

Accounting II

Financial Statement Project

Due: November 13, 2018

Worth 75 points

Instructions:

Complete the attached sheets using the annual report provided to you. You will use the financial statements and notes to the financial statements to find most of the answers.

The blank 2 column paper is to be used to prepare a vertical analysis income statement. Using the most recent year's data, copy the income statement as shown in the report. You do not have to include the earning per share data. Show all numbers as a percentage of sales. Round your percentages to one decimal place.

For the last page, calculate the financial measures listed. Use page 816 as a guide. All of the numbers for this page will come from the income statement and the balance sheet. Round your answer to one decimal place. Compare each of your company's measures to the industry average. If your company's measure is more favorable, write "F" in the Favorable/Unfavorable column. Otherwise, write a "U" if it's unfavorable.

Hints:

The income statement in your annual report may be called the Statement of Operations or Statement of Earnings

Fixed Assets are the same as property, plant, and equipment.

Cost of sales is the same as cost of merchandise sold.

If a liability is not listed as a current liability, then it is a long-term liability.

Company Name: Charlotte Rousse

1. Briefly describe your company and its operations

Charlotte Rousse is a women/teen clothing store. Selling textiles and different forms of clothes such as denim.

2. Who signed the report of the independent registered public accounting firm?

Ernst and Young LLP is the accounting firm. Mark A. Hoffman who is the President as well as Daniel Carter, the financial officer signed the report.

3. What type of stock is issued by this company? Briefly describe the stock (i.e. par value, number of shares authorized, and number of shares issued).

The company used common stock. The par value of 801. There were 100,000,000 authorized and 24, 878,050 total were issued. The closing price was \$31.23/share.

4. What is the title of the first 'note' to the financial statements?

Organization and Summary of Significant Accounting Policies

5. If your company has inventory, what method is used to account for inventory?

They use primarily the FIFO method, which determines cost of inventory.

6. How much is the Earnings per share (EPS)? Show amounts for basic and diluted earnings per share.

Basic-> \$1.11->\$22,560,110

Diluted-> \$1.01-> \$24,789,094

7. Describe your company's revenue recognition policy. (Look at the revenue recognition footnote)

Recognized at point of sale. Provided for impact of anticipated returns based on experience.

Income Statement-> Vertical Analysis of current year

Charlotte Rouse Holding Inc		
Income Statement Analysis		
For Year Ended Dec 31, 2006		
Net Sales	681,504,354	100%
Cost of Goods Sold	-491,664,618	72.1%
Gross Profits	189,839,736	27.9%
Selling, general, administrative expenses	130,802,240	19.2%
Operating Income	59,037,496	8.7%
Other Income (expense):		
Interest Income, net	2,857,754	.4%
Other charges, net	0269,293	-.04%
Total other Income	2,588,559	.4%
Income Before tax	61,626,055	9.0%
Income Tax	24,465,544	3.6%
Income from continual operations	37,160,511	5.5%
Loss on discount operations	12,022,565	1.8%
Net Income	25,137,946	3.7%

These were found simply by copying the income statement exactly in the report

Name of Company: Charlotte Rouse

Working Capital: \$97,343,579

<u>Ratio</u>	<u>Numerator</u>	<u>Denominator</u>	<u>Calculated Value</u>	<u>Industry Average</u>	<u>Favorable or (Unfavorable)</u>
Current Ratio	152,484,507	55,140,928	2.8	8.1	UF
Quick Ratio	98,412,999	55,140,928	1.8	2.3	UF
Accounts receivable turnover	681,504,354	7,278,304.5	93	38	F
Number of days' sales in receivables	7,278,304.50	1,867,135.22	3.9	2.8 days	UF
Inventory turnover	491,664,618	44,999,012	10.9	6.8	F
Number of days' sales in inventory	44,999,012	1,347,076.35	33	84 days	F
Fixed assets long term liabilities	177,577,999	97,923,445	1.8	20	UF
Liabilities to stockholder's equity	153,064,373	206,454,349	.7	14.9	F
Number of times interest charges earned	64,483,907	0	N/A	10	-
Ratio of net sales to assets	681,504,354	344,327,200	2	5.7	UF
Rate earned on total assets	25,137,946	344,327,200	8.1%	11.9%	UF
Rate earned on stockholder's equity	25,137,946	186,782,292	13.5%	21.2%	UF

****This company would be favorable due to its low liability rates and ratios of inventories as well as turnovers.****