Belmond, Inc.

Balance Sheet

**ASSETS**

Cash $ 16,550

Accounts receivable 9,600

Inventory 6,500

Total current assets $ 32,650

Buildings and equipment 122,000

Accumulated Depreciation 34,000

Net buildings and equipment $ 88,000

Total assets $120,650

# LIABILITIES AND EQUITY

Liabilities

Notes payable $ 600

## Accounts payable 4,800

Total current liabilities $ 5,400

Long-term debt 55,000

Total liabilities $ 60,400

Equity

Common stock $ 45,000

Retained earnings 15,250

Total equity $ 60,250

Total liabilities and equity $120,650

Belmond, Inc.

Income Statement

Sales $ 12,800

Cost of goods sold 5,750

Gross profits $ 7,050

General & admin expense $ 850

Depreciation expense 500

Total operating expense $ 1,350

Operating income (EBIT) $ 5,700

Interest expense 900

Earnings before taxes $ 4,800

Taxes 1,440

Net income $ 3,360

1. Net working capital = current assets – current debt = $32,650 - $5,400 = $27,250

Operating working capital = current assets – non-interest bearing current liabilities = $32,650 - $4,800 = $27,850

Debt ratio = total debt /total assets = $60,400/$120,650 = 0.50 or 50%

1. Common-sized income statement

|  |  |  |
| --- | --- | --- |
| Sales | $12,800 | 100.0% |
| Cost of Goods sold | 5,750 | 44.9% |
| Gross Profit | 7,050 | 55.1% |
| General & Admin expenses | 850 | 6.6% |
| Depreciation expense | 500 | 3.9% |
| Total operating expense | 1,350 | 10.5% |
| Operating income (EBIT) | 5,700 | 44.5% |
| Interest expense | 900 | 7.0% |
| Earnings before taxes | 4,800 | 37.5% |
| Taxes (40%) | 1,440 | 11.3% |
| Net Income | $3,360 | 26.3% |

Common-sized balance sheet

|  |  |  |
| --- | --- | --- |
| Cash | 16,550 | 13.7% |
| Accounts receivable | 9,600 | 8.0% |
| Inventory | 6,500 | 5.4% |
| Total current assets | 32,650 | 27.1% |
| Buildings and equipment | 122,000 | 101.1% |
| Accumulated Depreciation | 34,000 | -28.2% |
| Net buildings and equipment | 88,000 | 72.9% |
| Total assets | 120,650 | 100.0% |
|  |  |  |
| Accounts payable | 4,800 | 4.0% |
| Notes payable | 600 | 0.5% |
| Total current liabilities | 5,400 | 4.5% |
| Long-term debt | 55,000 | 45.6% |
| Total Liabilities | 60,400 | 50.1% |
| Common Stock | 45,000 | 37.3% |
| Retained earnings | 15,250 | 12.6% |
| Total equity | 60,250 | 49.9% |
| Total liabilities and equity | 120,650 | 100.0% |

To interpret the finding for the common-sized income statement, you want to look at the gross profits, operating profits, and net income as a percentage of sales. These are called “profit margins”, which tell management how they are doing in generating profits on sales.

For the common-sized balance sheet, you want to look at current assets and fixed assets as a percentage of total assets, to see where the firm is investing in assets on a relative basis. When looking at liabilities and equity, see how much of your financing comes from debt and how much from equity.

It is good to compare your firm’s numbers with a peer group.