

Chapter 4

Analysis of Financial Statements

4-1 AR = \$800,000.

4-3 S/TA = TATO = 5.
TA/E = EM = 1.5.

4-5 P/E = \$24.00/\$2.00 = 12.0×

4-7 \$112,500 = NI.

4-9 Market value per share = \$142.50.

4-11 TIE = 2.25.

4-13 ROE = 23.1%.

4-15 ROE = 12%, 19.2% Difference in ROE = 7.2%.

4-17 TIE = 6.0.

4-19 AR ≈ \$405,682.

4-21

Balance Sheet

| | | | |
|---------------------|------------------|------------------------------|------------------|
| Cash | \$27,000 | Accounts payable | \$90,000 |
| Accounts receivable | \$45,000 | Long-term debt | \$60,000 |
| Inventories | \$90,000 | Common stock | \$52,500 |
| Fixed assets | \$138,000 | Retained earnings | \$97,500 |
| Total assets | <u>\$300,000</u> | Total liabilities and equity | <u>\$300,000</u> |
| Sales | \$450,000 | Cost of goods sold | \$337,500 |