

CCA INDUSTRIES INC
Form 10-Q
April 12, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10 Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended February 29, 2012

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 1-31643

CCA Industries Inc.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

04-2795439
(IRS Employer

Identification No.)

200 Murray Hill Parkway

East Rutherford, NJ 07073

(Address of principal executive offices)

(201) 330-1400

(Registrant's telephone number, including area code)

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act (Check one).

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of February 29, 2012 there were (i) 6,086,740 shares of the issuer's common stock, par value \$0.01, outstanding; and (ii) 967,702 shares of the issuer's Class A common stock, par value \$0.01, outstanding.

CCA INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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CCA INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS

| | February 29, 2012 (Unaudited) | November 30, 2011 |
|---|-------------------------------------|----------------------|
| Current Assets | | |
| Cash and cash equivalents | \$ 4,894,470 | \$ 7,699,615 |
| Short-term investments and marketable securities | 2,201,428 | 2,361,996 |
| Accounts receivable, net of allowances of \$1,004,425 and \$997,833, respectively | 10,201,475 | 7,743,601 |
| Inventories, net of reserve for inventory obsolescence of \$857,813 and \$892,226, respectively | 11,285,642 | 9,460,408 |
| Prepaid expenses and sundry receivables | 952,091 | 947,087 |
| Prepaid and refundable income taxes | 706,490 | 718,828 |
| Deferred income taxes | 1,463,856 | 1,738,949 |
| Total Current Assets | 31,705,452 | 30,670,484 |
| Property and Equipment, net of accumulated depreciation and amortization | 509,334 | 526,100 |
| Intangible Assets, net of accumulated amortization | 673,002 | 673,117 |
| Other Assets | | |
| Marketable securities | 3,157,512 | 2,983,026 |
| Other | 52,800 | 52,800 |
| Total Other Assets | 3,210,312 | 3,035,826 |
| Total Assets | \$ 36,098,100 | \$ 34,905,527 |

See Notes to Unaudited Consolidated Financial Statements.

CCA INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

LIABILITIES AND SHAREHOLDERS EQUITY

| | February 29, 2012 (Unaudited) | November 30, 2011 |
|---|-------------------------------------|----------------------|
| Current Liabilities | | |
| Accounts payable and accrued liabilities | \$ 10,135,769 | \$ 8,566,544 |
| Capitalized lease obligation - current portion | 5,301 | 5,577 |
| Income taxes payable | 23,979 | 47,232 |
| Dividends payable | 493,811 | 493,811 |
| Total Current Liabilities | 10,658,860 | 9,113,164 |
| Deferred tax liability | 71,298 | 182,339 |
| Capitalized lease obligations-long term | 797 | 1,973 |
| Total Liabilities | 10,730,955 | 9,297,476 |
| Shareholders' Equity | | |
| Preferred stock, \$1.00 par; authorized 20,000,000 shares; none issued | | |
| Common stock, \$.01 par; authorized 15,000,000 shares; 6,086,740 shares issued and outstanding | 60,867 | 60,867 |
| Class A common stock, \$.01 par; authorized 5,000,000 shares; 967,702 shares issued and outstanding | 9,677 | 9,677 |
| Additional paid-in capital | 2,329,049 | 2,329,049 |
| Retained earnings | 22,916,651 | 23,322,928 |
| Accumulated Other Comprehensive Income (Loss), net of tax | 50,901 | (114,470) |
| Total Shareholders' Equity | 25,367,145 | 25,608,051 |
| Total Liabilities and Shareholders' Equity | \$ 36,098,100 | \$ 34,905,527 |

See Notes to Unaudited Consolidated Financial Statements.

CCA INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

| | Three Months Ended | |
|--|----------------------|----------------------|
| | February 29, 2012 | February 28, 2011 |
| Revenues | | |
| Sales of health and beauty aid products Net | \$ 13,531,070 | \$ 12,439,828 |
| Other income | 157,177 | 160,192 |
| Total Revenues | 13,688,247 | 12,600,020 |
| Costs and Expenses | | |
| Costs of sales | 6,008,346 | 4,730,374 |
| Selling, general and administrative expenses | 5,284,653 | 5,461,283 |
| Advertising, cooperative and promotional expenses | 2,083,592 | 1,657,803 |
| Research and development | 185,267 | 139,470 |
| Bad debt (recovery) expense | (28,164) | 14,130 |
| Interest expense | 107 | 344 |
| Total Costs and Expenses | 13,533,801 | 12,003,404 |
| Income before Provision for Income Taxes | 154,446 | 596,616 |
| Provision for Income Taxes | 66,912 | 253,511 |
| Net Income | \$ 87,534 | \$ 343,105 |
| Earnings per Share: | | |
| Basic | \$ 0.01 | \$ 0.05 |
| Diluted | \$ 0.01 | \$ 0.05 |
| Weighted Average Common Shares Outstanding: | | |
| Basic | 7,054,442 | 7,054,442 |
| Diluted | 7,054,442 | 7,054,442 |
| Cash dividends declared per common share | \$ 0.07 | \$ 0.07 |

See Notes to Unaudited Consolidated Financial Statements.

CCA INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(UNAUDITED)

| | Three Months Ended | |
|--|----------------------|----------------------|
| | February 29, 2012 | February 28, 2011 |
| Net Income | \$ 87,534 | \$ 343,105 |
| Other Comprehensive Income Unrealized gain on investments, net of tax * (Note 7, Note 12) | 165,371 | 56,293 |
| Comprehensive Income | \$ 252,905 | \$ 399,398 |

* Unrealized holding gains for the three months ended February 29, 2012 and February 28, 2011 is net of a deferred tax (expense) of (\$112,097) and \$(38,957), respectively.

See Notes to Unaudited Consolidated Financial Statements.

