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**ASCM 632 Homework #1 – Option 1**

**You have been hired as the new logistics manager for the Jones Company. Executive management wants to understand where the company performance stands in terms of organization financial results. They come to you to figure out the ROA so they can understand how effective the logistics organization is in using the assets to generate profit. You have to present your report to the executive management team by the end of your third week in the company. Your report will address what the key components are of a SPM and you will create a SPM based on the below numbers.**

**Objectives:**

1. **To understand what a SPM is and what are the components of the SPM.**
2. **Be able to create a SPM based on a provide income statement and balance sheet.**
3. **Explain how the SPM can be used to make effective logistics decisions.**

**Instructions: Using the reading provided concerning Strategic Profit Models and the supplemental material, answer the below question and complete a Strategic Profit Model for Jones Company. Cite sources and provide a reference page as needed.**

https://www.boundless.com/finance/textbooks/boundless-finance-textbook/analyzing-financial-statements-3/the-dupont-equation-roe-roa-and-growth-44/the-dupont-equation-220-3900/

**What are the key components of the Strategic Profit Model? How can it be used to examine the effect of logistics decisions?**

**Use the 2012 income statement and balance sheet below to complete a Strategic Profit Model for Jones Company.**

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| **Income Statement 2012** | **Jones Company** |
| **Sales** |  | **$200,000** |
|  **Cost of Goods Sold** |  | **$130,000** |
| **Gross Margin** |  | **$ 70,000** |
|  **Transportation Cost** | **$6,000** |  |
|  **Warehousing Cost** | **$3,000** |  |
|  **Inventory Carrying Cost** | **$1,000** |  |
|  **Other Operating Costs** | **$30,000** |  |
|  **Total Operating Costs** | **$40,000** |  |
| **Earnings before interest and taxes**  |  |  **$30,000**  |
|  **Interest** |  | **$11,000** |
|  **Taxes** |  | **$6,000** |
| **Net Income** |  | **$13,000** |
| **Balance Sheet 2012** |  |  |
| **Assets** |  |  |
|  **Cash** |  | **$20,000** |
|  **Accounts Receivable** |  | **$35,000** |
|  **Inventory** |  | **$15,000** |
|  **Total Current Assets** |  | **$70,000** |
|  **Net Fixed Assets** |  | **$80,000** |
|  **Total Assets** |  | **$150,000** |
| **Liabilities** |  |  |
|  **Current Liabilities** |  | **$60,000** |
|  **Long-Term Debt** |  | **$30,000** |
|  **Total Liabilities** |  | **$90,000** |
| **Shareholder’s Equity** |  | **$60,000** |
| **Total Liabilities and Equity** |  | **$150,000** |