Suggested Results for Business Sectors and Operating Cycles Exercise II

Business A is a wholesaler of fish. The company has high accounts receivable and inventory. The low gross profit is also typical of a wholesaler.

Business B is a cleaning and maintenance company. The company has little to no inventory, which is typical of a service company. The 100 percent gross profit is typical of a service company because there is no cost of goods sold.

Business C is a retailer of cars. The company has high inventory, low accounts receivable and high short term loans. The gross profit is also typical due to the cost of the inventory.

Business D is a manufacturer of mattresses. The company has a relatively even distribution of accounts receivable, inventory, and a higher level of fixed assets and long-term debt.

Business E is a retail drug store. The company has low accounts receivable and high inventory. The low level of fixed assets is also typical of a retailer who leases space.