CCA INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

| | Three Months Ended | |
|---|----------------------|----------------------|
| | February 29, 2012 | February 28, 2011 |
| Cash Flows from Operating Activities: | | |
| Net income | \$ 87,534 | \$ 343,105 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 56,877 | 52,277 |
| Bad debt expense (recovery) expense | (28,164) | 14,130 |
| Loss (gain) on sale of securities | 3,548 | (815) |
| Deferred income taxes | 51,955 | 235,126 |
| Change in Operating Assets and Liabilities: | | |
| (Increase) in accounts receivable | (2,429,710) | (3,387,657) |
| (Increase) decrease in inventory | (1,825,234) | 629,457 |
| (Increase) decrease in prepaid expenses and miscellaneous receivables | (5,004) | 767,756 |
| Decrease in prepaid and refundable income taxes | 12,341 | 10,884 |
| Increase in accounts payable and accrued liabilities | 1,569,225 | 215,898 |
| (Decrease) increase in income taxes payable | (23,253) | 7,500 |
| Net Cash (Used in) Operating Activities | (2,529,885) | (1,112,339) |
| Cash Flows from Investing Activities: | | |
| Acquisition of property, plant and equipment | (39,996) | (15,800) |
| Proceeds from sale or maturity of investments | 260,000 | 2,500,000 |
| Net Cash Provided by Investing Activities | 220,004 | 2,484,200 |
| Cash Flows from Financing Activities: | | |
| Payments of capital lease obligation | (1,453) | (9,405) |
| Dividends paid | (493,811) | (493,811) |
| Net Cash (Used in) Financing Activities | (495,264) | (503,216) |
| Net (Decrease) Increase in Cash | (2,805,145) | 868,645 |
| Cash and Cash Equivalents at Beginning of Period | 7,699,615 | 8,064,255 |
| Cash and Cash Equivalents at End of Period | \$ 4,894,470 | \$ 8,932,900 |
| Supplemental Disclosures of Cash Flow Information: | | |
| Cash paid during the period for: | | |
| Interest | \$ 107 | \$ 344 |
| Income taxes | 25,869 | |
| Schedule of Non Cash Financing Activities: | | |
| Dividends declared | 493,811 | 493,811 |

See Notes to Unaudited Consolidated Financial Statements

CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. Operating results for the three month period ended February 29, 2012 are not necessarily indicative of the results that may be expected for the entire year ended November 30, 2012. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended November 30, 2011. The accompanying unaudited consolidated financial statements, in the opinion of management, include all adjustments necessary for a fair presentation. All such adjustments are of a normal recurring nature.

NOTE 2 - ORGANIZATION AND DESCRIPTION OF BUSINESS

CCA Industries, Inc. (CCA) was incorporated in the State of Delaware on March 25, 1983.

CCA manufactures and distributes health and beauty aid products.

CCA has several wholly-owned subsidiaries. CCA Online Industries, Inc. is active. CCA IND., S.A. DE C.V., a Variable Capital Corporation organized pursuant to the laws of Mexico, CCA Cosmetics, Inc., CCA Labs, Inc., and Berdell, Inc. are wholly owned subsidiaries which are currently inactive.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation:

The consolidated financial statements include the accounts of CCA and its wholly-owned subsidiaries (collectively the Company). All significant inter-company accounts and transactions have been eliminated.

Estimates and Assumptions:

The consolidated financial statements include the use of estimates, which management believes are reasonable. The process of preparing financial statements in conformity with accounting principles generally accepted in the United States (GAAP), requires management to make estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accounting estimates and assumptions are those that management considers to be most critical to the financial statements because they inherently involve significant judgment and uncertainties. All of these estimates and assumptions reflect management s best judgment about current economic and market conditions and their effects on the information available as of the date of the consolidated financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comprehensive Income:

Comprehensive Income (loss) includes changes in equity that are excluded from the consolidated statements of income and are recorded directly into a separate section of consolidated statements of comprehensive income (loss). The Company's accumulated other comprehensive (loss) income shown on the consolidated balance sheets consist of unrealized gains and losses on investment holdings, net of deferred tax expense or benefit.

Cash and Cash Equivalents:

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

Short-Term Investments and Marketable Securities:

Short-term investments and marketable securities consist of certificates of deposits, corporate and government bonds, and equity securities. The Company has classified its investments as Available-for-Sale securities. Accordingly, such investments are reported at fair market value, with the resultant unrealized gains and losses reported as a separate component of shareholders' equity. Fair value for Available-for-Sale securities is determined by reference to quoted market prices or other relevant information.

Accounts Receivable:

Accounts receivable consist of trade receivables recorded at original invoice amount, less an estimated allowance for uncollectible amounts. The accounts receivable balance is further reduced by allowance for cooperative advertising and reserves for returns which are anticipated to be taken as credits against the balances as of February 29, 2012. The allowances and reserves which are anticipated to be deducted from future invoices are included in accrued liabilities. Trade credit is generally extended on a short term basis; thus trade receivables do not bear interest, although a finance charge may be applied to receivables that are past due. Trade receivables are periodically evaluated for collectability based on past credit history with customers and their current financial condition. Changes in the estimated collectability of trade receivables are recorded in the results of operations for the period in which the estimate is revised. Trade receivables that are deemed uncollectible are offset against the allowance for uncollectible accounts. The Company generally does not require collateral for trade receivables.

Inventories:

Inventories are stated at the lower of cost (weighted average) or market. Product returns are recorded in inventory when they are received at the lower of their original cost or market, as appropriate. Obsolete inventory is written off and its value is removed from inventory at the time its obsolescence is determined.

CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)Property and Equipment and Depreciation and Amortization:

Property and equipment are stated at cost. The Company charges to expense repairs and maintenance items, while major improvements and betterments are capitalized.

When the Company sells or otherwise disposes of property and equipment items, the cost and related accumulated depreciation are removed from the respective accounts and any gain or loss is included in earnings.

