

Selected year-end financial statements of Overton Corporation follow. (All sales were on credit; selected balance sheet amounts at December 31, 2014, were inventory, \$17,400; total assets, \$94,900; common stock, \$35,500; and retained earnings, \$18,800.)

Problem 17-4B
Calculation of financial
statement ratios
P3

OVERTON CORPORATION
Income Statement
For Year Ended December 31, 2015

Sales	\$315,500
Cost of goods sold	<u>236,100</u>
Gross profit	79,400
Operating expenses	49,200
Interest expense	<u>2,200</u>
Income before taxes	28,000
Income taxes	<u>4,200</u>
Net income	<u>\$ 23,800</u>

OVERTON CORPORATION
Balance Sheet
December 31, 2015

Assets		Liabilities and Equity	
Cash	\$ 6,100	Accounts payable	\$ 11,500
Short-term investments	6,900	Accrued wages payable	3,300
Accounts receivable, net	12,100	Income taxes payable	2,600
Notes receivable (trade)*	3,000	Long-term note payable, secured by mortgage on plant assets	30,000
Merchandise inventory	13,500	Common stock, \$5 par value	35,000
Prepaid expenses	2,000	Retained earnings	<u>35,100</u>
Plant assets, net	<u>73,900</u>	Total liabilities and equity	<u>\$117,500</u>
Total assets	<u>\$117,500</u>		

* These are short-term notes receivable arising from customer (trade) sales.

Required

Compute the following: (1) current ratio, (2) acid-test ratio, (3) days' sales uncollected, (4) inventory turnover, (5) days' sales in inventory, (6) debt-to-equity ratio, (7) times interest earned, (8) profit margin ratio, (9) total asset turnover, (10) return on total assets, and (11) return on common stockholders' equity. Round to one decimal place; for part 6, round to two decimals.

Check: Acid-test ratio, 1.2 to 1; Inventory turnover, 15