|  |
| --- |
| **Question 3**  |
| http://edugen.wiley.com/edugen/art2/common/pixel.gif |

The income statement for Christensen, Inc., appears below.

|  |  |
| --- | --- |
|   | **CHRISTENSEN, INC.** |
|   | **Income Statement** |
|   | **For the Year Ended December 31, 2008** |
|   | Sales | $425,000 |
|   | Cost of goods sold | 243,000 |
|   | Gross profit | 182,000 |
|   | Expenses (including $18,000 interest and $14,600 income taxes) | 107,300 |
|   | Net income | $74,700 |

Additional information:

1. The weighted average common shares outstanding in 2008 were 32,000 shares.
2. The market price of Christensen, Inc. stock was $19 in 2008.
3. Cash dividends of $29,000 were paid, $8,000 of which were to preferred stockholders.

Compute the following ratios for 2008.

**(a)** Earnings per share. ***(Round answer to 2 decimal places, e.g. 10.50.)***
**(b)** Price-earnings. ***(Round answer to 1 decimal place, e.g. 10.5.)***
**(c)** Payout. ***(Round answer to 0 decimal places, e.g. 125.)*
(d)** Times interest earned. ***(Round answer to 1 decimal place, e.g. 10.5.)***

|  |  |  |
| --- | --- | --- |
| **(a)** | Earnings per share | $ |
| **(b)** | Price-earnings | times |
| **(c)** | Payout | % |
| **(d)** | Times interest earned | times |