

- d. The industry data reported here represent Dun and Bradstreet's industry median. Dun and Bradstreet also reports industry norms for the upper quartile (top 25%) of companies in the industry. In the top quartile, return on assets was 15.1%, return on common stockholders' equity was 34.7%, and net income as a percentage of sales was 6.1%. Do you think it would be more useful to compare Wendy's and McDonald's to these upper-quartile industry averages rather than to the median averages? Why or why not?
- e. Dun and Bradstreet also provides industry data based on companies' total assets. In the industry's largest reporting companies, the median return on assets was 5.1%, the median return on common stockholders' equity was 9.7%, the median net income as a percentage was sales of 3.6%, and the median debt-to-equity ratio was 0.93. The upper quartile values were 8.4%, 16.4%, 5.2%, and 0.65, respectively. Given that Wendy's and McDonald's are among the largest companies in this industry group, does this data change your answers to questions (c) and (d)? Why or why not?

Cases

C&C Sports Continuing Case

12.21 (LO 1, 2, 3, 4) Comprehensive Financial Statement Analysis Using Exhibit 12.9 as a guide, compare C&C Sports' performance to the industry averages. What particular observations and recommendations do you have for George Douglas, president of C&C Sports?

12.22 (LO 1, 2, 3) Excel Comprehensive financial statement analysis Pippin Piping Co. manufactures decorative fabric trims. The company's financial statements follow.

Pippin Piping Co.			
Comparative Income Statements			
For the Years Ended December 31			
	2020	2019	2018
Sales revenue	\$576,600	\$523,000	\$484,200
Cost of goods sold	291,000	259,200	234,300
Gross margin	285,600	263,800	249,900
Operating expenses	106,200	104,600	104,100
Operating income	179,400	159,200	145,800
Other revenue	22,500	15,900	23,900
Interest expense	11,200	10,500	11,900
Income before income tax	190,700	164,600	157,800
Income tax expense (40%)	76,280	65,840	63,120
Net income	<u>\$114,420</u>	<u>\$ 98,760</u>	<u>\$ 94,680</u>

Pippin Piping Co.			
Comparative Balance Sheets			
As of December 31			
	2020	2019	2018
Assets			
Cash	\$ 32,000	\$ 25,800	\$ 20,500
Accounts receivable (net)	126,860	127,000	94,300
Inventory	60,000	80,700	56,000
Prepaid expenses	11,000	10,000	4,600
Total current assets	229,860	243,500	175,400
Property & equipment (net)	668,900	576,000	540,300
Total Assets	<u>\$898,760</u>	<u>\$819,500</u>	<u>\$715,700</u>