Using Jackson’s Financial Statement, analyze the firm’s financial position.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
| Jackson Products Company's Balance Sheet |
| 31-Dec-08  |
| Cash | $240,000  |  | Accounts payable | $380,000  |
| Accounts receivable | 380,000 |  | Notes payable (9%) | 450,000 |
| Inventory | 1,040,000 |  | Other current liabilities | 50,000 |
| Total current assets | $1,660,000  |  | Total current liabilities | $880,000  |
| Net plant and equipment | 900,000 |  | Long-term debt (10%) | 930,000 |
| Total assets | $2,560,000  |  | Stockholders' equity | 750,000 |
|  |  |  | Total liabilities and |  |
|  |  |  | Stockholders' equity | $2,560,000  |
|  |  |  |  |  |
|   |   |   |   |   |
|  |  |  |  |  |
|  |  |  |  |  |
| Income Statement for the Year Ended December 31, 2008 |  |  |
| Net sales (all on credit) |  | $3,400,000  |  |  |
| Cost of sales |  | 1,825,000 |  |  |
| Gross profit |  | $1,575,000  |  |  |
| Selling, general, and administrative expenses | 1,200,000 |  |  |
| Earnings before interest and taxes | $375,000  |  |  |
| Interest: |  |  |  |  |
|  Notes | $37,800  |  |  |  |
|  Long-term debt | 80,000 |  |  |  |
|  Total interest charges |  | 117,800 |  |  |
| Earnings before taxes |  | $257,200  |  |  |
| Federal income tax (40%) | 102,880 |  |  |
| Earnings after taxes |  | $154,320  |  |  |
|  |  |  |  |  |

|  |
| --- |
| Company Ratios Ind Averages  |
|  Current ratio | 2.5:1 |
| Quick ratio | 1.1:1 |
| Average collection period (365-day year) | 35 days |
| Inventory turnover ratio | 2.4 times |
| Total asset turnover ratio | 1.4 times |
| Times interest earned ratio | 3.5 times |
| Net profit margin ratio | 4.0% |
| Return on investment ratio | 5.6% |
| Total assets/stockholders' equity (equity multiplier) ratio | 3.0 times |
| Return on stockholders' equity ratio | 16.8% |
| P/E ratio | 9.0 times |
|  |  |
|   |   |
|  |  |