

Student Name -

Accounting II
Chapter 12 - Analyzing Financial Statements (financial statement preparation, ratio analysis, vertical and horizontal analysis)

After completing Prob 12-10 and 12-11 in MS Excel, type up 2 memos – see instructions below.

1. **Write a memo** - analyzing the financial data
 - a. **Role**: accountant
 - b. **Audience**: Board of Directors
 - c. **Format**: memo (typed, use MS Word templates)
 - d. **Topic**: Analysis of Westside Greenhouse Financial Information 2004-05 (see below for items needed to be analyzed)
 - e. **Strong verb**: Explain in detail (be realistic and reasonable)

Analyze the following 5 items using the financial information:

- Why P, P & E decreased
- Why cash increased
- Why selling expenses increased
- Why net income nearly doubled
- How to increase the merchandise inventory turnover rate and decrease the # of days merchandise is in stock

2. **Write a newspaper editorial** – analyze either prepaid expenses or federal income tax expense

Role: prepaid expenses

Audience: other current assets

Format: Newspaper editorial (1/2 page, double-spaced with title & graphic)

Topic: The purpose of prepaid expenses and why it is listed on the Balance Sheet

Strong verb: Describe (be precise and creative)

You represent the prepaid expenses, writing a newspaper editorial to the other current assets. You want to express who you are, what you are used for, why you are included on the Balance Sheet as an asset, why you increased from prior year and most importantly to express your disappointment that you are listed last among the other current assets.

OR

Role: federal income tax expense

Audience: operating expenses

Format: Newspaper editorial (1/2 page, double-spaced with title & graphic)

Topic: The purpose of federal income tax expense

Strong verb: Describe (be precise and creative)

You represent the federal income tax expense account, writing a newspaper editorial to the operating expenses. You want to express who you are, why you exist, why you are included on the Income Statement, why you increased from prior year and most importantly to express why you think you are so special to be listed separately from the other expenses.

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