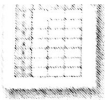


- 3–13. (Review of financial statements)** Prepare a balance sheet and income statement for the Warner Company from the following scrambled list of items:

|                                    |           |
|------------------------------------|-----------|
| Depreciation expense               | \$ 66,000 |
| Cash                               | 225,000   |
| Long-term debt                     | 334,000   |
| Sales                              | 573,000   |
| Accounts payable                   | 102,000   |
| General and administrative expense | 79,000    |
| Buildings and equipment            | 895,000   |
| Notes payable                      | 75,000    |
| Accounts receivable                | 167,500   |
| Interest expense                   | 4,750     |
| Accrued expenses                   | 7,900     |
| Common stock                       | 289,000   |
| Cost of goods sold                 | 297,000   |
| Inventory                          | 99,300    |
| Taxes                              | 50,500    |
| Accumulated depreciation           | 263,000   |
| Taxes payable                      | 53,000    |
| Retained earnings                  | 262,900   |

**3–15. (Analyzing the cash flow statement)** The cash flow statements for retailing giant BigBox, Inc. spanning the period 2010–2013 are as follows:

| In Millions of U.S. Dollars            | 12 Months Ending   |                    |                    |                    |
|----------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                        | 12/31/2013         | 12/31/2012         | 12/31/2011         | 12/31/2010         |
| Net income                             | \$ 13,000          | \$ 12,000          | \$ 11,000          | \$ 10,000          |
| Depreciation expense                   | 6,500              | 6,300              | 5,000              | 4,000              |
| Changes in working capital             | 1,200              | 2,300              | 2,400              | 1,000              |
| <b>Cash from operating activities</b>  | <u>\$ 20,700</u>   | <u>\$ 20,600</u>   | <u>\$ 18,400</u>   | <u>\$ 15,000</u>   |
| Capital expenditures                   | \$ (16,000)        | \$ (14,500)        | \$ (14,000)        | \$ (12,300)        |
| <b>Cash from investing activities</b>  | <u>\$ (16,000)</u> | <u>\$ (14,500)</u> | <u>\$ (14,000)</u> | <u>\$ (12,300)</u> |
| Interest and financing cash flow items | \$ (350)           | \$ (250)           | \$ (350)           | \$ 100             |
| Total cash dividends paid              | (3,600)            | (2,800)            | (2,500)            | (2,200)            |
| Issuance (retirement) of stock         | (8,000)            | (1,500)            | (3,600)            | (4,500)            |
| Issuance (retirement) of debt          | 1,500              | (100)              | 4,000              | 4,100              |
| <b>Cash from financing activities</b>  | <u>\$ (10,450)</u> | <u>\$ (4,650)</u>  | <u>\$ (2,450)</u>  | <u>\$ (2,500)</u>  |
| <b>Net change in cash</b>              | <b>\$ (5,750)</b>  | <b>\$ 1,450</b>    | <b>\$ 1,950</b>    | <b>\$ 200</b>      |



- 4-25. (Calculating financial ratios) The balance sheet and income statement for the J. P. Robard Mfg. Company are as follows:

| <b>J. P. Robard Mfg., Inc.</b><br><b>Balance Sheet (\$000)</b> |                       |
|----------------------------------------------------------------|-----------------------|
| Cash                                                           | \$ 500                |
| Accounts receivable                                            | 2,000                 |
| Inventories                                                    | <u>1,000</u>          |
| Current assets                                                 | 3,500                 |
| Net fixed assets                                               | <u>4,500</u>          |
| Total assets                                                   | <u><u>\$8,000</u></u> |
|                                                                |                       |
| Accounts payable                                               | \$1,100               |
| Accrued expenses                                               | 600                   |
| Short-term notes payable                                       | <u>300</u>            |
| Current liabilities                                            | \$2,000               |
| Long-term debt                                                 | 2,000                 |
| Owners' equity                                                 | <u>4,000</u>          |
| Total liabilities and owners' equity                           | <u><u>\$8,000</u></u> |

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

|                                                  |                      |
|--------------------------------------------------|----------------------|
| Net sales (all credit)                           | \$8,000              |
| Cost of goods sold                               | <u>(3,300)</u>       |
| Gross profit                                     | \$4,700              |
| Operating expenses (includes \$500 depreciation) | <u>(3,000)</u>       |
| Net operating income                             | \$1,700              |
| Interest expense                                 | <u>(367)</u>         |
| Earnings before taxes                            | \$1,333              |
| Income taxes (40%)                               | <u>(533)</u>         |
| Net income                                       | <u><u>\$ 800</u></u> |

Calculate the following ratios:

|                         |                            |
|-------------------------|----------------------------|
| Current ratio           | Operating return on assets |
| Times interest earned   | Debt ratio                 |
| Inventory turnover      | Average collection period  |
| Total asset turnover    | Fixed asset turnover       |
| Operating profit margin | Return on equity           |