

Income Statements of Your dream company

	Dream company 1	Dream company 2
Net Sales	\$ 200,000	\$ 200,000
Less: Cost of goods sold	110,000	110,000
Gross margin	90,000	90,000
Less: Total expenses	30,000	50,000
Net profit, pre-tax	60,000	40,000
Less: Taxes	27,000	18,000
Tax rate	45%	45%
Net profit after tax	33,000	22,000

$$\text{Gross margin \%} = \frac{\text{Gross margin}}{\text{Net sales}}$$

Balance of Your dream company

ASSETS		Dream company 1	Dream company 2
Current assets			
	Merchandise inventory	\$44,000	\$22,000
	Cash	2,000	0
	Other current assets	<u>3,000</u>	<u>2,500</u>
	Total current assets	49,000	24,500
Fixed asset		125,000	70,000
Total assets		\$174,000	\$94,500

LIABILITIES		Dream company 1	Dream company 2
Current liabilities			
	Accounts payable	\$44,000	\$30,000
	Notes payable	<u>7,000</u>	<u>5,000</u>
Total current liabilities		42,000	35,000
Long-term liabilities		10,000	\$12,500
Total liabilities		\$52,000	47,000

OWNERS' EQUITY	Dream company 1	Dream company 2
Owners' equity	\$122,000	\$47,500
Total liabilities and owners' equity	\$174,000	\$94,500

Ratio of Your dream company

$$\text{Total Expenses/Net Sales Ratio} = \frac{\text{Total Expenses}}{\text{Net Sales}}$$

$$\text{Net profit margin} = \frac{\text{Net profit}}{\text{Net Sales}}$$

$$\text{Inventory turnover} = \frac{\text{Net sales}}{\text{Average inventory}}$$

$$\text{Asset turnover} = \frac{\text{Net sales}}{\text{Total assets}}$$