# Instructions:

* Please read the attached case information carefully and answer all questions below. Please write concisely and clearly, using your best composition skills (type all your responses).

# Requirements

1. Based on the financial information provided on the next page, what is Leggett & Platt, Inc.’s gross amount of receivables at the end of 2016 and 2015?
2. Compute the common-size amount for gross accounts receivable, for both years (to common-size a balance sheet item, it is expressed as a percentage of total assets). Interpret the year-over-year change in this ratio.
3. Compute the allowance for doubtful accounts to gross accounts receivable, for both years. Interpret the year-over-year change in this ratio.
4. Based on the ratios you calculated, form an opinion about the quality of the company’s accounts receivable.
5. How can companies use accounts receivables to shift income between financial accounting periods? Explain why managers engage in this sort of activity. Discuss how companies would justify such income shifting choices to the external auditor.

Leggett & Platt, Inc. reported net sales of $3,749.9 million in 2016 and $3,917.2 million in 2015. The asset side of the balance sheet follows. Use this information to answer the required.

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| --- | --- | --- |
| LEGGETT & PLATT, INCORPORATEDConsolidated Balance Sheets (excerpts) |  |  |
| (in millions) | Dec. 31, 2016 | Dec. 31, 2015 |
| Current Assets |  |  |
| Cash and cash equivalents | $281.9 | $ 253.2 |
| Trade receivables, net of allowance $7.2 and $9.3, at December 31, 2016 and 2015, respectively | 450.8 | 448.7 |
| Other receivables, net | 35.8 | 71.5 |
| Total receivables, net | 486.6 | 520.2 |
| Inventories |  |  |
| Finished goods | 255.7 | 242.8 |
| Work in process | 52.6 | 42.6 |
| Raw materials and supplies | 245.1 | 241.8 |
| LIFO reserve | (33.8) | (22.6) |
| Total inventories, net | 519.6 | 504.6 |
| Prepaid expenses and other current assets | 36.8 | 33.2 |
| Total current assets | 1,324.9 | 1,311.2 |
| Property, plant and equipment – at cost |  |  |
| Machinery and equipment | 1,133.8 | 1,099.1 |
| Buildings and other | 559.4 | 548.2 |
| Land | 37.7 | 40.0 |
| Total property, plant and equipment | 1,730.9 | 1,687.3 |
| Less accumulated depreciation | (1,165.4) | (1,146.5) |
| Net property, plant and equipment | 565.5 | 540.8 |
| Other Assets |  |  |
| Goodwill | 791.3 | 806.1 |
| Other intangibles, less accumulated amortization of $137.0 and $139.8 at December 31, 2016 and 2015, respectively | 164.9 | 188.4 |
| Sundry | 137.5 | 117.2 |
| Total other assets | 1,093.7 | 1,111.7 |
| Total assets | $2,984.1 | $2,963.7 |