

Consolidated Balance Sheets for New Venture
TABLE 8.2 Fitness Drinks, Inc. (all data in dollars)

Assets	December 31, 2006	December 31, 2005	December 31, 2004
Current assets			
Cash and cash equivalents	63,800	54,600	56,500
Accounts receivable, less allowance for doubtful accounts	39,600	48,900	50,200
Inventories	19,200	20,400	21,400
Total Current Assets	122,600	123,900	128,100
Property, plant, and equipment			
Land	260,000	160,000	160,000
Buildings and equipment	412,000	261,500	149,000
Total property, plant, and equipment	672,000	421,500	309,000
Less: accumulated depreciation	65,000	51,500	45,600
Net property, plant and equipment	607,000	370,000	263,400
Total Assets	729,600	493,900	391,500
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable	30,200	46,900	50,400
Accrued expenses	9,900	8,000	4,100
Total current liabilities	40,100	54,900	54,500
Long-term liabilities			
Long-term debt	249,500	130,000	111,000
Long-term liabilities	249,500	130,000	111,000
Total liabilities	289,600	184,900	165,500
Shareholders' equity			
Common stock (100,000 shares)	10,000	10,000	10,000
Retained earnings	430,000	299,000	216,000
Total shareholders' equity	440,000	309,000	226,000
Total liabilities and shareholders' equity	729,600	493,900	391,500

Current ratio: 3.06 in 2006

working capital: \$82,500

debt ratio

net income

→ did not pay dividends!

1. Sufficient short-term assets? → working cap. / current ratio
2. Financially sound overall? → debt ratio 39.7%

Consolidated Statement of Cash Flows for New Venture
TABLE 8.3 Fitness Drinks, Inc. (all data in dollars)

	December 31, 2006	December 31, 2005
<u>Cash flows from operating activities</u>		
Net income	131,000	83,000
Additions (sources of cash)		
Depreciation	13,500	5,900
Decreases in accounts receivable	9,300 ↓	1,300
Increase in accrued expenses	1,900	3,900
Decrease in inventory	1,200 ↑	1,000
Subtractions (uses of cash)		
Decrease in accounts payable	(16,700)	(3,500)
Total adjustments	9,200	8,600
Net cash provided by operating activities	140,200	91,600
<u>Cash flows from investing activities</u>		
Purchase of building and equipment	(250,500)	(112,500)
Net cash flows provided by investing activities	(250,500)	(112,500)
<u>Cash flows from financing activities</u>		
Proceeds from increase in long-term debt	119,500	19,000
Net cash flows provided by financing activities		19,000
Increase in cash	9,200	(1,900)
Cash and cash equivalents at the beginning of year	54,600	56,500
Cash and cash equivalents at the end of each year	63,800	54,600

financing investment from debt & earnings

TABLE 8.4 Ratio Analysis for New Venture Fitness Drinks, Inc.

Ratio	Formula	2006	2005	2004
Profitability ratios: associate the amount of income earned with the resources used to generate it				
Return on assets	ROA = net income/average total assets ^a	21.4%	18.7%	14.7%
Return on equity	ROE = net income/average shareholders' equity ^b	35.0%	31.0%	24.9%
Profit margin	Profit margin = net income/net sales	22.3%	17.9%	13.6%
Liquidity ratios: measure the extent to which a company can quickly liquidate assets to cover short-term liabilities → Balance sheet				
Current	Current assets/current liabilities	3.06	2.26	2.35
Quick	Quick assets/current liabilities	2.58	1.89	1.96
Overall financial stability ratio: measures the overall financial stability of a firm				
Debt	Total debt/total assets	39.7%	37.4%	42.3%
Debt to Equity	Total liabilities/owners' equity	65.8%	59.8%	73.2%

} Cash flow statement
Balance sheet

^a Average total assets = beginning total assets + ending total assets ÷ 2.

^b Average shareholders' equity = beginning shareholders' equity + ending shareholders' equity ÷ 2.

ROA 2006 $\frac{131,000}{((729.6 + 493.6) : 2)} = \frac{131}{611.6} = 0.214$

↑ from CF statement ↑ from Balance sheet

ROE 2006 $\frac{131}{((440 + 329) / 2)} = 0.3498$

Profit margin 2006 $\frac{131}{586.6} = 0.223$

from income statement

Pro Forma Income Statement for New Venture Fitness
TABLE 8.6 Drinks, Inc. (all data in dollars)

	2006 Actual	2007 Projected	2008 Projected
Net sales	586,600	821,200	1,026,500
Cost of sales	268,900	390,000	487,600
Gross profit	317,700	431,200	538,900
Operating expenses			
Selling, general, and administrative expense	117,800	205,300	256,600
Depreciation	13,500	18,500	22,500
Operating income	186,400	207,400	259,800
Other income			
Interest income	1,900	2,000	2,000
Interest expense	(15,000)	(17,500)	(17,000)
Other income (expense), net	10,900	20,000	20,000
Income before income taxes	184,200	211,900	264,800
Income tax expense	53,200	63,600	79,400
Net income	131,000	148,300	185,400
Earnings per share	1.31	1.48	1.85

Pro Forma Balance Sheets for New Venture Fitness Drinks,
TABLE 8.7 Inc. (all data in dollars) same as Table 8.2

Assets	December 31, 2006	2007 Projected	2008 Projected
Current assets			
Cash and cash equivalents	63,800	53,400	80,200
Accounts receivable, less allowance for doubtful accounts	39,600	57,500	71,900
Inventories	19,200	32,900	41,000
Total current assets	122,600	143,800	193,100
Property, plant, and equipment			
Land	260,000	260,000	360,000
Buildings and equipment	412,000	512,000	687,000
Total property, plant, and equipment	672,000	772,000	1,047,000
Less: accumulated depreciation	65,000	83,500	106,000
Net property, plant, and equipment	607,000	688,500	941,000
Total assets	729,600	832,300	1,134,100
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable	30,200	57,500	71,900
Accrued expenses	9,900	12,000	14,000
Total current liabilities	40,100	69,500	85,900
Long-term liabilities			
Long-term debt	249,500	174,500	274,500
Total long-term liabilities	249,500	174,500	274,500
Total liabilities	289,600	244,000	360,400
Shareholders' equity			
Common stock (100,000 shares)	10,000	10,000	10,000
Retained earnings	430,000	578,300	763,700
Total shareholders' equity	440,000	588,300	773,700
Total liabilities and shareholders' equity	729,600	832,300	1,134,100