Exercise 14-8
Beginning Accounts Receivable = $25,000
Beginning Inventory = $60,000
1. Gross Margin Percentage = Gross Margin ÷ Sales = $127,500 ÷ $420,000 = 30.4%
2. Current Ratio = Current Assets ÷ Current Liabilities = $115,000 ÷ $50,000 = 2.3
3. Acid-Test Ratio = (Cash + Marketable Securities + Accounts Receivable) ÷ Current Liabilities = ($6,500 + $0 + $35,000) ÷ $50,000 = 0.83
4. Debt-to-Equity Ratio = Total Liabilities ÷ Stockholders’ Equity = $130,000 ÷ $170,000 = 0.76

5. Average Collection Period = 365 ÷ Accounts Receivable Turnover
   Accounts Receivable Turnover = Credit Sales ÷ Average Accounts Receivable
   Average Accounts Receivable = (Beginning Accounts Receivable + Ending Accounts Receivable) ÷ 2 = ($25,000 + $35,000) ÷ 2 = $30,000
   Accounts Receivable Turnover = $420,000 ÷ $30,000 = 14 times
   Average Collection Period = 365 days ÷ 14 times = 26 days

6. Average Sales Period = 365 ÷ Inventory Turnover
   Inventory Turnover = Cost of Goods Sold ÷ Average Inventory
   Average Inventory = (Beginning Inventory + Ending Inventory) ÷ 2 = ($60,000 + $70,000) ÷ 2 = $65,000
   Inventory Turnover = $292,500 ÷ $65,000 = 4.5 times
   Average Sales Period = 365 days ÷ 4.5 times = 81 days

7. Times Interest Earned = Earnings before interest and income taxes ÷ Interest Expense = $38,000 ÷ $8,000 = 4.75

8. Book Value Per Share = Stockholders’ Equity ÷ Common Shares Outstanding = $170,000 ÷ 6,000* = $28.33
   *$30,000 ÷ $5 per share = 6,000 shares