FM 1 WORKSHEET

1. You are given below the condensed balance sheet and income statement of Addisalem Auto Spare Parts, PLC for 2002

Balance sheet as of December 31,2002

Cash ----------Br. 90,000	Accounts payable ----------Br. 180,000
Receivables ----------180,000	Notes payable (10% interest) ----------78,000
Inventories ----------360,000	Accruals ----------90,000
Current assets ----------Br. 630,000	Current liabilities ----------Br. 348,000
Net fixed assets ----------720,000	Common stock ----------900,000
	Retained earnings ----------102,000
Total assets ---------Br. 1,350,000	Total liabilities and equity -------Br. 1,350,000

Income statement for year ended December 31, 2002

Sales ----------Br. 1,800,000
Operating costs ----------1,625,000
EBIT ----------Br. 175,000
Interest ----------25,000
EBT---------- Br. 150,000
Taxes (40%) ----------60,000
Net income ----------Br. 90,000

The firm's common stock price during 2002 was Br. 24. Similarly earnings per share (EPS) and dividends per share (DPS) were Br. 1.80 and Br. 1.08 respectively.

Required:

a) you are expected to perform a complete financial analysis (using all of the five ratio analysis models) including interpretation

Morton Chip Company: Balance Sheet as of December 31, 2010 (Thousands of Dollars)

Cash	$ 77,500	Accounts payable	$129,000
Receivables	336,000	Notes payable	84,000
Inventories	241,500	Other current liabilities	117,000
Total current assets	$655,000	Total current liabilities	$330,000
Net fixed assets	292,500	Long-term debt	256,500
		Common equity	361,000
Total assets	$947,500	Total liabilities and equity	$947,500

Morton Chip Company: Income Statement for Year Ended December 31, 2010 (Thousands of Dollars)

Sales	$1,607,500
Cost of goods sold	1,392,500
Selling, general, and administrative expenses	145,000
Earnings before interest and taxes (EBIT)	$ 70,000
Interest expense	24,500
Earnings before taxes (EBT)	$ 45,500
Federal and state income taxes (40%)	18,200
Net income	$ 27,300

Ratio	Morton	Industry Average
Current assets/Current liabilities		2.0
Days sales outstanding[a]		35.0 days
Sales/Inventory		6.7
Sales/Fixed assets		12.1
Sales/Total assets		3.0
Net income/Sales		1.2%
Net income/Total assets		3.6%
Net income/Common equity		9.0%
Total debt/Total assets		60.0%

[a]Calculation is based on a 365-day year.

QUESTIONS

1. A company has current liabilities of Br. 75,000, mortgages notes payable of Br. 200,000, and long-term bond of Br. 225,000. If the total stockholders' equity of the company amounts to Br. 750,000, what is the debt ratio?

2. A firm has a current ratio of 1.5 and a quick ratio of 1.0. If the current assets other than cash amount to Br. 2,500,000, what is the mathematical relationship between inventories and current liabilities for this firm?

3. ABC company's return on investment was 25% last year, and the net profit margin was 10%. What are the total net sales for the year if total assets are Br. 20 million?

4. XYZ corporation has Br. 1,000,000 of debt outstanding of 10% interest rate. The firm's annual net sales are Br. 4,000,000; its tax rate is 40%; and its net profit margin is 5%. What is XYZ Company's times interest earned ratio?

5. Complete the balance sheet and sales information in the following table for Abay Transport Ltd. Using the financial ratios that follow.

BALANCE SHEET

Cash	_____	Accounts payable	_____
Accounts receivable	_____	Long-term debt	120,000
Inventories	_____	Common stock	_____
Fixed assets	_____	Retained earnings	195,000
Total assets	Br. 1,000,000	Total liabilities and equity	_____
Sales	_____	Cost of goods sold	_____
Debt ratio: 50%		Days sales outstanding: 36days	
Quick ratio: 0.80X		Cost of goods sold/sales: 75%	
Total assets turnover: 1.5X		Inventory turnover: 5X	

Required:

a) complete the missing line items ?