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| The comparative statements of Villa Tool Company are presented below.   |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif | |  | | --- | | http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif | | |  | | --- | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | | **VILLA TOOL COMPANY** | | | | --- | --- | --- | | **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 | | | |  | | | http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif | | http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | 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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| | 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 | | | |  | | | 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.)   |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif | |  |  | | --- | --- | | **(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. | | |