Depreciation and amortization are provided utilizing the straight-line method over the following estimated useful lives or lease terms of the assets, whichever is shorter:

| | |
|--------------------------|---|
| Machinery and equipment | 5-7 Years |
| Furniture and fixtures | 3-10 Years |
| Tools, dies and masters | 3 Years |
| Transportation equipment | 5 Years |
| Leasehold improvements | Remaining life of the lease (ranging from 1-12 years) |

Intangible Assets:

Intangible assets, which consist of patents and trademarks, are stated at cost. Patents are amortized on the straight-line method over a period of 17 years. Patents are reviewed for impairment when events or changes in business indicate that the carrying amount may not be recoverable. Trademarks are reviewed for impairment annually or more frequently if impairment conditions occur.

Web Site Costs:

Certain costs incurred in creating the graphics and content of the Company's web site have been capitalized in accordance with the Accounting Standards Codification (ASC) Topic 350, Intangibles—Goodwill and Other, issued by the Financial Accounting Standards Board (FASB). The Company had determined that these costs would be amortized over a two-year period. Web site design and conceptual costs are expensed as incurred.

Financial Instruments:

The carrying value of assets and liabilities considered financial instruments approximate their respective fair value.

CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes:

Income taxes are accounted for under ASC Topic 740 Income Taxes, which utilizes the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to the temporary differences between the carrying amounts of assets and liabilities as recorded on the Company's financial statements and the carrying amounts as reflected on the Company's income tax return. In addition, the portion of charitable contributions that cannot be deducted in the current period and are carried forward to future periods are also reflected in the deferred tax assets. Deferred tax assets and liabilities are valued using the tax rates expected to apply in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion, or all of the deferred tax asset will not be realized.

Earnings Per Common Share:

Basic earnings (loss) per share are calculated in accordance with ASC Topic 260, Earnings Per Share, which requires using the average number of shares of common stock outstanding during the year. Diluted earnings (loss) per share is computed on the basis of the average number of common shares outstanding plus the dilutive effect of any common stock equivalents using the treasury stock method. Common stock equivalents consist of stock options.

Revenue Recognition:

The Company recognizes sales in accordance with ASC Topic 605 Revenue Recognition. Revenue is recognized upon shipment of merchandise. Net sales comprise gross revenue less expected returns, trade discounts, customer allowances and various sales incentives. Included in sales incentives are coupons that the Company issues that are redeemed by its customers. Redemptions are handled by a coupon national clearing house. The Company also has estimated that there is an approximate six week lag in coupon redemptions, with the estimated cost recorded as an accrued liability. Although no legal right of return exists between the customer and the Company, returns are accepted if it is in the best interests of the Company's relationship with the customer. The Company, therefore, records a reserve for returns based on the historical returns as a percentage of sales in the five preceding months, adjusting for returns that can be put back into inventory, and a specific reserve based on customer circumstances. Those returns which are anticipated to be taken as credits against the outstanding invoices as of the date of the financial statements are offset against the accounts receivable. The reserves which are anticipated to be deducted from future invoices are included in accrued liabilities.

CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)Sales Incentives:

In accordance with ASC Topic 605-10-S99, Revenue Recognition, the Company has accounted for certain sales incentives offered to customers by charging them directly to sales as opposed to advertising and promotional expense. These accounting adjustments under ASC Topic 605-10-S99 do not affect net income (loss).

Advertising Costs:

The Company's policy for financial reporting is to charge advertising cost to expense as incurred. Advertising, cooperative and promotional expenses for the three months ended February 29, 2012 and February 28, 2011 were \$2,083,592 and \$1,657,803, respectively.

Shipping Costs:

The Company's policy for financial reporting is to charge shipping costs as part of selling, general and administrative expenses as incurred. Freight costs included for the three months ended February 29, 2012 and February 28, 2011 were \$728,326 and \$596,678, respectively.

Stock Options:

ASC Topic 718, Stock Compensation, requires stock grants to employees to be recognized in the consolidated statement of operations based on their fair values. The Company does not have any outstanding stock options.

NOTE 4 - INVENTORIES

The components of inventory consist of the following:

| | February 29, 2012 | November 30, 2011 |
|----------------|----------------------|----------------------|
| Raw materials | \$ 7,640,253 | \$ 6,272,251 |
| Finished goods | 3,645,389 | 3,188,157 |
| | \$ 11,285,642 | \$ 9,460,408 |

At February 29, 2012 and November 30, 2011, the Company had a reserve for obsolescence of \$857,813 and \$892,226, respectively.

CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - PROPERTY AND EQUIPMENT

The components of property and equipment consisted of the following:

| | February 29, 2012 | November 30, 2011 |
|--------------------------------|----------------------|----------------------|
| Machinery and equipment | \$ 290,850 | \$ 278,866 |
| Furniture and equipment | 1,001,764 | 991,252 |
| Tools, dies, and masters | 422,106 | 419,806 |
| Transportation equipment | 27,538 | 27,538 |
| Capitalized lease obligations | 263,067 | 263,067 |
| Web Site | 20,000 | 20,000 |
| Leasehold improvements | 482,134 | 466,934 |
| | 2,507,459 | 2,467,463 |
| Less: Accumulated depreciation | 1,998,125 | 1,941,363 |
| Property and Equipment Net | \$ 509,334 | \$ 526,100 |

Depreciation expense for the three months ended February 29, 2012 and February 28, 2011 amounted to \$56,762 and \$52,162, respectively.

NOTE 6 - INTANGIBLE ASSETS

Intangible assets consist of owned trademarks and patents for ten product lines

| | February 29, 2012 | November 30, 2011 |
|--------------------------------|----------------------|----------------------|
| Patents and trademarks | \$ 822,896 | \$ 822,896 |
| Less: Accumulated amortization | 149,894 | 149,779 |
| Intangible Assets Net | \$ 673,002 | \$ 673,117 |

Patents are amortized on a straight-line basis over their legal life of 17 years. Trademarks have an indefinite life and are reviewed annually for impairment or more frequently if impairment indicators occur. Amortization expense for the three months ended February 29, 2012 and February 28, 2011 amounted to \$115 and \$116, respectively. Estimated amortization expense for the years ending November 30, 2012, 2013, 2014, 2015 and 2016 will be \$463, \$463, \$439, \$421 and \$421 respectively.

CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - SHORT-TERM INVESTMENTS AND MARKETABLE SECURITIES

Short-term investments and marketable securities, which consist of fully guaranteed bank certificates of deposit, stock and various corporate and government obligations, are stated at market value. The Company has classified its investments as Available-for-Sale securities and considers as current assets those investments which will mature or are likely to be sold within the ensuing twelve months. The remaining investments are considered non-current assets. The cost and market values of the investments at February 29, 2012 and November 30, 2011 were as follows:

| | February 29, 2012 | | November 30, 2011 | |
|--------------------------|---------------------|---------------------|---------------------|---------------------|
| | COST | MARKET | COST | MARKET |
| Current: | | | | |
| Corporate obligations | \$ 706,912 | \$ 702,237 | \$ 970,461 | \$ 964,357 |
| Preferred stock | 454,855 | 442,170 | 454,855 | 382,340 |
| Common stock | 443,817 | 541,479 | 443,818 | 557,827 |
| Limited Partnership | 223,373 | 273,710 | 223,373 | 234,445 |
| Mutual funds | 285,480 | 241,832 | 285,480 | 223,027 |
| Total Current | 2,114,437 | 2,201,428 | 2,377,987 | 2,361,996 |
| Non-Current: | | | | |
| Corporate obligations | 754,518 | 741,085 | 754,518 | 734,418 |
| Preferred stock | 2,404,581 | 2,416,427 | 2,404,581 | 2,248,608 |
| Total Non-Current | 3,159,099 | 3,157,512 | 3,159,099 | 2,983,026 |
| Total | \$ 5,273,536 | \$ 5,358,940 | \$ 5,537,086 | \$ 5,345,022 |

As of February 29, 2012, the Company had unrealized gains on its investments of \$85,404. This amount was reduced by a deferred tax (expense) of \$(34,503), of which a \$77,594 deferred tax benefit was recorded in prior fiscal years and a deferred tax (expense) of \$(112,097) was recorded in fiscal 2012. None of the unrealized losses have been deemed to be other-than-temporary impairments.

CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - SHORT-TERM INVESTMENTS AND MARKETABLE SECURITIES (CONTINUED)

Bank certificates of deposit are insured by the Federal Deposit Insurance Corporation for the full balance under the Temporary Liquidity Guarantee Program. The Company maintains accounts with several brokerage firms. The accounts contain cash and securities. Balances are insured up to \$500,000 (with a limit of \$100,000 for cash) by the Securities Investor Protection Corporation (SIPC).

The Company adopted ASC Topic 820, Fair Value Measurements and Disclosures as of December 1, 2007, which expands disclosures about investments that are measured and reported at fair market value. ASC Topic 820 established a fair value hierarchy that prioritizes the inputs to valuation techniques utilized to measure fair value into three broad levels as follows:

Level 1 Quoted market prices in active markets for the identical asset or liability that the reporting entity has ability to access at measurement date.

Level 2 Quoted market prices for identical or similar assets or liabilities in markets that are not active, and where fair value is determined through the use of models or other valuation methodologies.

Level 3 Unobserved inputs for the asset or liability. Fair value is determined by the reporting entity's own assumptions utilizing the best information available, and includes situations where there is little market activity for the investment.

| Description | February 29, 2012 | Quoted Market Price in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) |
|-----------------------|----------------------|--|---|
| Corporate obligations | \$ 1,443,322 | \$ | \$ 1,443,322 |
| Limited Partnership | 273,710 | 273,710 | |
| Preferred Stock | 2,858,597 | 2,858,597 | |
| Common Stock | 541,479 | 541,479 | |
| Mutual Funds | 241,832 | 205,596 | 36,236 |
| Total | \$ 5,358,940 | \$ 3,879,382 | \$ 1,479,558 |

CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - SHORT-TERM INVESTMENTS AND MARKETABLE SECURITIES (CONTINUED)

| Description | November 30, 2011 | Quoted Market Price in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) |
|-----------------------|----------------------|---|---|
| Corporate obligations | \$ 1,698,775 | \$ | \$ 1,698,775 |
| Limited Partnership | 234,445 | 234,445 | |
| Preferred Stock | 2,630,948 | 2,630,948 | |
| Common Stock | 557,827 | 557,827 | |
| Mutual Funds | 223,027 | 190,302 | 32,725 |
| Total | \$ 5,345,022 | \$ 3,613,522 | \$ 1,731,500 |

NOTE 8 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The following items which exceeded 5% of total current liabilities are included in accounts payable and accrued liabilities as of:

| | February 29, 2012 | November 30, 2011 |
|---------------------|----------------------|----------------------|
| a) Media | \$ 1,184,877 | \$ 514,869 |
| b) Accrued bonuses | * | 574,323 |
| c) Accrued returns | 890,107 | 1,069,661 |
| d) Coop advertising | 2,807,582 | 1,822,527 |

* Did not exceed 5% of total liabilities at February 29, 2012.

All other liabilities individually did not exceed 5% of total current liabilities.

CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - OTHER INCOME

Other income consists of the following:

| | Three Months Ending | |
|--|----------------------|----------------------|
| | February 29, 2012 | February 28, 2011 |
| Interest and dividend income | \$ 66,445 | \$ 71,397 |
| Royalty income | 31,799 | 87,965 |
| Realized (loss) gain on sale of securities | (3,549) | 815 |
| Miscellaneous | 62,482 | 15 |
| | \$ 157,177 | \$ 160,192 |

NOTE 10 - COMMITMENTS AND CONTINGENCIESLitigation

On September 27, 2011, a lawsuit, entitled Shirilla v. CCA Industries, Inc., was instituted against the Company in the Superior Court of California, County of Los Angeles. The plaintiff named in the complaint relating to the lawsuit seeks to have the case certified as a class action. The complaint alleged unfair or deceptive business practices by the Company and asserted that the Company made false and misleading claims about its Mega-T product line in violation of the California Consumer Legal Remedies Act and the California Business and Professions Code. The complaint stated that the plaintiff was seeking an injunction and other equitable remedies, and restitution, disgorgement and unspecified monetary damages and expenses. The Company denied the allegations of wrongdoing and liability with regard to its advertising and other business practices. Moreover, the Company believed that the claims asserted in the Shirilla matter were the same as or similar to those asserted in the class action Wally v. CCA Industries, Inc., which was filed in the same court in 2009 and was settled, without admission of any liability or allegations made in the case, in 2010. The court-approved settlement in Wally dismissed all claims that were made, or could have been made, in the case by members of the plaintiff class. The Sharilla case was moved to the United States District Court for the Central District of California. On January 12, 2012, plaintiff's counsel notified the Company's attorney that they were seeking to dismiss the case, with prejudice. The case was subsequently dismissed by the United States District Court, and the matter is now closed.

On February 6, 2012, a class action suit, entitled Harold M. Hoffman v. CCA Industries, Inc. was instituted against the Company in the Superior Court of New Jersey. The lawsuit, which did not specify any damages, alleges false and misleading claims about the Company's product Scar Zone. The Company believes that the allegations are without merit and intends to vigorously defend the case. However, these can be no assurance that our position will be upheld.

CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Dividends and Capital Transactions

On February 3, 2012 the Board of Directors declared a \$0.07 per share dividend for the first quarter of 2012 to all shareholders of record as of February 21, 2012 and payable on March 21, 2012.

On February 3, 2012 the Board of Directors decided to allow the Stockholder Protection Rights Agreement to expire on February 9, 2012. The Board of Directors had adopted the agreement effective on February 9, 2011, with one year term, unless further extended.

Collective Bargaining Agreement

The Company signed a new collective bargaining agreement with Local 108, L.I.U. of N.A., AFL-CIO that became effective January 1, 2012. The new agreement is effective for a three year term expiring December 31, 2014. Other than standard wage, holiday, vacation and sick day provisions, the agreement calls for CCA to contribute to the Recycling and General Industrial Union Local 108 Welfare Fund (Welfare Fund) certain benefit costs. The Welfare Fund provides medical, dental and life insurance for the Company s employees covered under the collective bargaining agreement. This agreement pertains to 30% of the CCA labor force.

NOTE 11 - 401(K) PLAN

The Company has a 401(K) Profit Sharing Plan that all employees with over one year of service and attained age 21. Employees may make salary reduction contributions up to twenty-five percent of compensation not to exceed the federal government limits. The Plan allows for the Company to make discretionary contributions. For all fiscal periods to date, the Company did not make any contributions.

NOTE 12 - INCOME TAXES

CCA and its subsidiaries file a consolidated federal income tax return.

The Company previously adopted the provisions of ASC Subtopic 740-10-25, Uncertain Tax Positions . Management believes that there were no unrecognized tax benefits, or tax positions that would result in uncertainty regarding the deductions taken, as of February 29, 2012 and February 28, 2011. ASC Subtopic 740-10-25 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. There were penalties and related interest of \$6,661 for the fiscal year to date ended February 29, 2012, and no penalties for the fiscal year to date ended February 28, 2011.

CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 - INCOME TAXES (CONTINUED)

As of February 29, 2012, the Company had unrealized gain on its investments of \$85,404. This amount was reduced by a deferred tax (expense) of \$(34,503), of which a \$77,594 benefit was recorded in prior fiscal years and an expense of (\$112,097) was recorded in the first quarter of fiscal 2012. The deferred tax expense has been recorded as part of the deferred tax asset, and offset against the unrealized gains on marketable securities reported on the consolidated balance sheets. The charitable contributions portion of the deferred tax asset has \$110,252 that has been reclassified as a long-term asset, based on an estimate of the amount that will be realizable in periods greater than twelve months from February 29, 2012.

At February 29, 2012 and November 30, 2011, respectively, the Company had temporary differences arising from the following:

| Type | Amount | February 29, 2012 | | |
|------------------------------------|--------------|-------------------|------------------|-------------------------------------|
| | | Deferred Tax | Short-Term Asset | Classified As Long-Term (Liability) |
| Depreciation | \$ (449,832) | \$ (181,550) | \$ | \$ (181,550) |
| Unrealized gain on investments | 85,404 | (34,503) | (34,503) | |
| Reserve for bad debts | 25,027 | 10,111 | 10,111 | |
| Reserve for returns | 1,869,505 | 755,280 | 755,280 | |
| Reserve for obsolete inventory | 857,813 | 346,556 | 346,556 | |
| Vacation accrual | 287,713 | 156,636 | 156,636 | |
| Charitable contributions | 567,629 | 229,322 | 119,070 | 110,252 |
| Section 263A costs | 274,025 | 110,706 | 110,706 | |
| Net deferred tax asset (liability) | | \$ 1,392,558 | \$ 1,463,856 | \$ (71,298) |

CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 - INCOME TAXES (CONTINUED)

| Type | Amount | November 30, 2011 | | |
|------------------------------------|--------------|-------------------|------------------|-------------------------------------|
| | | Deferred Tax | Short-Term Asset | Classified As Long-Term (Liability) |
| Depreciation | \$ (451,334) | \$ (182,339) | \$ | \$ (182,339) |
| Unrealized loss on investments | 192,064 | 77,594 | 77,594 | |
| Reserve for bad debts | 53,191 | 21,489 | 21,489 | |
| Reserve for returns | 2,014,303 | 813,778 | 813,778 | |
| Reserve for obsolete inventory | 892,226 | 360,459 | 360,459 | |
| Vacation accrual | 348,558 | 140,817 | 140,817 | |
| Charitable contributions | 564,583 | 228,093 | 228,093 | |
| Section 263A costs | 239,404 | 96,719 | 96,719 | |
| Net deferred tax asset (liability) | | \$ 1,556,610 | \$ 1,738,949 | \$ (182,339) |

