

Practice Set

FINANCIAL STATEMENT ANALYSIS

Instructions: Complete the Horizontal and Vertical Analysis for the Balance Sheet of The Computer Warehouse.

I. HORIZONTAL AND VERTICAL ANALYSIS

THE COMPUTER WAREHOUSE
Comparative Balance Sheet
December 31, 2002

Note: Data taken from page 110.

Assets	ANALYSIS		HORIZONTAL ANALYSIS		VERTICAL ANALYSIS 2002	VERTICAL ANALYSIS 2001
	2002	2001	ANALYSIS CHANGE	ANALYSIS % CHANGE		
Current Assets						
Cash	\$ 46,000	\$ 41,000	\$			
Accounts Receivable(Net)	60,000	90,000				
Inventory	70,000	40,000				
Prepaid Expenses	<u>10,000</u>	<u>15,000</u>				
Total Current Assets	<u>\$186,000</u>	<u>\$186,000</u>	\$		<u>43.7</u>	<u>39.9</u>
Investments	<u>\$ 60,000</u>	<u>\$ 70,000</u>	\$			
Plant Assets						
Various Assets	\$240,000	\$280,000	\$			
Accumulated Depreciation	<u>60,000</u>	<u>70,000</u>				
Net Plant Assets	<u>\$180,000</u>	<u>\$210,000</u>	\$		<u>42.2</u>	<u>45.1</u>
Total Assets	<u>\$426,000</u>	<u>\$466,000</u>	<u>(\$40,000)</u>		<u>100.0</u>	<u>100.0</u>
Liabilities						
Current Liabilities						
Accounts Payable	\$ 40,000	\$ 60,000	\$			
Accrued Liabilities	10,000	12,000				
Income Taxes Payable	<u>6,000</u>	<u>4,000</u>				
Total Current Liabilities	\$ 56,000	\$ 76,000	\$			
Long-Term Liabilities						
Bonds Payable	<u>\$ 80,000</u>	<u>\$130,000</u>	\$			
Total Liabilities	<u>\$136,000</u>	<u>\$206,000</u>	\$		<u>31.9</u>	<u>44.2</u>
Stockholders' Equity						
Common Stock, \$5 Par	\$100,000	\$100,000	\$			
Preferred Stock	120,000	100,000				
Paid in Capital in Excess	15,000	14,000				
Retained Earnings	<u>55,000</u>	<u>46,000</u>				
Total Stockholders' Equity	<u>\$290,000</u>	<u>\$260,000</u>	<u>\$ 30,000</u>		<u>68.1</u>	<u>55.8</u>
Total Liabilities and Stockholders' Equity	<u>\$426,000</u>	<u>\$466,000</u>	<u>\$</u>		<u>100.0</u>	<u>100.0</u>

Note: 2002 data taken from page 110, other data not given in Quick Notes.

THE COMPUTER WAREHOUSE
Comparative Income Statement
For the Year Ended December 31, 2002

	2002	2001	HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
			CHANGE	% CHANGE	2002	2001
Sales (Net)	\$450,000	\$400,000	\$			
Cost of Goods Sold	<u>270,000</u>	<u>250,000</u>				
Gross Profit	\$180,000	\$150,000	\$			
Operating Expenses (Depreciation = \$20,000)	<u>100,000</u>	<u>90,000</u>				
Operating Income	<u>\$ 80,000</u>	<u>\$ 60,000</u>	<u>\$</u>	<u>33.3</u>	<u>17.8</u>	<u>15.0</u>

II. TREND ANALYSIS

	1999	2000	2001	2002	PROJECTED 2003
Sales	\$350,000	\$360,000	\$400,000	\$450,000	\$540,000
Change		\$ 10,000	\$ 40,000	\$ 50,000	\$ 90,000
% Change					