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**Optional Extra Credit Assignment Instructions**

1. **Answer the following Questions, Exercises, and Problems based on Chapter 16 (Financial Statement Analysis) of the Garrison 18e text.**
2. **The criteria used to allocate points to this assignment are:**
   1. **Completion**
   2. **Neatness, clear labeling, and demonstration of effort**
3. **Based on my strict discretion:**
   1. **40 points will be earned if both criteria are fully met.**
   2. **20 points will be earned if the criteria are substantially (but not fully) met.**
   3. **0 points will be earned if the criteria are not substantially met.**
4. **Points earned will be added only to the numerator (not the denominator) of your total point percentage in the course. Mathematically, this is to your advantage (as opposed to also adding the 40 points possible to your denominator).**
5. **A hard copy of this assignment is due and should be submitted in class on the day of the final exam.**
6. **There is no penalty for not doing this assignment. It is completely optional.**
7. **All answers must originate from the individual student. No copying, collaboration, answer borrowing, or consulting with others is allowed.**

**Now go to Pages 2-11 of this document 🡪**

**Questions**

**16-1** Distinguish between horizontal and vertical analysis of financial statement data.

**16-2** What is the purpose for examining trends in a company's financial ratios and other data? What other kinds of comparisons might an manager make?

**16-3** Assume two companies in the same industry have equal earnings. Why might these companies have different price-earnings ratios? If a company has a price-earnings ratio of 20 and reports earnings per share for the current year of $4, what is its market price per share?

**16-4** Would you expect a company in a rapidly growing technological industry to have a high or low dividend payout ratio?

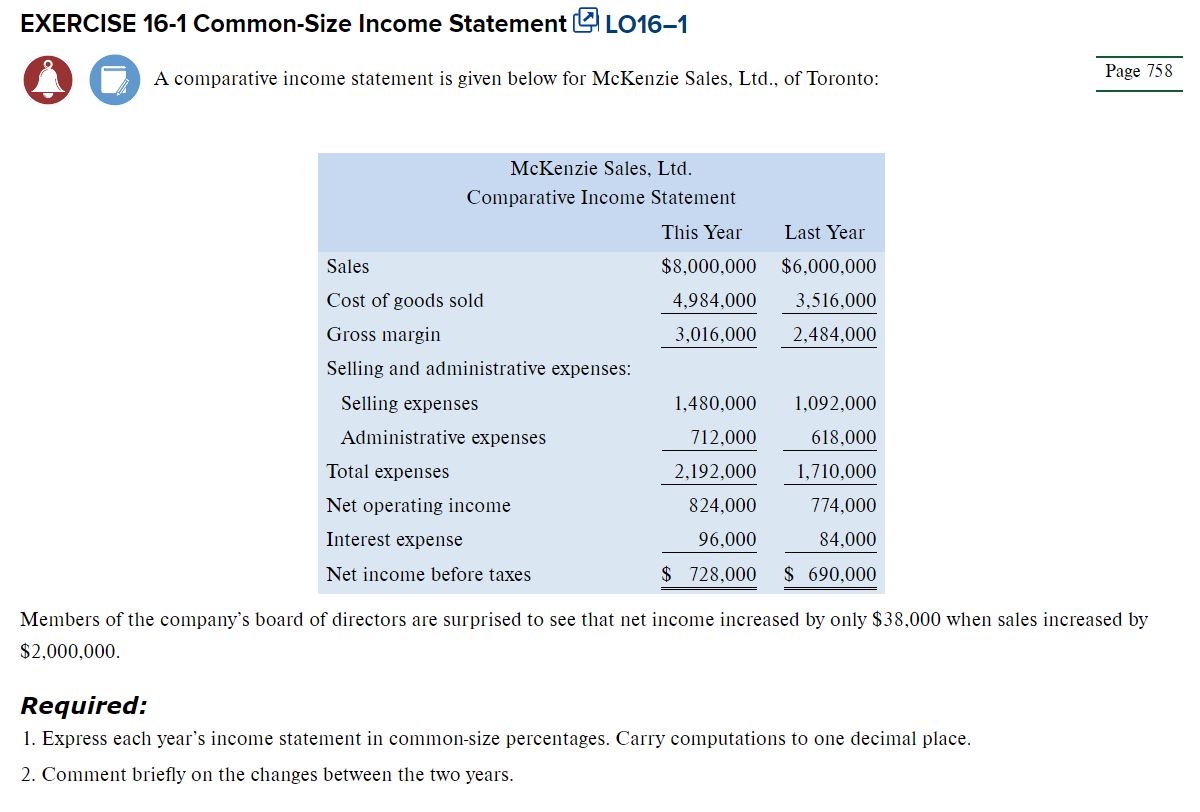
**16-5** What does *dividend yield* mean?

**16-6** What is *financial leverage*?

**16-7** The president of a plastics company said, “We haven't had a dollar of interest-paying debt in over 10 years. Not many companies can say that.” As a stockholder in this company, how would you feel about its policy of not taking on debt?

**16-8** Is a company’s stock overpriced if its market price per share exceeds its book value per share?

**16-9** Why might a bank decline a loan to a company with a seemingly adequate current ratio of 2.0?

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