

**Question 1:**

An incomplete 2013 balance sheet for O’Keefe Industries is expressed below together with the following key financial data:

**O’Keefe Industries Balance Sheet  
December 31, 2013**

ASSETS		LIABILITIES AND STOCKHOLDERS' EQUITY	
Cash	\$ 30,000	Accounts payable	\$ 120,000
Marketable securities	25,000	Notes payable	
Account receivable	_____	Accruals	20,000
Inventories	_____	Total current liabilities	_____
Total current assets	_____	Long-term debt	_____
Net fixed assets	_____	Stockholders' equity	\$ 600,000
<b>Total assets</b>	<b>_____</b>	<b>Total liabilities and stockholders' equity</b>	<b>_____</b>

- (1) Sales totaled \$1,800,000.
- (2) The gross profit margin was 25%.
- (3) Inventory turnover was 6.0.
- (4) There are 360 days in the year.
- (5) The average collection period was 40 days.
- (6) The current ratio was 1.60.
- (7) The total asset turnover ratio was 1.20.
- (8) The debt ratio was 60%.
- (9) O’Keefe had common stocks outstanding at 150,000 shares with market price of \$5.15.
- (10) EBIT of O’Keefe was \$200,000, which resulted in net income of \$90,000.

1.1 Complete the 2013 balance sheet for O’Keefe Industries by using provided information.

*Note: Please fill your answer into the balance sheet above.*

1.2 Assume the company’s corporate tax was at 40% and cost of capital was 10%, calculate the following measures of shareholders’ wealth and provide the meaning.

- A) Market Value Added (MVA) and Market-to-Book ratio
- B) Economic Value Added (EVA)

**Question 2:**

Win Hom Railroad, a public transportation company, would like to form a complete Balance Sheet and Income Statement for the year end 2013. However, some of the entries were missing. The only available data were financial ratios which could help the finance department to work out.

**2013 INCOME STATEMENT (Unit: Million US\$)**

Net sales	
Cost of goods sold	
Selling, general, and administrative expenses	10
Depreciation	20
<b>Earnings before interest and taxes (EBIT)</b>	
Interest expense	
<b>Income before tax</b>	
Tax	
<b>Net income</b>	

**2013 BALANCE SHEET (Unit: Million US\$)**

	2013
<b>Assets</b>	
Cash and marketable securities	
Receivables	
Inventories	
<b><i>Total current assets</i></b>	
Net property, plant, and equipment	
<b>Total assets</b>	

<b>Liabilities and shareholders' equity</b>	
Accounts payable	25
Notes payable	30
<b><i>Total current liabilities</i></b>	
Long-term debt	
Shareholders' equity	
<b>Total liabilities and shareholders' equity</b>	<b>115</b>

2.1 Complete the 2013 Balance Sheet and Income Statement for Win Hom Railroad by using the financial ratios provided. Assume a 360-day year. Fill your answer into the Balance Sheet and the Income Statement on previous page.

<b>Ratios</b>	<b>2013 Win Hom Railroad</b>
Long-term debt ratio	0.20
Times interest earned	8.00
Current ratio	1.40
Quick ratio	1.00
Cash ratio	0.20
Return on assets	21.30%
Return on equity	66.22%
Inventory turnover	5.00
Average collection period	88.00 days

2.2 Financial Manager of Win Hom Railroad wanted to measure overall performance of the company. She wondered whether the benchmark should be BangChak Hospital, which is a company in health service industry, or its own performance of the previous year. How would you suggest? Why?

<b>Ratios</b>	<b>2013 Win Hom Railroad</b>	<b>2013 BangChak Hospital</b>	<b>2012 Win Hom Railroad</b>
Long-term debt ratio	0.20	0.40	0.30
Times interest earned	8.00	5.00	6.50
Current ratio	1.40	2.00	1.20
Quick ratio	1.00	0.90	0.85
Cash ratio	0.20	0.75	0.25
Return on assets	21.30%	25.00%	20.00%
Return on equity	66.22%	45.00%	50.00%
Inventory turnover	5.00	10.00	3.00
Average collection period	88.00 days	28.00 days	75.00 days

2.3 Summarize the company's overall performance compared with an appropriate benchmark you suggested from (2.2).

**Question 3:**

The key financial statements of Total Access Communication PLC. (DTAC) and Advanced Info Service PLC. (AIS) for the year ended December 31, 2013, are as follows.

<b>BALANCE SHEET</b> (Million Baht)	<b>DTAC</b> <b>2013</b>	<b>AIS</b> <b>2013</b>
Cash & Equivalent	5,472	16,831
Accounts receivable	10,351	10,264
Inventory	1,683	2,865
PP&E-net	15,120	35,922
Other fixed assets	72,428	45,490
<b>Total assets</b>	<b>105,054</b>	<b>111,372</b>
Accounts payable	28,190	11,718
ST debts & current portion	8,296	5,303
Long-term debt	23,164	15,355
Other long-term liabilities	4,029	5,287
<b>Total liabilities</b>	<b>72,334</b>	<b>65,480</b>
Paid-up capital	4,736	2,973
Share premium	23,543	22,372
Retained earnings	2,782	20,403
<b>Shareholder's equity</b>	<b>32,720</b>	<b>45,892</b>
<b>Total Liab.&amp;Shareholders' equity</b>	<b>105,054</b>	<b>111,372</b>

  

<b>INCOME STATEMENT</b> (Million Baht)	<b>DTAC</b> <b>2013</b>	<b>AIS</b> <b>2013</b>
Revenue	94,369	142,783
Cost of sales and services	(65,119)	(81,141)
<b>Gross profit</b>	<b>29,250</b>	<b>61,642</b>
Selling, general, and administration expenses	(13,630)	(14,847)
<b>EBIT</b>	<b>15,620</b>	<b>46,795</b>
Interest expense	(1,270)	(1,002)
Other income/exp.	335	871
<b>EBT</b>	<b>14,685</b>	<b>46,664</b>
Corporate tax	(2,888)	(10,008)
<b>After-tax net profit (loss)</b>	<b>11,797</b>	<b>36,656</b>

3.1 In 2013, DTAC had 2,400 million shares of common stocks outstanding with market price at 105.50 Baht. Assume DTAC's effective corporate tax was at 19.67% and cost of capital was 10%, calculate the following measures of shareholders' wealth of DTAC and provide the meaning.

- A) Market Value Added (MVA)
- B) Economic Value Added (EVA)

3.2 Use the preceding financial statements of DTAC to compute key financial ratios by completing the following table. **(10 Points)**

Ratio	AIS	DTAC
Current ratio	1.7602	
Quick ratio	1.5919	
Inventory turnover <sup>a</sup>	28.3215	
Average collection period <sup>a</sup>	25.8787	
Debt ratio (%)	58.7940	
Time interest earned ratio	46.7016	
Gross profit margin (%)	43.1718	
Net profit margin (%)	25.6725	
Return on total assets (%)	32.9131	
Return on equity (%)	79.8745	

<sup>a</sup> Based on a 360-day year.

3.3 Summarize overall financial condition of DTAC by comparing with AIS under each criterion. If you want to invest in either DTAC or AIS, which company should you choose?