

FINANCIAL ANALYSIS OF HAPPY DAZE CORPORATION

REQUIREMENTS

1. A coverpage will be prepared for this homework as shown in the class.
2. Each page after coverpage will have a page number.
3. Each table will be in a table format as seen in the text.
4. All the calculations will be implemented in Excel program and then all the tables will be converted into Winword program.
5. The pages that will be included are;
 - a. Coverpage
 - b. Income Statement
 - c. Balance Sheet
 - d. Financial Ratios
 - e. Formulas Used
 - f. Interpretations
6. For the interpretations, the results of current ratio, gross profit margin, return on total assets, return on equity, profit margin on sales and liability (or debt) ratios will be explained.

HAPPY DAZE CORPORATION

Income Statement (\$000)

Years	1989	1990	1991	1992	1993
REVENUES	33,000	35,893	42,555	52,108	62,319
Cost of Sales	22,841	24,407	29,972	38,412	47,719
GROSS MARGIN	?	?	?	?	?
Selling Expenses	3,214	3,975	4,113	4,675	4,896
Administrative Expenses	2,500	2,734	3,041	3,455	3,815
Other	640	530	785	905	1,054
TOTAL EXPENSES	?	?	?	?	?
OPERATING INCOME	?	?	?	?	?
Interest Expense	482	505	453	466	691
PRE—TAX INCOME	?	?	?	?	?
Income Taxes (35%)	?	?	?	?	?
NET PROFIT	?	?	?	?	?
Earnings per Share (EPS) (Dividend / share)	?	?	?	?	?

- Note: Number of outstanding shares is 33,000. 40% of Net Profit will be distributed to shareholders.

HAPPY DAZE CORPORATION
Balance Sheet (\$000)

Years	1989	1990	1991	1992	1993
	ASSETS				
CURRENT ASSETS:					
Cash	\$ 422	1,481	1,281	1,247	1,532
Accounts Receivable	3,626	3,702	4,783	6,377	7,476
Inventories	5,162	4,460	4,872	5,983	6,913
Other Current Assets	725	877	910	988	1,031
TOTAL CURRENT ASSETS:	?	?	?	?	?
FIXED ASSETS:					
Plant & Equipment	5,995	6,100	7,900	10,100	13,421
Accumulated Depreciation: Net Plant	5,995	6,100	7,900	10,100	13,421
Other	7,545	8,170	9,834	12,034	15,555
TOTAL FIXED ASSETS	?	?	?	?	?
TOTAL ASSETS	?	?	?	?	?
			L & O/E		
CURRENT LIABILITIES :					
Accounts Payable	3,654	2,890	3,187	4,671	6,200
Accrued Liabilities	1,020	842	1,234	1,538	1,844
Notes Payable	560	640	0	600	600
Short Term Debt	880	1,031	1,500	378	212
TOTAL CURRENT LIABILITIES	?	?	?	?	?
LONG TERM DEBT					
Notes Payable	640	0	0	1,200	600
Bonds	2,000	2,500	2,500	2,500	4000
Bank Debt	0	0	0	0	800
TOTAL LONG TERM DEBT	?	?	?	?	?
OTHER LIABILITIES:					
Deferred Income Tax	250	150	243	231	307
TOTAL LIABILITIES	?	?	?	?	?
EQUITY:					
Common Stock	1,200	1,200	1,200	1,200	1,200
Capital Surplus	2,150	2,150	2,150	2,150	2,150
Retained Earnings	5,126	7,287	9,666	12,161	14,594
TOTAL EQUITY	?	?	?	?	?
TOTAL LIABILITIES & OWNERS' EQUITY	?	?	?	?	?

**HAPPY DAZE CORPORATION
FINANCIAL RATIOS**

YEARS	1989	1990	1991	1992	1993	Average
Turnover Ratios Total Assets Fixed Assets Current Assets Receivables Inventory Payables						
Turnover - Days Total Assets Fixed Assets Current Assets Receivables Inventory Payables						
Leverage Liability/Assets Liability/Equity LT Debt/Equity						
Liquidity Working Capital Current Ratio Quick Ratio						
Coverage Interest						
Profitability Gross Margin Operating Income Income Before Tax Net Profit Operating Income/Assets Profit/Assets Profit/Equity						
Dupont Analysis Asset Turnover times ROS = ROI (ROA) times Leverage = ROE						

FINANCIAL RATIOS

1. Liquidity Ratios

Current Ratio = Current Assets / Current Liabilities

$$\text{Quick Ratio} = \frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}}$$

2. Leverage Ratios

$$\text{Debt Ratio} = \frac{\text{Total Debt}}{\text{Total Assets}}$$

$$\text{Debt-Equity Ratio} = \frac{\text{Long-Term Debt}}{\text{Stockholders' Equity}}$$

$$\text{Times Interest Earned Ratio} = \frac{\text{Earnings Before Taxes} + \text{Interest}}{\text{Interest Charges}}$$

$$\text{Fixed-Charges Coverage Ratios} = \frac{\text{Income Available For Meeting Fixed Charges}}{\text{Fixed Charges}}$$

3. Activity Ratios

$$\text{Inventory Turnover} = \frac{\text{Cost Of Goods Sold}}{\text{Average Inventory}}$$

$$\text{Average Collection Period, days} = \frac{\text{Average Accounts Receivable}}{\text{Average Credit Sales Per day}}$$

$$\text{Fixed Assets Turnover} = \frac{\text{Sales}}{\text{Fixed Assets}}$$

$$\text{Total Assets Turnover} = \frac{\text{Sales}}{\text{Total Assets}}$$

4. Profitability Ratios

$$\text{Gross Profit Margin, \%} = \frac{\text{Sales} - \text{Costs Of Goods Sold}}{\text{Sales}}$$

$$\text{Net Operating Margin, \%} = \frac{\text{Operating Income}}{\text{Sales}}$$

$$\text{Profit Margin On Sales, \%} = \frac{\text{Net Income}}{\text{Sales}}$$

$$\text{Return On Total Assets, \%} = \frac{\text{Net Income} + \text{Interest}}{\text{Total Assets}}$$

$$\text{Return On Equity, \%} = \frac{\text{Net Income}}{\text{Stockholders' Equity}}$$