|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| E18-7 | |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| **Bennis Company has the following comparative balance sheet data:** | | | | | | | | | |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| **Bennis Company** | | | | | | | | | | |  |
| Balance Sheet (Partial) | | | | | | | | | | |  |
| December 31, 2010 | | | | | | | | | | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  | **2011** |  | **2012** |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Cash | |  |  |  |  |  | $15,000 |  | $30,000 |  |  |
| Receivables (net) | | | | |  |  | 70,000 |  | 60,000 |  |  |
| Inventories | | |  |  |  |  | 60,000 |  | 50,000 |  |  |
| Plant Assets (net) | | | | |  |  | 200,000 |  | 180,000 |  |  |
|  |  |  |  |  |  |  | $345,000 |  | $320,000 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Accounts Payable | | | | |  |  | $50,000 |  | $60,000 |  |  |
| Mortgage Payable | | | | |  |  | 100,000 |  | 100,000 |  |  |
| Common Stock, $10 par value | | | | | |  | 140,000 |  | 120,000 |  |  |
| Retained Earnings | | | | |  |  | 55,000 |  | 40,000 |  |  |
|  |  |  |  |  |  |  | $345,000 |  | $320,000 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Additional information for 2011: | | | | | | |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| 1). | Net income was $25,000. | | | | |  |  |  |  |  |  |
| 2). | Sales on account were $410,000. Sales returns and allowances were $20,000. | | | | | | | | | | |
| 3). | Cost of goods sold was $198,000. | | | | | |  |  |  |  |  |
| 4). | The allowance for doubtful accounts was $2,500 on December 31, 2011, and $2,000 | | | | | | | | | | |
|  | on December 31, 2010. | | | | |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| **Instructions:** | | |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Compute the following ratios at December 31, 2011. (a) Current, (b) Acid-test, | | | | | | | | | | | |
| (c) Receivables turnover, (d) Inventory turnover. | | | | | | | |  |  |  |  |