***Analytical Case – Complete an Income Statement and Balance Sheet Using Financial Ratio Data***. Use basic ratio calculations to determine the proper metrics within a balance sheet.

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Whittaker, Inc.** |  |  |  |  |  |  |  |  |  |
| **Income Statement** |  |  |  |  |  |  |  |  |  |
| **For the Year Ended December 31, 2011** |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
| Sales |  | $? |  |  |  |  |  |  |  |
| Cost of goods sold |  | $? |  |  |  |  |  |  |  |
| Gross profit |  | $? |  |  |  |  |  |  |  |
| Operating expenses |  | $? |  |  |  |  |  |  |  |
| Income from operations |  | $? |  |  |  |  |  |  |  |
| Interest expense |  | $? |  |  |  |  |  |  |  |
| Income before taxes |  | $? |  |  |  |  |  |  |  |
| Income taxes (20%0 |  | $? |  |  |  |  |  |  |  |
| Net income |  | $? |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  **Whittaker, Inc.** |  |  |  |  |  |  |  |  |  |
| **Balance Sheet** |  |  |  |  |  |  |  |  |  |
| **For the Year Ended December 31, 2011** |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
| Current assets: |  |  |  |  |  |  |  |  |  |
|  Cash |  | $? |  |  |  |  |  |  |  |
|  Accounts receivable, net |  | $? |  |  |  |  |  |  |  |
|  Inventory |  | $? |  |  |  |  |  |  |  |
|  Total current assets |  | $171,000  |  |  |  |  |  |  |  |
| Property, plant, and equipment, net |  | $? |  |  |  |  |  |  |  |
|  Total assets |  | $? |  |  |  |  |  |  |  |
| **Current liabilities** |  | $? |  |  |  |  |  |  |  |
| Bonds payable, 15% |  | $70,000  |  |  |  |  |  |  |  |
|  Total Liabilities |  | $? |  |  |  |  |  |  |  |
| **Owner's equity:** |  |  |  |  |  |  |  |  |  |
|  Common stock, $2 par value |  | $10,000  |  |  |  |  |  |  |  |
|  Additional paid-in capital |  | $15,000  |  |  |  |  |  |  |  |
|  Retained earnings |  | $? |  |  |  |  |  |  |  |
|  Total owner's equity |  | $? |  |  |  |  |  |  |  |
|  Total liabilities and owner's equity |  | $? |  |  |  |  |  |  |  |
| Additional information: |  |  |  |  |  |  |  |  |  |
|  *Financial ratio computed from these financial statements include the following:* |  |  |  |  |  |  |
|  Current ratio |  | 1.9 to 1 |  |  |  |  |  |  |  |
|  Acid-test ratio |  | 1.3 to 1 |  |  |  |  |  |  |  |
|  Debt/equity ratio |  | 2.0 to 1 |  |  |  |  |  |  |  |
|  Inventory turnover |  | 4.0 times |  |  |  |  |  |  |  |
|  Accounts receivable turnover |  | 6.8 times |  |  |  |  |  |  |  |
|  Times interest earned |  | 4.45 times |  |  |  |  |  |  |  |
|  Gross profit ratio |  | 40% |  |  |  |  |  |  |  |
|  Return on investment |  | 12% |  |  |  |  |  |  |  |
|  Earnings per share |  | $5.52 |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
| *1. All sales during the year were made on account, Cash collections during the year exceeded sales by $14,000, and no uncollectable accounts were written off.* |
| *2. The balance of the accounts receivable account was $57,000 on January 1, 2011* |  |  |  |  |  |  |
| *3. No common stock was issued during the year.* |  |  |  |  |  |  |  |  |
| *4. Dividends declared and paid during the year were $7,600* |  |  |  |  |  |  |  |  |
| *5. The balance of the inventory account was $48,000 on January 1, 2011* |  |  |  |  |  |  |  |
| *6. Interest expense on the income statement relates to the 15% bonds payable; $10,000 of these bonds were issued on May 1, 2011; the remaining amount of*  |
|  *bonds payable were outstanding throughout the year. All bonds were issued at face amount.* |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
| **REQUIRED:** |  |  |  |  |  |  |  |  |  |
| ***a. Complete the income statement and balance sheet for Whittaker, Inc. Show how each amount was determined.*** |  |  |
| ***b. After completing part a, use your answers to recompute each of the financial ratios provided as additional information.*** |  |  |