stock, $10 par | 500,000 | 500,000 | 120,000 | 120,000 |
| Retained earnings | 173,460 | 146,595 | 38,096 | 29,998 |

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| http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif |

 | http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif |

**Hint:** *Prepare vertical analysis and comment on profitability.* |
| http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif | http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif |

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| **Instructions**

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| http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif |

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| **(a)** | Prepare a vertical analysis of the 2009 income statement data for Douglas Company and Maulder Company in columnar form. |
| http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif |
| **(b)** |    Comment on the relative profitability of the companies by computing the return on assets and the return on common stockholders' equity ratios for both companies. |
| http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif |

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