**Selected Financial Data**

We have provided a spreadsheet with three worksheets containing Dirt Bikes financial data for you to review:

* Income statement and summary balance sheet data from 2004-2006
* Annual sales of each Dirt Bikes model between 2002 and 2006
* Total domestic vs. international motorcycle sales between 2002 and 2006

The income statement and balance sheet are the primary financial statements used by management to determine how well a firm is performing. The income statement, also called an operating statement or profit and loss statement, shows the income and expenses of a firm over a period of time, such as a year, a quarter, or a month. The gross profit represents the difference between the firm’s revenue (or sales) and the cost of goods sold. The gross margin is calculated by dividing gross profit by revenues (or sales). Net profit (or loss) is calculated by subtracting all other expenses, including operating expenses and income taxes from gross profit. Operating expenses are all business costs (such as expenditures for sales and marketing, general and administrative expenditures, and depreciation) other than those included in the cost of goods sold. Net margins are calculated by dividing net profit (or loss) by revenues (or sales).

A balance sheet provides a snapshot of a company’s financial assets and liabilities on a given date, usually the close of an accounting period. It lists what material and intangible assets the business owns and what money the business owes either to its creditors (liabilities) or to its owners (shareholders’ equity, also known as net worth). We have included here are only the most important pieces of balance sheet data for you to review. At any given time a business’s assets equals the sum of its liabilities plus its net worth. Current assets include cash, securities, accounts receivable, or other investments that are likely to be converted into cash within one year. Current liabilities are debts that are due within one year. Long-term debt consists of liabilities that are not due until after a year or more. If too much debt has been used to finance the firm’s operations, problems may arise in meeting future interest payments and repaying outstanding loans.

By examining a series of financial statements one can identify and analyze trends in the financial strength of a business. When examining Dirt Bikes’ income statement and balance sheet data, pay special attention to the company’s three-year trends in revenue (sales), costs of goods sold, gross margins, operating expenses, and net income (or loss). Pay attention to whether the company’s short and long-term liabilities are growing and whether they exceed assets. If a company has more current assets than current liabilities, it is a sign that it probably has enough working capital to fund investments in new equipment or information systems.

The two other spreadsheets present motorcycle shipment data between 2002 and 2006, which can be used to gauge motorcycle sales. When examining these spreadsheets, pay attention to the trends in sales. This includes the sales trends for each product Dirt Bikes sells, overall sales trends, and the proportion of international to domestic sales.