inventory will still be charged off at $5 per unit. Also assume selling and administrative expense will be 5 percent of sales and depreciation will be unchanged. The tax rate is 30 percent. Compute aftertax income for 2011.

b. In part *a*, by what percent did aftertax income increase as a result of a 10 percent increase in the sales price? Explain why this impact took place.

c. Now assume that in 2012 the volume remains constant at 10,000 units, but the sales price decreases by 15 percent from its year 2011 level. Also, because of FIFO inventory policy, cost of goods sold reflects the inflationary conditions of the prior year and is $5.50 per unit. Further, assume selling and administrative expense will be 5 percent of sales and depreciation will be unchanged. The tax rate is 30 percent. Compute the aftertax income.

Using ratios to construct financial statements *(LO2)*

32. Construct the current assets section of the balance sheet from the following data. (Use cash as a plug figure after computing the other values.)

Yearly sales (credit)		$420,000
Inventory turnover		7 times
Current liabilities		$ 80,000
Current ratio		2
Average collection period		36 days
Current assets:	$	
Cash	_____	
Accounts receivable	_____	
Inventory	_____	
Total current assets	_____	

Using ratios to construct financial statements *(LO2)*

33. The Shannon Corporation has credit sales of $750,000. Given the following ratios, fill in the balance sheet at the bottom.

Total assets turnover	2.5 times
Cash to total assets	2.0 percent
Accounts receivable turnover	10.0 times
Inventory turnover	15.0 times
Current ratio	2.0 times
Debt to total assets	45.0 percent

SHANNON CORPORATION
Balance Sheet 201X

Assets		Liabilities and Stockholders' Equity	
Cash	_____	Current debt	_____
Accounts receivable	_____	Long-term debt	_____
Inventory	_____	Total debt	_____
Total current assets	_____	Net worth	_____
Fixed assets	_____	Total debt and stockholders' equity	_____
Total assets	_____		

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