

**QUESTION**  
 The following information is taken from the financial statements of ABC Company for the year ended December 31, 2018. The company's policy is to use the FIFO method for inventory valuation. The beginning inventory was \$100,000 and the ending inventory was \$120,000. The cost of goods sold was \$800,000. The net sales were \$1,000,000. The gross profit was \$200,000. The operating expenses were \$150,000. The net income was \$50,000. The tax expense was \$10,000. The net income after tax was \$40,000. The company has 100,000 shares of common stock outstanding. The market price of the common stock is \$10 per share. The book value of the common stock is \$5 per share. The company's debt to equity ratio is 1.5 to 1. The company's current ratio is 1.2 to 1. The company's return on assets is 5%. The company's return on equity is 10%. The company's operating leverage is 2.0. The company's financial leverage is 1.5. The company's total leverage is 3.0. The company's operating margin is 20%. The company's profit margin is 4%. The company's asset turnover is 5.0. The company's equity turnover is 2.0. The company's return on capital employed is 15%. The company's return on investment is 10%. The company's return on assets is 5%. The company's return on equity is 10%. The company's operating leverage is 2.0. The company's financial leverage is 1.5. The company's total leverage is 3.0. The company's operating margin is 20%. The company's profit margin is 4%. The company's asset turnover is 5.0. The company's equity turnover is 2.0. The company's return on capital employed is 15%. The company's return on investment is 10%.

ABC COMPANY		
Income Statement		
	2018	2017
Sales	\$1,000,000	\$900,000
Cost of goods sold	800,000	750,000
Gross profit	200,000	150,000
Operating expenses	150,000	140,000
Operating income	50,000	10,000
Interest expense	10,000	10,000
Income before taxes	40,000	0
Tax expense	10,000	0
Net income	\$30,000	\$0

