

Ace Company Data

The company's financial data is condensed from the financial statements of Ace Company. Both the Income Statement and Balance Sheet tables are for 2016 and 2017, ending December 31.

- Inventory at December 31, 2015, was \$4,800,000. Accounts receivable at December 31, 2015 was \$3,800,000.
- The market price of the common stock was \$104 per share at December 31, 2017, and \$81 per share at December 31, 2016.
- There were no changes in the number of shares of common stock during 2017, 2016, or 2015.
- There are no shares of preferred stock. There are no stock options, convertible debt, or other possible sources of common stock.
- Cash dividends of \$1,000,000 (\$2.00 per share) were paid in both 2017 and in 2016.
- All sales are made on credit.

Note: All dollar amounts in tables are in thousands of dollars.

Ace Company Balance Sheet

Assets	2017	2016
Cash	\$2,547	\$1,800
Accounts receivable	4,000	3,900
Inventories (FIFO)	6,000	5,000
Property, plant and equipment, net of accumulated depreciation	10,000	9,800
Other long-term assets	1,000	1,000
TOTAL ASSETS	\$23,547	\$21,500
Liabilities and Equity	2017	2016
Current liabilities	\$7,000	\$7,000
Long-term liabilities	9,800	10,000
Common stock, no par, 500,000 shares issued and outstanding	2,000	2,000
Retained earnings	4,747	2,500
TOTAL LIABILITIES AND EQUITY	\$23,547	\$21,500

Ace Company Income Statement

	2017	2016
Net sales	\$20,000	\$18,000
Cost of goods sold	10,000	9,500
Gross profit	10,000	9,500
- Operating expense	4,000	3,700
= Operating income	6,000	4,800
Interest expense	588	600
Income before income tax	5,412	4,200
Income taxes	2,165	1,680
Net income	\$3,247	\$2,520

Ace Company Financial Ratios

	2017	2016
Current ratio	$12,547/7,000 = \mathbf{1.79}$	$10,700/7,000 = \mathbf{1.53}$
Total debt to equity	$16,800/6,747 = \mathbf{2.49 \text{ times}}$	$17,000/4,500 = \mathbf{3.78 \text{ times}}$
Gross profit rate (gross margin %)	$10,000/20,000 = \mathbf{50\%}$	$8,500/18,000 = \mathbf{47.2\%}$
Net Profit Rate (Net margin %)	$3,247/20,000 = \mathbf{16.2\%}$	$2,520/18,000 = \mathbf{14\%}$
EPS (Earnings per share)	$3,247,000/500,000 = \mathbf{\$6.49}$	$2,520,000/500,000 = \mathbf{\$5.04}$
PE ratio (Price/Earnings)	$104/\$6.49 = \mathbf{16.02}$	$\$81/\$5.04 = \mathbf{16.07}$
Dividend yield %	$2/\$104 = \mathbf{1.9\%}$	$\$2/\$81 = \mathbf{2.5\%}$
Dividend payout	$\$1,000,000/3,247,000 = \mathbf{30.8\%}$	$\$1,000,000/\$2,520,000 = \mathbf{39.7\%}$
Times interest earned	$\$6,000/\$588 = \mathbf{10.2 \text{ times}}$	$\$4,800/\$600 = \mathbf{8 \text{ times}}$
Inventory turnover	$10,000/((6,000 + 5,000)/2) = \mathbf{1.82 \text{ times}}$	$\$9,500/((\$5,000 + \$4,800)/2) = \mathbf{1.94 \text{ times}}$
Accounts receivable turnover	$20,000/((4000 + 3,900)/2) = \mathbf{5.06 \text{ times}}$	$\$18,000/((\$3,900 + \$3,800)/2) = \mathbf{4.68 \text{ times}}$