



The Proof is in the Package...

Ken Harper Gourmet
Yeast Company

Memo

To: Ken Harper, President
From: Dave Campbell, CFO & Investor
CC: Chris Kwan & Mia Tipton, Investors
Date: June 9, 2003, 1996
Re: 1995 – Preliminary Year-end Numbers

Preliminary Actual Results for the year-ended 12/31/95

Listed below are the preliminary numbers for 1995. I have my grandchildren this week-end so I will not be able to pull the financial statements together. I know you have some sharp 1C students. Could you have them prepare the income statement and perform the required analysis? Thanks...

- Sales for the year 32,000 units
- Average sales price..... \$13.00/unit
- Production..... 31,000 units
- Materials:
 - Purchased 46,000 lbs
 - Average purchase price..... \$2.10/lbs
 - Used in production 45,000 lbs
- Direct labor:
 - Direct labor hours..... 16,000 hours
 - Average cost per hour \$5.50/hour
- Actual overhead:
 - Variable \$25,250
 - Fixed..... \$60,350

- Selling, administrative, & general expenses.....\$54,550
- Income taxes expense.....\$22,475

Required:

1. Prepare a sales analysis. (Use the one prepared in the "Variance Analysis for 1994 as a guide.) Make comments on your findings.
2. Prepare variance analysis for the following items: (Use the ones prepared in the "Variance Analysis for 1994 as a guide.) Make general comments concerning your findings.
 - a. Material,
 - b. Labor,
 - c. Variable overhead,
 - d. Fixed overhead.
3. Prepare a multiple-step income statement. (Use the 1994 financial statements as a model.) Common-size this statement by adding a column with the percentages. Make sure you include your comments.
4. Prepare a Contribution Margin format income statement. (Use the 1994 financial statements as a model.) Include you comments on your work.
5. Prepare a flexible budget for the actual production of 31,000 units. Additionally, compare this budget to the income statement you prepared in #4 above. Be sure to include comments on your findings. (Use the 1994 financial statements as your guide.)
6. Compute the following ratios: (Add appropriate comments were needed.)
 - a. Gross Profit Margin,
 - b. Profit Margin,
 - c. Return on Equity,
 - d. Return on Investment using the Dupont method, and
 - e. Residual income using a minimum return of 6% on net assets.

Note to students... Now think... There must be an easy way of doing this besides cheating... Use Excel, cut and paste, and formulas... It sounds like a lot but its not... Break a leg (good luck)... Remember to turn in original work...