

17-3 WORK TOGETHER, p. 532

Analyzing financial statements using horizontal analysis

1.

Tri-State Pipe

Comparative Income Statement

For Years Ended December 31, 20-- and 20--

	Current Year			Prior Year			Increase (Decrease)	
	Amount	Percent		Amount	Percent		Amount	Percent
Net Sales	659	470	53	642	189	81		
Cost of Merchandise Sold	321	034	21	301	843	28		
Gross Profit	338	436	32	340	346	53		
Operating Expenses:								
Advertising Expense	24	981	05	23	149	84		
Credit Card Fee Expense	6	977	95	6	819	25	1	5870
Depreciation Expense—Office Equipment	7	850	00	7	650	00	2	0000
Depreciation Expense—Store Equipment	6	490	00	6	080	00	4	1000
Insurance Expense	8	400	00	8	200	00	2	0000
Miscellaneous Expense	3	826	79	4	194	19	(3)	6740
Payroll Taxes Expense	8	298	94	8	568	54	(2)	6960
Rent Expense	8	447	55	8	400	00	4	755
Salary Expense	92	194	99	95	190	11		
Supplies Expense—Office	3	949	22	4	109	28	(1)	6006
Supplies Expense—Store	4	989	92	4	219	10	7	7082
Uncollectible Accounts Expense	16	487	08	12	197	16		
Utilities Expense	5	269	69	4	910	82	3	5887
Total Operating Expenses	198	163	18	193	688	29	4	47489
Income from Operations	140	273	14	146	658	24		
Other Revenue	5	987	8	4	491	4	1	4964
Net Income before Federal Income Tax	140	871	92	147	107	38	(6)	23546
Less Federal Income Tax Expense	38	190	05	40	621	88	(2)	43183
Net Income after Federal Income Tax	102	681	87	106	485	50	(3)	80363

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Analyzing financial statements using horizontal analysis
1.

Tri-State Pipe
Comparative Balance Sheet
December 31, 20-- and 20--

	Current Year				Prior Year				Increase (Decrease)											
									Amount	Percent										
ASSETS																				
Current Assets:																				
Cash	27	4	1	3	71	25	2	3	8	46	2	1	7	5	25	8.6				
Petty Cash		2	5	0	00		2	0	0	00			5	0	00	25.0				
Accounts Receivable (net)	18	5	4	3	50	16	1	9	8	38										
Merchandise Inventory	105	1	1	1	94	99	1	9	4	10										
Supplies—Office		6	2	3	58		6	9	5	18			(7	1	60)	(10.3)				
Supplies—Store		4	8	7	52		4	4	7	15			4	0	37	9.0				
Prepaid Insurance		2	8	0	00		1	2	0	00			1	6	00	133.3				
Notes Receivable		6	3	5	00		2	4	0	00			3	9	5	164.8				
Interest Receivable			9	5	65			6	2	50			3	3	15	53.0				
Total Current Assets	161	6	8	0	90	145	6	3	5	77										
Plant Assets:																				
Office Equipment (net)		11	9	7	8	55		12	9	1	8	64			(9	4	0	09)	(7.3)	
Store Equipment (net)		42	4	1	0	83		21	9	4	8	39			20	4	6	2	44	93.2
Total Plant Assets		54	3	8	9	38		34	8	6	7	03								
Total Assets	216	0	7	0	28	180	5	0	2	80	35	5	6	7	48	19.7				
LIABILITIES																				
Current Liabilities:																				
Accounts Payable		16	6	3	3	44		11	8	8	9	95			4	7	4	3	49	39.9
Sales Tax Payable		3	5	8	9	68		3	2	8	1	18			3	0	8	50	9.4	
Employee Income Tax Payable			9	8	8	00			9	2	6	00				6	2	00	6.7	
Social Security Tax Payable		2	0	7	1	04		1	9	4	6	78			1	2	4	26	6.4	
Medicare Tax Payable		4	8	4	3	6		4	5	5	3	0				2	9	06	6.4	
Health Insurance Premiums Payable		4	6	3	0	0		4	3	5	0	0				2	8	00	6.4	
Retirement Benefits Payable		4	6	5	0	0		4	3	7	0	0				2	8	00	6.4	
Unemployment Tax Payable—Federal		3	0	4	0	6		2	8	5	8	2				1	8	24	6.4	
Unemployment Tax Payable—State		1	5	0	9	2		1	4	1	8	6					9	06	6.4	
Federal Income Tax Payable		3	6	8	3	00		6	1	4	8	00			(2	4	6	5	00)	(40.1)
Dividends Payable		20	0	0	0	00		10	0	0	0	00			10	0	0	0	00	100.0
Total Liabilities	48	8	3	2	50	35	9	4	6	89										
STOCKHOLDERS' EQUITY																				
Capital Stock		25	0	0	0	00		25	0	0	0	00							0.0	
Retained Earnings		142	2	3	7	78		119	5	5	5	91			22	6	8	1	87	19.0
Total Stockholders' Equity		167	2	3	7	78		144	5	5	5	91								
Total Liabilities and Stockholders' Equity	216	0	7	0	28	180	5	0	2	80	35	5	6	7	48	19.7				

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Vector Industries
Comparative Income Statement
For Years Ended December 31, 20-- and 20--

