

Summary of Learning Goals

Knowledge and Conceptual Understanding

Distinguish absolute and relative numbers.

Thinking and Other Skills

Calculate relative numbers (percentage shares) using information found on the income statement and balance sheet.

Attitudes, Values, Dispositions and Habits of Mind

Use the relative number as the basis of an informed opinion. Exhibit a readiness to use quantitative analysis (specifically financial analysis) as a tool to make judgments in "real world" situations.

Assessment

Ridgeway Power Company produced 100,000 megawatts of electricity and emitted 20,000 megatons of carbon dioxide in 2013. Porter Power Company produced 325,000 megawatts of electricity and emitted 45,000 megatons of carbon dioxide during the same period. Your imaginary classmate Sam says Porter was worse for the environment than Ridgeway in 2013 since it emitted more carbon dioxide.

1.

(a) In one or two sentences, use an absolute number to **support** Sam's claim.

(b) In one or two sentences, use a relative number to **refute** Sam's claim.

2. Based on the attached financial statements, calculate **debt-to-assets** and **times interest earned** for Ridgeway and Porter in 2013.

3. If you were a wealthy businessperson, would you prefer to make a \$1,000,000, 5-year loan to Porter or Ridgeway? Assume the loan would pay you annual interest of 12%. Justify your answer.