Income tax expense is made up of the following components:

| | Three Months Ended | |
|-----------------------------------|--------------------|-------------------|
| | February 29, 2012 | February 28, 2011 |
| Current tax expense Federal | \$ 11,488 | \$ |
| Current tax expense State & Local | 3,469 | 18,385 |
| Deferred tax expense | 51,955 | 235,126 |
| Total tax expense | \$ 66,912 | \$ 253,511 |

Prepaid and refundable income taxes are made up of the following components:

| | Federal | State & Local | Total |
|-------------------|------------|---------------|------------|
| February 29, 2012 | \$ 357,018 | \$ 349,472 | \$ 706,490 |
| November 30, 2011 | \$ 368,507 | \$ 350,321 | \$ 718,828 |

CCA INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 - INCOME TAXES (CONTINUED)

Income tax payable is made up of the following components:

| | Federal | State & Local | Total |
|-------------------|---------|------------------|-----------|
| February 29, 2012 | \$ | \$ 23,979 | \$ 23,979 |
| November 30, 2011 | \$ | \$ 47,232 | \$ 47,232 |

A reconciliation of the provision for income taxes computed at the statutory rate to the effective rate for the three months ended February 29, 2012 and February 28, 2011 is as follows:

| | Three Months Ended February 29, 2012 | | Three Months Ended February 28, 2011 | |
|---|---|--------------------------------|---|--------------------------------|
| | Amount | Percent of Pretax Amount | Amount | Percent of Pretax Income |
| Provision for income taxes at federal statutory rate | \$ 52,512 | 34.00% | \$ 202,849 | 34.00% |
| Increases in taxes resulting from: | | | | |
| State income taxes, net of federal income tax benefit | 9,483 | 6.14 | 41,166 | 6.90 |
| Non-deductible expenses and other adjustments | 4,917 | 3.18 | 9,496 | 1.59 |
| Provision for income taxes at effective rate | \$ 66,912 | 43.32% | \$ 253,511 | 42.49% |

NOTE 13 - SUBSEQUENT EVENTS

On February 6, 2012, a class action suit, entitled Harold M. Hoffman v. CCA Industries, Inc. was instituted against the Company in the Superior Court of New Jersey alleging that the Company made false and misleading claims about its product Scar Zone. The Company moved to dismiss the action, after removing it to federal court. On April 4, 2012, the Plaintiff voluntarily dismissed the action with prejudice, and the matter is now closed.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our disclosure and analysis in this report contains forward-looking information that involves risks and uncertainties. Our forward-looking statements express our current expectations or forecasts of possible future results or events, including projections of future performance, statements of management's plans and objectives, future contracts, and forecasts of trends and other matters. Forward-looking statements speak only as of the date of this filing, and we undertake no obligation to update or revise such statements to reflect new circumstances or unanticipated events as they occur. You can identify these statements by the fact that they do not relate strictly to historic or current facts and often use words such as "anticipate", "intends", "estimate", "expect", "believe", "will likely result", "outlook", "project" and other words and expressions of similar meaning. No assurance can be given that the results in any forward-looking statement will be achieved and actual results could be affected by one or more factors, which could cause them to differ materially. The cautionary statements made in this Quarterly Report on Form 10Q should be read as being applicable to all forward-looking statements whenever they appear in this report. For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act.

OVERVIEW

The Company had, for the three month period ended February 29, 2012, net income of \$87,534 as compared to net income of \$343,105 for the three months ended February 28, 2011. Net sales for the first quarter of fiscal 2012 were \$13,531,070 as compared to \$12,439,828 for the same period in 2011. As of February 29, 2012 the Company had \$31,705,452 in current assets and \$10,658,860 in current liabilities. The Company does not have any loan or line of credit bank debt.

OPERATING RESULTS FOR THE THREE MONTHS ENDED FEBRUARY 29, 2012

For the three-month period ended February 29, 2012, the Company had total revenues of \$13,688,247 and a net income of \$87,534 after provision for income taxes of \$66,912. For the same three month period in 2011, total revenues were \$12,600,020 and net income was \$343,105 after a provision for taxes of \$253,511. Basic and fully diluted earnings per share were \$0.01 for the first quarter of fiscal 2012 as compared to basic and fully diluted earnings per share of \$0.05 for the first quarter of fiscal 2011. In accordance with ASC Topic 605-10-S99, "Revenue Recognition", the Company has accounted for certain sales incentives offered to customers by charging them directly to sales as opposed to advertising and promotional expenses. Net sales for the first quarter of fiscal 2012 were reduced by \$1,355,838 and offset by an equal reduction of trade promotional expenses, which were included in the Company's advertising expense. In the same period of the prior year, net sales were reduced by \$1,249,862 and trade promotion was credited by that amount. These accounting adjustments under ASC Topic 605-10-S99 do not affect net income.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company's net sales increased \$1,091,242 to \$13,531,070 for the three month period ended February 29, 2012 from \$12,439,828 for the three month period ended February 28, 2011. The Company's net sales by category for the first quarter of fiscal 2012 as compared to the first quarter of fiscal 2011 were:

| Category | Three Months Ended February 29, 2012 | | Three Months Ended February 28, 2011 | |
|--------------------|---|---------|---|---------|
| | Net Sales | | Net Sales | |
| Nail Care | \$ 4,144,939 | 30.6% | \$ 1,103,136 | 8.9% |
| Skin Care | 3,957,421 | 29.3% | 3,686,568 | 29.6% |
| Dietary Supplement | 2,639,615 | 19.5% | 4,824,673 | 38.8% |
| Oral Care | 2,342,405 | 17.3% | 2,236,492 | 18.0% |
| Misc. | 446,690 | 3.3% | 588,959 | 4.7% |
| | \$ 13,531,070 | 100.00% | \$ 12,439,828 | 100.00% |

The following were factors that affected net sales:

Net sales of Nutra Nail were \$4,144,939 in the first quarter of fiscal 2012, becoming the largest category of sales for the Company. The Company introduced Gel Perfect, a gel nail polish, at the end of the third quarter of fiscal 2011. Sales have continued to expand in the first quarter of fiscal 2012, with increasing distribution.

