

Chapter 2 Problem 7

- a. For the years 2005 – 2009, calculate Boeing's
 - i. Total liabilities-to-equity ratio
 - ii. Times interest earned ratio
 - iii. Times burden covered ratio
- b. What percentage decline in earnings before interest and taxes could Boeing have sustained in these years before failing to cover
 - i. Interest and principal repayment requirements,
 - ii. Interest, principal and common dividend payments?
- c. What do these calculations suggest about Boeing's financial leverage during this period?

ANNUAL BALANCE SHEET (\$ MILLIONS)

BOEING CO

	<u>Dec09</u>	<u>Dec08</u>	<u>Dec07</u>	<u>Dec06</u>	<u>Dec05</u>
ASSETS					
Cash & Short-Term Investments	11,223	3,279	9,308	6,386	5,966
Net Receivables	6,153	6,027	6,068	5,655	5,613
Inventories	16,933	15,612	9,563	8,105	7,940
Other Current Assets	966	1,046	2,341	2,837	2,449
Total Current Assets	35,275	25,964	27,280	22,983	21,968
Gross Plant, Property & Equipment	21,579	21,042	20,180	19,310	19,692
Accumulated Depreciation	12,795	12,280	11,915	11,635	11,272
Net Plant, Property & Equipment	8,784	8,762	8,265	7,675	8,420
Investments at Equity	974	942	1,085	964	84
Other Investments	5,522	6,243	9,803	11,641	12,407
Intangibles	7,196	6,332	5,174	4,745	2,799
Deferred Charges	-	-	-	-	13,251
Other Assets	4,302	5,536	7,379	3,786	1,129
TOTAL ASSETS	62,053	53,779	58,986	51,794	60,058
LIABILITIES					
Long Term Debt Due In One Year	707	560	762	1,381	1,189
Accounts Payable	7,096	5,871	5,714	5,643	5,124
Taxes Payable	182	41	253	670	556
Accrued Expenses	12,822	6,169	6,637	6,106	6,590
Other Current Liabilities	12,076	18,284	18,172	15,901	14,729
Total Current Liabilities	32,883	30,925	31,538	29,701	28,188
Long Term Debt	12,217	6,952	7,455	8,157	9,538
Deferred Taxes	-	-	1,190	-	2,067
Minority Interest	97	-	-	-	-
Other Liabilities	14,728	17,196	9,799	9,197	9,206
TOTAL LIABILITIES	59,925	55,073	49,982	47,055	48,999
EQUITY					
Common Stock	5,061	5,061	5,061	5,061	5,061
Capital Surplus	3,724	3,456	4,757	4,655	4,371
Retained Earnings	10,869	9,150	16,780	10,236	15,498
Less: Treasury Stock	17,526	18,961	17,594	15,213	13,871
TOTAL EQUITY	2,128	(1,294)	9,004	4,739	11,059
TOTAL LIABILITIES & EQUITY	62,053	53,779	58,986	51,794	60,058
Common Shares Outstanding	726.291	698.138	736.681	757.836	760.577

ANNUAL INCOME STATEMENT

	<u>Dec09</u>	<u>Dec08</u>	<u>Dec07</u>	<u>Dec06</u>	<u>Dec05</u>
Sales	68,281	60,909	66,387	61,530	54,845
Cost of Goods Sold	55,092	48,950	51,977	48,926	44,757
Gross Profit	13,189	11,959	14,410	12,604	10,088
Selling, General, & Administrative Exp.	9,870	6,852	7,381	7,428	6,433
Operating Income Before Deprec.	3,319	5,107	7,029	5,176	3,655
Depreciation, Depletion, & Amortization	1,273	1,179	1,130	1,158	1,092
Operating Profit	2,046	3,928	5,899	4,018	2,563
Interest Expense	604	524	608	657	713
Non-Operating Income/Expense	289	591	827	709	391
Special Items	-	-	-	(876)	578
Pretax Income	1,731	3,995	6,118	3,194	2,819
Total Income Taxes	396	1,341	2,060	988	257
Income Before Extraordinary Items & Discontinued Operations	1,335	2,654	4,058	2,206	2,562
Discontinued Operations	(23)	18	16	9	(7)