

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 A110.

Assets	2002	2001	HORIZONTAL ANALYSIS		VERTICAL ANALYSIS 2002	VERTICAL ANALYSIS 2001
			CHANGE	% CHANGE		
Current Assets						
Cash	\$ 46,000	\$ 41,000	\$ 5,000	12.2	10.8	8.9
Accounts Receivable(Net)	60,000	90,000	(30,000)	(33.3)	14.1	19.3
Inventory	70,000	40,000	30,000	75.0	16.4	8.6
Prepaid Expenses	<u>10,000</u>	<u>15,000</u>	<u>(5,000)</u>	(33.3)	<u>2.3</u>	<u>3.2</u>
Total Current Assets	<u>\$186,000</u>	<u>\$186,000</u>	<u>\$ - 0 -</u>	0	<u>43.7</u>	<u>39.9</u>
Investments	<u>\$ 60,000</u>	<u>\$ 70,000</u>	<u>(\$10,000)</u>	(14.3)	<u>14.1</u>	<u>15.0</u>
Plant Assets						
Various Assets	\$240,000	\$280,000	(\$40,000)	(14.3)	56.3	60.0
Accumulated Depreciation	<u>60,000</u>	<u>70,000</u>	<u>(10,000)</u>	(14.3)	<u>14.1</u>	<u>15.0</u>
Net Plant Assets	<u>\$180,000</u>	<u>\$210,000</u>	<u>(\$30,000)</u>	(14.3)	<u>42.2</u>	<u>45.1</u>
Total Assets	<u>\$426,000</u>	<u>\$466,000</u>	<u>(\$40,000)</u>	(8.6)	<u>100.0</u>	<u>100.0</u>
Liabilities						
Current Liabilities						
Accounts Payable	\$ 40,000	\$ 60,000	(\$20,000)	(33.3)	9.4	12.9
Accrued Liabilities	10,000	12,000	(2,000)	(16.7)	2.3	2.6
Income Taxes Payable	<u>6,000</u>	<u>4,000</u>	<u>2,000</u>	50.0	<u>1.4</u>	<u>.8</u>
Total Current Liabilities	\$ 56,000	\$ 76,000	(\$20,000)	(26.3)	13.1	16.3
Long-Term Liabilities						
Bonds Payable	<u>\$ 80,000</u>	<u>\$130,000</u>	<u>(\$50,000)</u>	(38.5)	<u>18.8</u>	<u>27.9</u>
Total Liabilities	<u>\$136,000</u>	<u>\$206,000</u>	<u>(\$70,000)</u>	(34.0)	<u>31.9</u>	<u>44.2</u>
Stockholders' Equity						
Common Stock, \$5 Par	\$100,000	\$100,000	\$ - 0 -	0	23.5	21.5
Preferred Stock	120,000	100,000	20,000	20.0	28.2	21.5
Paid in Capital in Excess	15,000	14,000	1,000	7.1	2.6	3.0
Retained Earnings	<u>55,000</u>	<u>46,000</u>	<u>9,000</u>	19.6	<u>13.9</u>	<u>9.9</u>
Total Stockholders' Equity	<u>\$290,000</u>	<u>\$260,000</u>	<u>\$30,000</u>	11.5	<u>68.1</u>	<u>55.8</u>
Total Liabilities and Stockholders' Equity	<u>\$426,000</u>	<u>\$466,000</u>	<u>(\$40,000)</u>	8.6	<u>100.0</u>	<u>100.0</u>

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

Note: 2002 data taken from page A110, other data not given in Quick Notes.

	2002	2001	HORIZONTAL ANALYSIS		VERTICAL ANALYSIS 2002	VERTICAL ANALYSIS 2001
			CHANGE	% CHANGE		
Sales (Net)	\$450,000	\$400,000	\$50,000	12.5	100.0	100.0
Cost of Goods Sold	<u>270,000</u>	<u>250,000</u>	<u>20,000</u>	8.0	<u>60.0</u>	<u>62.5</u>
Gross Profit	\$180,000	\$150,000	\$30,000	20.0	40.0	37.5
Operating Expenses (Depreciation = \$20,000)	<u>100,000</u>	<u>90,000</u>	<u>10,000</u>	11.0	<u>22.2</u>	<u>22.5</u>
Operating Income	<u>\$ 80,000</u>	<u>\$ 60,000</u>	<u>\$20,000</u>	33.3	<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		2.9	11.1	12.5	20.0