**Lydex Company**

Comparative Balance Sheet

**Assets** This Year Last Year

Current assets:

Cash. . . . . . . . . . . . . . . . . . . . . . . . . . . . . . $ 960,000 1,260,000

Marketable securities . . . . . . . . . . . . . . . . . 0 300,000

Accounts receivable, net . . . . . . . . . . . . . . 2,700,000 1,800,000

Inventory. . . . . . . . . . . . . . . . . . . . . . . . . . . 3,900,000 2,400,000

Prepaid expenses. . . . . . . . . . . . . . . . . . . . 240,000 180,000

Total current assets . . . . . . . . . . . . . . . . . . . . 7,800,000 5,940,000

Plant and equipment, net. . . . . . . . . . . . . . . . 9,300,000 8,940,000

Total assets . . . . . . . . . . . . . . . . . . . . . . . . . . $17,100,000 $14,880,000

**Liabilities and Stockholders’ Equity**

Liabilities:

Current liabilities. . . . . . . . . . . . . . . . . . . . . $ 3,900,000 $ 2,760,000

Note payable, 10% . . . . . . . . . . . . . . . . . . 3,600,000 3,000,000

Total liabilities. . . . . . . . . . . . . . . . . . . . . . . . . 7,500,000 5,760,000

Stockholders’ equity:

Preferred stock, 8%, $30 par value . . . . . . 1,800,000 1,800,000

Common stock, $80 par value . . . . . . . . . . 6,000,000 6,000,000

Retained earnings . . . . . . . . . . . . . . . . . . . 1,800,000 1,320,000

Total stockholders’ equity . . . . . . . . . . . . . . . . 9,600,000 9,120,000

Total liabilities and stockholders’ equity . . . . . $17,100,000 $14,880,000

Lydex Company

Comparative Income Statement and Reconciliation

 This Year Last Year

Sales (all on account) . . . . . . . . . . . . . . . . . . $15,750,000 $12,480,000

Cost of goods sold . . . . . . . . . . . . . . . . . . . . . 12,600,000 9,900,000

Gross margin . . . . . . . . . . . . . . . . . . . . . . . . . 3,150,000 2,580,000

Selling and administrative expenses . . . . . . . 1,590,000 1,560,000

Net operating income. . . . . . . . . . . . . . . . . . . 1,560,000 1,020,000

Interest expense . . . . . . . . . . . . . . . . . . . . . . 360,000 300,000

Net income before taxes . . . . . . . . . . . . . . . . 1,200,000 720,000

Income taxes (30%). . . . . . . . . . . . . . . . . . . . 360,000 216,000

Net income. . . . . . . . . . . . . . . . . . . . . . . . . . . 840,000 504,000

Dividends paid:

Preferred dividends . . . . . . . . . . . . . . . . . . 144,000 144,000

Common dividends . . . . . . . . . . . . . . . . . . 216,000 108,000

Total dividends paid . . . . . . . . . . . . . . . . . . . . 360,000 252,000

Net income retained. . . . . . . . . . . . . . . . . . . . 480,000 252,000

Retained earnings, beginning of year . . . . . . 1,320,000 1,068,000

Retained earnings, end of year . . . . . . . . . . . $ 1,800,000 1,320,000