

Student: Adam Clonick  
Date: 12/8/14  
Time: 10:12 PM

Instructor: Timmothy Posey  
Course: FINCA400 D002 Fall 14  
Book: Keown/Martin/Petty, Foundations of Finance, 8e

Assignment: Week 2 Homework

Problem 4-6 (similar to). The balance sheet and income statement for the J. P. Robard Mfg. Company are given in the popup window. Calculate the following ratios:

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- a. Current ratio
  - b. Operating return on assets
  - c. Times interest earned
  - d. Debt ratio
  - e. Inventory turnover
  - f. Average collection period
  - g. Total asset turnover
  - h. Fixed asset turnover
  - i. Operating profit margin
  - j. Return on equity
- a. The current ratio is  X. (Round to two decimal places.)
- b. The operating return on assets is  %. (Round to one decimal place.)
- c. The times interest earned is  X. (Round to two decimal places.)
- d. The debt ratio is  %. (Round to one decimal place.)
- e. The inventory turnover is  X. (Round to two decimal places.)
- f. The average collection period is  days. (Round to two decimal places.)
- g. The total asset turnover is  X. (Round to two decimal places.)
- h. The fixed asset turnover is  X. (Round to two decimal places.)

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- Problem 4- i. The operating profit margin is %. (Round to one decimal place.)  
6 (similar  
to).  
j. The return on equity is %. (Round to one decimal place.)  
(cont.)

5.

Data Table

**J. P. Robard Mfg. Company Balance Sheet (\$000)**

Cash	\$ 511
Accounts receivable	1,976
Inventories	1,035
Current assets	<u>\$ 3,522</u>
Net fixed assets	4,478
Total assets	<u>\$ 8,000</u>

Accounts payable	\$ 1,096
Accrued expenses	599
Short-term notes payable	284
Current liabilities	<u>\$ 1,979</u>
Long-term debt	2,001
Owners' equity	4,020
Total liabilities and owners' equity	<u>\$ 8,000</u>

(Click on the icon located on the top-right corner of the data table above in order to copy its contents into a spreadsheet.)

**J. P. Robard Mfg. Company Income Statement (\$000)**

Net sales (all credit)	\$ 8,004
Cost of goods sold	<u>-3,296</u>
Gross profit	\$ 4,708
Operating expenses (including \$407 depreciation)	<u>-2,000</u>

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(cont.)  
**5.**

Operating expenses (includes depreciation)	- 2,000
Operating income	\$ 1,699
Interest expense	- 353
Earnings before taxes	\$ 1,346
Income taxes (40%)	- 538
Net income	<u>\$ 808</u>

(Click on the icon located on the top-right corner of the data table above in order to copy its contents into a spreadsheet.)