Net sales of the Company's skin care brands increased 7.3% for the first quarter of fiscal 2012 as compared to the first quarter of 2011. Gross sales of two of the brands, Bikini Zone and Sudden Change, increased due to expanded distribution.

Net sales of Plus White Oral Products increased over 4.7% for the first quarter of fiscal 2012 as compared to the first quarter in fiscal 2011, despite heavier than normal returns in the first quarter of 2012 as a result of the recall of the whitening gel product in September 2011. Gross sales of the Plus White brand continue to increase as the reformulated whitening gel products are regaining distribution and receiving additional promotional support. The Company does not expect the heavy returns to continue, as most of the recalled product has now been received back by the Company.

Net sales of the Company's diet product decreased 45.3% in the first quarter of 2012 as compared to the first quarter of 2011. However, sales increased 31.2% as compared to the fourth quarter of 2011. The decrease in net sales of diet products in the first quarter of 2012 as compared to first quarter of 2011 was due to lower gross sales as a result of decreased distribution of certain items and decreased promotional activity, reflective of the overall industry category decline.

Included in sales incentives is the cost of the coupons issued by the Company, which was \$402,922 in the first quarter of fiscal 2012 as compared to \$178,679 in the first quarter of fiscal 2011. The increase in the use of coupons by the Company was primarily as a result of the introduction of the Nutra Nail Gel Perfect product line. The Company uses a national clearing house for the receipt and processing of coupons from our retail partners. The national clearing house renders invoices to the Company on a weekly basis for coupons that they have processed which are recorded as an expense in the period for which the invoice is dated. The Company also records an expense accrual at the end of each period equal to the prior six weeks of invoices rendered based on information from the national clearing house that there is an average lag time of six weeks between the time that the retailer receives the coupon and when the Company receives the invoice. The amount recorded as an expense or an accrual includes the retailer cost of the coupon in addition to any processing charges by the national coupon clearing house. Coupons are issued by the Company to be used with the purchase of specific products, with an expiration date noted on the coupon.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

| | Three Months Ended | |
|---|----------------------|----------------------|
| | February 29, 2012 | February 28, 2011 |
| Sales of health and beauty aid products Net | \$ 13,531,070 | \$ 12,439,828 |
| Cost of Sales | 6,008,346 | 4,730,374 |
| Gross Margin | \$ 7,522,724 | \$ 7,709,454 |
| | 55.6% | 62.0% |

The gross margin for the first quarter of fiscal 2012 decreased to 55.6%, as compared to 62.0% for the first quarter of fiscal 2011. The cost of goods increased, in part, due to the change in product mix, with increased sales in the nail care category. Sales of the Company's Gel Perfect nail polish have increased substantially, however they have a higher cost of goods than most of the Company's other product lines, affecting the overall cost of goods as a percentage of sales. The Company has experienced increases in raw material and packaging costs as a result of the increases in oil prices, which has affected almost all of the Company's brands. It is possible that the Company will experience further increases if the cost of oil continues to rise. The Company's cost of goods was also impacted by the scrapping of \$186,159 of inventory, mainly due to packaging changes and the recall of the Plus White whitening gel, which was a direct expense to the cost of goods for the first quarter of fiscal 2012.

Selling, general and administrative expenses decreased to \$5,284,653 for the first quarter ended February 29, 2012 as compared to \$5,461,283 for the same period in 2011, or a decrease of \$176,630. The decrease was primarily due to lower consulting fees in the first quarter of 2012 as compared to the first quarter of 2011. The decrease occurred despite higher royalty expense with Alleghany, pursuant to their settlement agreement (see the 10K for fiscal 2011, Part I, Item 1(f)(i) for further information regarding the settlement).

Advertising expense was \$2,083,592 for the quarter ended February 29, 2012 as compared to \$1,657,803 for the quarter ended February 28, 2011, or an increase of \$425,789. The increase was due to an increase in media advertising during the first quarter of 2012, the cost of developing new commercials, and higher co-operative advertising with the Company's retail partners that is classified as a promotional expense, in order to support the introduction of the Gel Perfect nail polish brand. The Company's advertising expense changes from quarter to quarter based on the timing of the Company's promotions.

Income before provision for income taxes was \$154,446 for the quarter ended February 29, 2012 as compared to \$596,616 for the quarter ended February 28, 2011. The effective tax rate for the first quarter of fiscal 2012 was 43.32% versus 42.49% for the first quarter of fiscal 2011. The provision for income taxes of \$66,912 for the first quarter of 2012 included a current tax expense for federal taxes of \$11,488, \$3,469 for state income taxes and \$51,955 for deferred tax expense. The federal and state income tax expense is based on an estimate of the tax rates that the Company will be paying for fiscal 2012. The deferred tax expense is primarily due to changes in the Company's deferred tax assets. The deferred tax assets are a result of timing differences between when expenses are deductible on the Company's books and when they are deductible on the Company's tax returns.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FINANCIAL POSITION AS OF FEBRUARY 29, 2012

The Company's financial position as of February 29, 2012 consisted of current assets of \$31,705,452 and current liabilities of \$10,658,860, or a current ratio of 3.0 to 1. The Company's cash and cash equivalents were \$4,894,470 as of February 29, 2012, a decrease of \$2,805,145 from November 30, 2011. Included in this decrease was net cash (used in) operating activities of \$(2,529,883) and net cash provided by investing activities of \$220,002 offset by net cash (used in) financing activities of \$(495,264). Included in the net cash used in financing activities was \$493,811 of dividends paid.

