

SMOLIRA GOLF, INC.
Balance Sheets as of December 31, 2018 and 2019

	2018	2019		2018	2019
Assets			Liabilities and Owners' Equity		
Current assets			Current liabilities		
Cash	\$ 5,298	\$ 5,827	Accounts payable	\$ 3,754	\$ 3,986
Accounts receivable	7,707	8,477	Notes payable	3,045	3,318
Inventory	<u>12,150</u>	<u>21,956</u>	Other	<u>152</u>	<u>179</u>
Total	<u>\$25,155</u>	<u>\$ 36,260</u>	Total	<u>\$ 6,951</u>	<u>\$ 7,483</u>
			Long-term debt	\$24,700	\$ 16,000
			Owners' equity		
			Common stock and paid-in surplus	\$40,000	\$ 37,000
Fixed assets			Accumulated retained earnings	<u>28,805</u>	<u>55,189</u>
Net plant and equipment	<u>\$75,301</u>	<u>\$ 79,412</u>	Total	<u>\$68,805</u>	<u>\$ 92,189</u>
Total assets	<u>\$100,456</u>	<u>\$115,672</u>	Total liabilities and owners' equity	<u>\$100,456</u>	<u>\$115,672</u>

SMOLIRA GOLF, INC.
2019 Income Statement

Sales	\$229,854
Cost of goods sold	184,317
Depreciation	<u>8,730</u>
EBIT	\$ 36,807
Interest paid	<u>1,811</u>
Taxable income	\$ 34,996
Taxes	<u>7,349</u>
Net income	<u>\$ 27,647</u>
Dividends	\$16,000
Additions to retained earnings	11,647

Calculating Financial Ratios Find the following financial ratios for Smolira Golf (use year
than average values where appropriate):

Short-term solvency ratios

- a. Current ratio _____

- b. Quick ratio _____

- c. Cash ratio _____

Asset utilization ratios

- d. Total asset turnover _____

- e. Inventory turnover _____

- f. Receivables
turnover _____

Long-term solvency ratios

- g. Total debt ratio _____

- h. Debt-equity ratio _____

- i. Equity multiplier _____

- j. Times interest
earned ratio _____

- k. Cash coverage ratio _____

Profitability ratios

- l. Profit margin _____

- m. Return on assets _____

- n. Return on equity _____

DuPont Identity Construct the DuPont identity for Smolira Golf.

Market Value Ratios Smolira Golf has 10,000 shares of common stock outstanding, and the market price for a share of stock at the end of 2019 was \$73. What is the price-earnings ratio? What is the price-sales ratio?

What are the dividends per share? What is the market-to-book ratio at the end of 2019?

Interpreting Financial Ratios After calculating the ratios for Smolira Golf, you have uncovered the following industry ratios for 2019:

	Lower Quartile	Median	Upper Quartile
Current ratio	1.3	2.6	5.3
Total asset turnover	2.1	2.7	4.1
Debt-equity ratio	.23	.50	.60
Profit margin	8.4%	11.2%	16.3%

How is Smolira Golf performing based on these ratios?