B&L Landscapes, Inc. Mini Practice Part 3

Bill Graham and Larry Miller incorporated B&L Landscapes, Inc. on July 1, 2016. The business consists of lawn care and sprinkler system installations. In addition, they also sell two types of fertilizer.
At the end of the first year, Bill and Larry have asked you to analyze their first year of operations and given them some suggestions on areas that may need improvement as they move into their second year.

Below are the balance sheets for the date of incorporation and the end of the first year of operations.

B&L Landscapes, Inc.
Balance Sheet
July 1, 2016

Assets		
Current Assets		
Cash	$29,500	
Accounts Receivable (net)	3,500	
Prepaid Insurance	600	
Inventory	2,000	
Total Current Assets		$35,600
Property, Plant and Equipment		
Land	9,000	
Building	35,000	
Equipment	17,500	61,500
Total Assets		$97,100
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts Payable		$10,000
Long-Term Liabilities		
Notes Payable		45,000
Total Liabilities		$55,000
Stockholders' Equity		
Paid-in Capital		
Capital Stock		
5% Preferred stock, $100 par value, non-cumulative, non-participating, 5,000 shares authorized, 70 shares issued and outstanding		7,000
Common stock, $1 par value, 150,000 shares authorized, 35,100 shares issued and outstanding		35,100
Total Capital Stock		42,100
Retained Earnings		0
Total Stockholders' Equity		42,100
Total Liabilities and Stockholders' Equity		$97,100

B&L Landscapes, Inc.
Balance Sheet
June 30, 2017

Assets			
Current Assets			
Cash		$26,500	
Accounts Receivable (net)		9,000	
Prepaid Insurance		1,500	
Inventory		39,125	
Total Current Assets			$76,125
Property, Plant and Equipment			
Land		9,000	
Building	35,000		
Less Accumulated Depreciation	1,625	33,375	
Equipment	21,600		
Less Accumulated Depreciation	3,000	18,600	60,975
Total Assets			$137,100
Liabilities and Stockholders' Equity			
Current Liabilities			
Accounts Payable			$19,500
Long-Term Liabilities			
Notes Payable			45,000
Total Liabilities			$64,500
Stockholders' Equity			
Paid-in Capital			
Capital Stock			
5% Preferred stock, $100 par value, non-cumulative, non-participating, 5,000 shares authorized, 70 shares issued and outstanding			7,000
Common stock, $1 par value, 150,000 shares authorized, 35,100 shares issued and outstanding			35,100
Total Capital Stock			42,100
Retained Earnings			30,500
Total Stockholders' Equity			72,600
Total Liabilities and Stockholders' Equity			$137,100

Additional Information:
Net Income for the year ending June 30, 2017 was $32,500 and $2,000 was paid in dividends.
Net Sales for the year ending June 30, 2017 was $221,000.

Industry Averages – Landscaping Services

Assets	
Current assets	45%
Plant assets (net)	55%
Total assets	100%
Liabilities	
Current Liabilities	18%
Long-term liabilities	15%
Total liabilities	33%
Stockholders' Equity	
Common stock, $1 par	10%
Preferred stock, $100 par	20%
Retained earnings	37%
Total stockholders' equity	67%
Total liabilities and stockholders' equity	100%

Instructions:

1. Using the two balance sheets provided, prepare a horizontal and vertical analysis for the period ending June 30, 2017. You only need to complete one vertical analysis using the June 30, 2017 balance sheet values.
2. Compare the vertical analysis results with the industry average information provided and identify any areas that you believe merit further investigation, including why you would investigate them further and likely reasons for the results.
3. Calculate the following ratios for the company for the year ended June 30, 2017:
    1) Current Ratio
    2) Acid-test ratio
    3) Profit Margin
    4) Asset Turnover
    5) Return on Assets
    6) Debt to Assets Ratio