	Current Year				Prior Year				Increase (Decrease)						
									Amount	Percent					
Net Sales	721	1	9	15	558	3	6	5	40						
Cost of Merchandise Sold	348	1	1	7	228	4	2	4	84						
Gross Profit	373	0	8	1	329	9	4	0	56						
Operating Expenses:															
Advertising Expense	25	0	0	2	24	7	1	9	24	2	8	2	99	1.1	
Credit Card Fee Expense	7	2	4	7	5	6	0	7	40	1	6	3	9	91	29.2
Depreciation Expense—Office Equipment	8	0	3	0	7	8	5	0	00	1	8	0	00	2.3	
Depreciation Expense—Store Equipment	6	9	2	0	6	7	5	0	00	1	7	0	00	2.5	
Insurance Expense	8	8	6	8	8	1	2	9	78	7	3	8	26	9.1	
Miscellaneous Expense	3	9	9	6	5	4	7	4	82						
Payroll Taxes Expense	15	2	1	4	15	4	1	8	58						
Rent Expense	24	0	0	0	24	0	0	0	00						
Salary Expense	169	0	1	9	166	1	3	8	42						
Supplies Expense—Office	4	2	4	5	3	5	1	7	48	7	2	7	60	20.7	
Supplies Expense—Store	5	2	7	3	5	0	2	8	48	2	4	5	29	4.9	
Uncollectible Accounts Expense	17	0	4	5	13	4	8	1	04	3	5	6	4	13	26.4
Utilities Expense	5	5	3	9	6	2	0	7	75	(6	6	7	95)	(10.8)
Total Operating Expenses	300	4	0	1	292	3	2	2	99	8	0	7	8	45	2.8
Income from Operations	72	6	8	0	37	6	1	7	57	35	0	6	2	76	93.2
Other Revenue		1	5	8		1	4	8	18		1	0	21		6.9
Net Income before Federal Income Tax	72	8	3	8	37	7	6	5	75						
Less Federal Income Tax Expense	13	2	0	9	5	6	6	4	86						
Net Income after Federal Income Tax	59	6	2	9	32	1	0	0	89						

17-3 APPLICATION PROBLEM (concluded)

2.

Vector Industries
Comparative Balance Sheet
December 31, 20-- and 20--

	Current Year				Prior Year				Increase (Decrease)							
									Amount	Percent						
ASSETS																
Current Assets:																
Cash	51	9	8	9	62	15	4	4	5	82	36	5	4	3	80	236.6
Petty Cash											2	0	0	0	00	66.7
Accounts Receivable (net)	16	4	8	9	18	13	1	9	8	18						
Merchandise Inventory	121	8	4	3	06	116	1	6	4	49						
Supplies—Office																
Supplies—Store																
Prepaid Insurance																
Notes Receivable	2	8	0	0	00	2	4	0	0	00	4	0	0	0	00	16.7
Interest Receivable	1	8	5	0	00	3	2	0	0	00	(1)	3	5	0	00	(42.2)
Interest Receivable																
Total Current Assets	196	4	1	7	86	151	6	3	4	49	44	7	8	3	37	29.5
Plant Assets:																
Office Equipment (net)	24	9	1	8	18	21	8	9	4	18	3	0	2	4	00	13.8
Store Equipment (net)	32	1	9	4	48	36	9	1	4	13	(4)	7	1	9	65	
Total Plant Assets	57	1	1	2	66	58	8	0	8	31	(1)	6	9	5	65	(2.9)
Total Assets	253	5	3	0	52	210	4	4	2	80	43	0	8	7	72	20.5
LIABILITIES																
Current Liabilities:																
Accounts Payable	10	8	0	8	04	18	4	8	6	17						
Sales Tax Payable	4	0	3	0	07	3	2	4	9	25						
Employee Income Tax Payable																
Social Security Tax Payable																
Medicare Tax Payable	2	3	1	9	18	2	1	0	8	18	2	1	1	0	00	10.0
Health Insurance Premiums Payable																
Retirement Benefits Payable	4	8	9	2	7	4	4	4	7	5	4	4	5	2		10.0
Unemployment Tax Payable—Federal	4	6	6	0	00	4	2	4	0	00	4	2	0	0		9.9
Unemployment Tax Payable—State	4	1	8	0	00	3	8	0	0	00	3	8	0	0		10.0
Federal Income Tax Payable	2	8	2	5	7	2	5	6	8	6	2	5	7	1		10.0
Dividends Payable	1	4	0	2	5	1	2	7	4	9	1	2	7	6		10.0
Federal Income Tax Payable	6	1	4	8	00	2	2	8	0	00	5	9	2	0	00	2,596.5
Dividends Payable	4	0	0	0	00	4	0	0	0	00						0.0
Total Liabilities	30	0	8	3	38	30	6	2	4	70	(5)	4	1	3	2	(1.8)
STOCKHOLDERS' EQUITY																
Capital Stock	50	0	0	0	00	50	0	0	0	00						0.0
Retained Earnings	173	4	4	7	14	129	8	1	8	10	43	6	2	9	04	33.6
Total Stockholders' Equity	223	4	4	7	14	179	8	1	8	10	43	6	2	9	04	24.3
Total Liabilities and Stockholders' Equity	253	5	3	0	52	210	4	4	2	80	43	0	8	7	72	20.5