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| The comparative statements of Villa Tool Company are presented below.

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| **VILLA TOOL COMPANY** |
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| **Income Statement** |
| **For the Year Ended December 31** |
|   | **2009** | **2008** |
| Net sales | $1,818,500 | $1,750,500 |
| Cost of goods sold | 1,011,500 | 996,000 |
| Gross profit | 807,000 | 754,500 |
| Selling and administrative expense | 516,000 | 479,000 |
| Income from operations | 291,000 | 275,500 |
| Other expenses and losses Interest expense | 18,000 | 14,000 |
| Income before income taxes | 273,000 | 261,500 |
| Income tax expense | 81,000 | 77,000 |
| Net income | $  192,000 | $  184,500 |

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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 |

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| **VILLA TOOL COMPANY** |
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| **Balance Sheets** |
| **December 31** |
| **Assets** | **2009** | **2008** |
| Current assets |   |   |
| Cash | $ 60,100 | $ 64,200 |
| Short-term investments | 69,000 | 50,000 |
| Accounts receivable (net) | 117,800 | 102,800 |
| Inventory | 123,000 | 115,500 |
| Total current assets | 369,900 | 332,500 |
| Plant assets (net) | 600,300 | 520,300 |
| Total assets | $970,200 | $852,800 |
| **Liabilities and Stockholders' Equity** |   |   |
| Current liabilities |   |   |
| Accounts payable | $160,000 | $145,400 |
| Income taxes payable | 43,500 | 42,000 |
| Total current liabilities | 203,500 | 187,400 |
| Bonds payable | 200,000 | 200,000 |
| Total liabilities | 403,500 | 387,400 |
| Stockholders' equity |   |   |
| Common stock ($5 par) | 280,000 | 300,000 |
| Retained earnings | 286,700 | 165,400 |
| Total stockholders' equity | 566,700 | 465,400 |
| Total liabilities and stockholders' equity | $970,200 | $852,800 |

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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 |

All sales were on account. The allowance for doubtful accounts was $3,200 on December 31, 2009, and $3,000 on December 31, 2008.**Hint:** *Compute ratios from balance sheet and income statement.* |
| 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**Compute the following ratios for 2009. (Weighted average common shares in 2009 were 57,000.)

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

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| **(a)** | Earnings per share. |
| http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif |
| **(b)** | Return on common stockholders' equity. |
| http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif |
| **(c)** | Return on assets. |
| http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif |
| **(d)** | Current. |
| http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif |
| **(e)** | Acid-test. |
| http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif |
| **(f)** | Receivables turnover. |
| http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif |
| **(g)** | Inventory turnover. |
| http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif |
| **(h)** | Times interest earned. |
| http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif |
| **(i)** | Asset turnover. |
| http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif |
| **(j)** | Debt to total assets. |

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