Chapter 18: 18-2, 18-4, 18-10, 18-18

**18 -2**

Table 18.11 gives abbreviated balance sheets and income statements for Estee Lauder companies. Calculate the following ratios:

1. Return on assets
2. Operation profit martin
3. Sales-to-assets ratio
4. Inventory turnover
5. Debt-equity ratio
6. Current ratio
7. Quick ratio

|  |  |  |  |
| --- | --- | --- | --- |
|  | End of Year |  | Start of Year |
| Balance Sheet |  |
| **Assets** |  |  |  |  |  |
| Current assets: |  |  |  |  |  |
| Cash and Marketable securities |  | 402 |  |  | 254 |
| Accounts receivable |  | 1039 |  |  | 861 |
| Inventories |  | 987 |  |  | 856 |
| Other currency assets |  | 360 |  |  | 269 |
|  Total current assets |  | 2788 |  |  | 2240 |
|  |  |  |  |  |  |
| Fixed assets: |  |  |  |  |  |
| tangible fixed assets |  |  |  |  |  |
| Property, plant, and equipment |  | 2394 |  |  | 2113 |
| less accumulated depreciation |  | 1351 |  |  | 1232 |
| net tangible fixed assets |  | 1043 |  |  | 881 |
|  |  |  |  |  |  |
| long term investments |  | 24 |  |  | 22 |
| other long term assess |  | 1157 |  |  | 984 |
| total assets |  | 5012 |  |  | 4127 |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| **Liabilities and shareholders' Equity** |  |  |  |  |  |
| Current Liabilities: |  |  |  |  |  |
| Debt due for repayment |  | 119 |  |  | 60 |
| Accounts payable |  | 1581 |  |  | 1440 |
| Total current liabilities |  | 1700 |  |  | 1500 |
|  |  |  |  |  |  |
| long-term debt |  | 1078 |  |  | 1028 |
| other long-term liabilities |  | 581 |  |  | 398 |
|  |  |  |  |  |  |
| Total liabilities |  | 3359 |  |  | 2926 |
|  |  |  |  |  |  |
| Total shareholders' equity |  | 1659 |  |  | 1426 |
| total liabilities and shareholders' equity |  | 5012 |  |  | 4127 |
|  |  |  |  |  |  |
| **Income Statement** |  |
| Net sales | 7911 |  |  |  |  |
| Cost of goods sold | 1997 |  |  |  |  |
| Selling, general, and administrative expenses | 4852 |  |  |  |  |
| Depreciation | 251 |  |  |  |  |
| Earnings before interest and taxes (EBIT) | 811 |  |  |  |  |
| Interest expense | 67 |  |  |  |  |
| taxable income | 744 |  |  |  |  |
| tax | 260 |  |  |  |  |
| Minority Interest | 10 |  |  |  |  |
| Net Income |  |  |  |  |  |
|  |  |  |  |  |  |
| Dividends | 107 |  |  |  |  |
| Addition to retained earnings | 367 |  |  |  |  |