Homework Week 4

1. Rachets R Us Corp. reported sales for 2018 of $300,000. Rachets R Us listed $25,000 of inventory on its balance sheet. Using a 365-day year, how many days did Rachets R Us's inventory stay on the premises? How many times per year did Rachets R Us's inventory turnover?

|  |  |
| --- | --- |
|  |  |

2. Tina's Track Supply's market-to-book ratio is currently 4.5 times and PE ratio is 10.5 times. If Tina's Track Supply's common stock is currently selling at $150 per share, what is the book value per share and earnings per share?

3. Last year Café Creations, Inc. had an ROA of 35 percent, a profit margin of 12 percent, and sales of $4 million. What is Café Creations' total assets?

4. You are thinking of investing in Ski Sports, Inc. You have only the following information on the firm at year-end 2018: net income = $100,000, total debt = $1 million, and debt ratio = 70 percent. What is Ski's ROE for 2018?

5. A firm has EBIT of $350,000 and depreciation expense of $24,000. Fixed charges total $44,000. Interest expense totals $7,000. What is the firm's cash coverage ratio?

6. A firm has cash of 100,000, accounts receivable of 75,000, prepaid expenses of 12,500, accounts payable of 50,000, other current liabilities of 35,000, common stock of 375,000 and long term liabilities of 65,000. The firm also produced a profit of 20,000 during the last calendar year. What is the firms working capital?

7. Which company has the most risk from an investor's standpoint? Firm A has a PE of 84 times and Firm B has a PE of 16 times. Assume both firms operate in the same industry. Firm A has fewer shares outstanding than Firm B.

|  |  |
| --- | --- |
| A.  | Firm A because it has the higher PE ratio.  |

|  |  |
| --- | --- |
| B.  | Firm B because it has a lower PE ratio.  |

|  |  |
| --- | --- |
| C.  | Firm A because it has fewer shares outstanding.  |

|  |  |
| --- | --- |
| D.  | Firm B because it has more shares outstanding.  |
|  |  |
|  |  |

8. A firm has an ACP of 45 days and its annual sales are $5.3 million. What is its account receivable balance?

9. An investor wanting large returns will be interested in companies that have:

|  |  |
| --- | --- |
| A.  | high ROAs. |

|  |  |
| --- | --- |
| B**.** | high ROEs. |

|  |  |
| --- | --- |
| C.  | high current ratios. |

|  |  |
| --- | --- |
| D.  | high times interest earned. |

10. Which type of ratio measures a firm's ability to pay off short-term obligations without relying on inventory sales?