Class 1 Key Concepts: Basic Financial Statement Relationships

Sara, Inc. reports the following results for fiscal years 2011 and 2010 (amounts in millions):

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenues</td>
<td>$8,776.9</td>
<td>$9,553.1</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$5,247.7</td>
<td>$5,397.4</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$8,325.5</td>
<td>$9,153.5</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>$1,913.1</td>
<td>$2,135.8</td>
</tr>
</tbody>
</table>

Compute each of the following:

1. Net income for fiscal years (a) 2011 and (b) 2010.
2. Total owners’ equity at the end of (a) 2011 and (b) 2010.
3. Dollar amount of increase (decrease) in total revenues from 2010 to 2011.
4. Percentage increase (decrease) in total revenues from 2010 to 2011.
5. Dollar amount of increase (decrease) in total expenses from 2010 to 2011.
6. Percentage increase (decrease) in total expenses from 2010 to 2011.
7. Dollar amount of increase (decrease) in net income from 2010 to 2011.
8. Percentage increase (decrease) in net income from 2010 to 2011.
9. Dollar amount of increase (decrease) in total assets from 2010 to 2011.
10. Percentage increase (decrease) in total assets from 2010 to 2011.
11. Net income as a percent of total revenues for (a) 2011 and (b) 2010.
12. Is change in net income percent from 2010 to 2011 in #11 favorable or unfavorable?
13. Total liabilities as a percent of total assets for (a) 2011 and (b) 2010.
14. Is change in total liability percent from 2010 to 2011 in #13 favorable or unfavorable?
Answers to Class 1 Review Quiz:

1. Net income for fiscal years (a) 2011 $451.4 and (b) 2010 $399.6.
2. Total owners’ equity at the end of (a) 2011 $3,334.6 and (b) 2010 $3,261.6.
3. Dollar amount of increase (decrease) in total revenues from 2010 to 2011 ($776.2).
4. Percentage increase (decrease) in total revenues from 2010 to 2011 (8.1%).
5. Dollar amount of increase (decrease) in total expenses from 2010 to 2011 ($828.0).
6. Percentage increase (decrease) in total expenses from 2010 to 2011 (9.0%).
7. Dollar amount of increase (decrease) in net income from 2010 to 2011 $51.8.
8. Percentage increase (decrease) in net income from 2010 to 2011 13.0%.
9. Dollar amount of increase (decrease) in total assets from 2010 to 2011 ($149.7).
10. Percentage increase (decrease) in total assets from 2010 to 2011 (2.8%).
11. Net income as a percent of total revenues for (a) 2011 5.1% and (b) 2010 4.2%.
12. Is change in net income percent from 2010 to 2011 in #11 favorable or unfavorable? Favorable
13. Total liabilities as a percent of total assets for (a) 2011 36.5% and (b) 2011 39.6%.
14. Is change in total liability percent from 2010 to 2011 in #13 favorable or unfavorable? Favorable