

Calculating and Interpreting Financial Ratios Project

Using spreadsheet software and the financial statements below, prepare a vertical and horizontal analysis for Georgia First, Incorporated. In addition calculate the following ratios for 2007 and 2008:

- Liquidity
 - Current Ratio
 - Quick Ratio
 - Working Capital
- Profitability
 - Gross Profit Margin
 - Operating Profit Margin
 - Net Profit Margin
- Financial Leverage
 - Total Debt to Assets
 - Long-Term Debt to Assets
 - Total Debt to Equity

Once you have completed all of your ratios, write a short summary of what you can tell about this company by this analysis. Be sure to address the company's liquidity, profitability, and financial leverage. Try to use information from your vertical and horizontal analysis to back up your points.

Georgia First, Incorporated CONSOLIDATED BALANCE SHEETS December 31, 2008

	2008	2007
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 11,875	\$ 9,352
Short-term investments	12,615	6,034
Accounts receivable, less allowances for doubtful accounts	2,422	1,637
Inventories	509	346
Deferred tax assets	1,447	782
Other current assets	5,822	3,805
Total current assets	34,690	21,956
Property, plant, and equipment, net	2,455	1,832
Goodwill	207	38
Acquired intangible assets, net	285	299
Other assets	1,935	1,222
Total assets	\$ 39,572	\$ 25,347
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 5,520	\$ 4,970
Accrued expenses	8,572	4,310
Total current liabilities	14,092	9,280
Non-current liabilities	4,450	1,535
Total liabilities	18,542	10,815
Commitments and contingencies		
Shareholders' equity:		
Common stock, no par value; 1,800,000,000 shares authorized; 888,325,973 and 872,328,972 shares issued and outstanding, respectively	7,177	5,368
Retained earnings	13,845	9,101
Accumulated other comprehensive income	8	63
Total shareholders' equity	21,030	14,532
Total liabilities and shareholders' equity	\$ 39,572	\$ 25,347

Georgia First, Incorporated
CONSOLIDATED INCOME STATEMENTS
For the Year Ended December 31, 2008

Three fiscal years	2008	2007	2006
Net sales	\$ 32,479	\$ 24,006	\$ 19,315
Cost of sales (1)	21,334	15,852	13,717
Gross margin	11,145	8,154	5,598
Operating expenses:			
Research and development (1)	1,109	782	712
Selling, general, and administrative (1)	3,761	2,963	2,433
Total operating expenses	4,870	3,745	3,145
Operating income	6,275	4,409	2,453
Other income and expense	620	599	365
Income before provision for income taxes	6,895	5,008	2,818
Provision for income taxes	2,061	1,512	829
Net income	\$ 4,834	\$ 3,496	\$ 1,989
Earnings per common share:			
Basic	\$ 5.48	\$ 4.04	\$ 2.36
Diluted	\$ 5.36	\$ 3.93	\$ 2.27
Shares used in computing earnings per share:			
Basic	881,592	864,595	844,058
Diluted	902,139	889,292	877,526

(1) Includes stock-based compensation expense as follows:

Cost of sales	\$ 80	\$ 35	\$ 21
Research and development	\$ 185	\$ 77	\$ 53
Selling, general, and administrative	\$ 251	\$ 130	\$ 89