

E5-5. Preparing a Classified Balance Sheet

Campbell Soup Company is the world's leading maker and marketer of soup and sells other well-known brands of food in 160 countries. Presented here are the items listed on a simplified version of its recent balance sheet (dollars in millions) presented in alphabetical order:

Accounts payable	\$1,049	Other assets	\$283
Accounts receivable	575	Other current assets	80
Accrued expenses	693	Other current debt	1,333
Cash and cash equivalents	859	Other noncurrent liabilities	6,728
Common stock, \$0.0375 par value	406	Property, plant, and equipment, net	2,368
Intangible assets	7,336	Retained earnings	2,163
Inventories	871		

Required:

Prepare a classified consolidated balance sheet for Campbell Soup for the current year (ended July 31) using the categories presented in the chapter.

Campbell Soup Company	
Consolidated Balance Sheet	
July 31, Current Year	
(in millions)	
Assets	
Current assets	
Cash and cash equivalents	\$ 859
Accounts receivable	575
Inventories	871
Other current assets	80
Total current assets	2385
Property, plant, and equipment, net	2368
Intangible assets	7336
Other assets	283
Total assets	<u>\$ 12372</u>
Liabilities and Stockholders' Equity	
Current liabilities	
Accounts payable	\$ 1049
Accrued expenses	693
Other current debt	1333
Total current liabilities	3075
Other noncurrent liabilities	6728
Total liabilities	9803
Stockholders' equity	
Common stock, \$0.0375 par value	406

Retained earnings	2163
Total stockholders' equity	2569
Total liabilities and stockholders' equity	<u>\$ 12372</u>

E5-8. Preparing a Classified (Multiple-Step) Income Statement and Computing the Gross Profit Percentage

The following data were taken from the records of Township Corporation at December 31 of the current year:

Sales revenue	\$85,000
Gross profit	30,000
Selling (distribution) expense	7,000
Administrative expense	?
Pretax income	13,000
Income tax rate	35%
Shares of stock outstanding	2,500

Required:

Prepare a complete classified (multiple-step) income statement for the company (showing both gross profit and income from operations). Show all computations. (Hint: Set up the side captions or rows starting with sales revenue and ending with earnings per share; rely on the amounts and percentages given to infer missing values.) What is the gross profit percentage?

TOWNSHIP CORPORATION		
Income Statement		
For the Year Ended December 31, Current Year		
Sales revenue	Given	\$85,000
Cost of goods sold	\$85,000 - \$30,000	55,000
Gross profit	Given	30,000
Operating expenses:		
Selling expenses	Given	\$7,000
Administrative expense	\$17,000 - \$7,000	10,000
Total operating expenses	\$30,000 - \$13,000	17,000
Pretax income	Given	13,000
Income tax expense	\$13,000 x 35%	4,550
Net income	\$13,000 - \$4,550	<u>\$ 8,450</u>
Earnings per share	\$8,450 ÷ 2,500 shares	<u>\$3.38</u>

$$\text{Gross profit percentage} = \frac{\text{Gross profit}}{\text{Net sales}} = \frac{30,000}{85,000} = 0.353 \text{ (35.3\%)}$$

E5-17. Analyzing and Interpreting Return on Assets

The TJX Companies, Inc., which operates the T.J. Maxx, Marshalls, and HomeGoods chains, is the leading off-price apparel and home fashions retailer in the United States and worldwide. Presented here are selected recent income statement and balance sheet amounts (dollars in thousands).

	Current Year	Prior Year
Net sales	\$38,972,934	\$35,864,664
Net income	3,059,798	2,607,948
Average shareholders' equity	5,098,458	4,829,454
Average total assets	14,192,022	13,470,912

Required:

1. Compute ROA for the current and prior years and explain the meaning of the change.
2. Explain the major cause(s) of the change in ROA using ROA profit driver analysis.

Req. 1.

	Current Year	Prior Year
Net Income (given)	$\frac{\$3,059,798}{\$14,192,022} = 0.216$	$\frac{\$2,607,948}{\$13,470,912} = 0.194$
Average Total Assets (given)	\$14,192,022	\$13,470,912

The increase in ROA from 0.194 in the prior year to 0.216 in the current year means that the firm earned \$0.022 more for each \$1 of investment.

Req. 2.

ROA Analysis	Current Year	Prior Year
<u>Net Income</u>	$\frac{\$3,059,798}{\$38,972,934} = 0.079$	$\frac{\$2,607,948}{\$35,864,664} = 0.073$
Net Sales	\$38,972,934	\$35,864,664
x <u>Net Sales</u>	$\frac{\$38,972,934}{\$14,192,022} = 2.746$	$\frac{\$35,864,664}{\$13,470,912} = 2.662$
Average Total Assets	\$14,192,022	\$13,470,912
Return on Assets	0.189	0.203

The increase in ROA is caused by increase in both net profit margin and total asset turnover.