Accounts receivable increased to \$10,201,475 as of February 29, 2012 from \$7,743,601 as of November 30, 2011. The increase was due to gross sales volume in January and February 2012 of \$12,330,538 as compared to gross sales volume in October and November 2011 of \$10,234,125.

The reserve for returns and allowances is based on the historical returns as a percentage of sales in the five preceding months, adjusting for returns that can be put back into inventory, and a specific reserve based on customer circumstances. This allowance decreased to \$1,869,504 as of February 29, 2012, from \$2,014,303 as of November 30, 2011. Of this amount, allowances and reserves in the amount of \$890,106, which are anticipated to be deducted from future invoices, are included in accrued liabilities. The balance of the reserve for returns and allowances that was reflected in net accounts receivable as of February 29, 2012 was \$979,398, as compared to \$944,642 as of November 30, 2011. Gross receivables were further reduced by \$1,267,994, which were reclassified from accrued liabilities, as an estimate of the co-operative advertising that will be taken as a credit against payments. In addition, accrued liabilities include \$3,000,272, which is an estimate of co-operative advertising expense relating to fiscal 2012 sales which are anticipated to be deducted from future invoices rather than against the current accounts receivable. The allowance for doubtful accounts decreased to \$25,027 as of February 29, 2012 as compared to \$53,191 as of November 30, 2011.

Inventory increased to \$11,285,642 as of February 29, 2012 from \$9,460,408 as of November 30, 2011. The inventory increased in order to support the sales of Gel Perfect as well as the promotional sales to take place in the second quarter of fiscal 2012. In addition, inventory purchases of certain items were increased in order to take advantage of quantity cost savings. The inventory obsolescence reserve decreased to \$857,813 as of February 29, 2012 from \$892,226 as of November 30, 2011. Changes to the inventory obsolescence reserves are recorded as an increase or decrease to the cost of goods.

Prepaid and refundable income taxes decreased to \$706,490 as of February 29, 2012 from \$718,828 as of November 30, 2011. The decrease was due to the estimate of income taxes due for the first quarter of fiscal 2012.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The deferred income tax asset decreased to \$1,463,856 as of February 29, 2012 from \$1,738,949 as of November 30, 2011. The decrease was mainly due to the unrealized gain on investments as of February 29, 2012, as compared to the unrealized loss as of November 30, 2011 and the reclassification of \$110,252 from short-term deferred to long-term deferred. The reclassification is based on an estimate of the amount of the charitable contributions deferred tax asset that will be realized in periods greater than twelve months from February 29, 2012. The deferred tax assets were offset by a deferred tax liability of \$34,503 related to the Company's unrealized gain of \$85,404 on its investments as of February 29, 2012. The unrealized gains reported on the balance sheet were \$50,901 which is net of the deferred tax expense. The deferred tax liability decreased to \$71,298 at February 29, 2012 as compared to \$182,339 as of November 30, 2011. The liability is due to the difference in depreciation between the Company's books and income tax returns, and is net of the long term deferred tax asset of \$110,252.

Accounts payable and accrued liabilities increased to \$10,135,769 as of February 29, 2012 from \$8,566,544 as of November 30, 2011. The increase was due to an increase in accrued liabilities in the normal course of business.

Shareholders' equity decreased to \$25,367,145 as of February 29, 2012 from \$25,608,051 as of November 30, 2011. The decrease was due to the net income of \$87,534 and unrealized gains, net of deferred income tax, on marketable securities of \$165,371, offset by dividends declared of \$493,811 during the first quarter of fiscal 2012. Unrealized holding gains or losses are recorded as other comprehensive income.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity is defined as the ability to generate adequate amounts of cash to meet short-term and long-term business needs. We assess our liquidity in terms of our total cash flow and the amounts of cash, short-term and long-term marketable securities on hand. Significant factors that could affect our liquidity include the following:

Cash flow generated or used by operating activities;

Dividend payments;

Capital expenditures;

Acquisitions.

Our primary capital needs are seasonal working capital requirements and dividend payments. In addition, funds are kept on hand for any potential acquisitions, which the Company continues to explore. As of February 29, 2012, the Company had \$2,201,428 of short term marketable securities and \$3,157,512 of non-current securities. Please refer to Note No. 7 of the financial statements for further information regarding the Company's investments. The Company's long term liabilities as of February 29, 2012, consist of deferred tax liability of \$71,298 and long-term capitalized lease obligations of \$797. The Company does not have any bank debt or a bank line of credit. Due to the amount of cash and marketable securities on-hand, the Company does not believe that it needs the availability of a bank line of credit at this time. The Company anticipates that it will have sufficient liquidity to finance anticipated working capital requirements for at least the next twelve months.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Critical Accounting Estimates

Our consolidated financial statements include the use of estimates, which management believes are reasonable. The process of preparing financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accounting estimates and assumptions are those management considers to be most critical to the financial statements because they inherently involve significant judgment and uncertainties. All of these estimates and assumptions reflect management's best judgment about current economic and market conditions and their effects on the information available as of the date of the consolidated financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts. An accounting estimate is deemed to be critical if it is reasonably possible that its subsequent correction could have a material effect on future operating results or financial condition. The following are estimates that management has deemed to be critical:

1. **Reserve for Returns** The allowances and reserves which are anticipated to be deducted from future invoices are included in accrued liabilities. The estimated reserve is based in part on historical returns as a percentage of gross sales. The current estimated return rate is 6.5% of gross sales. Management estimates that 25.0% of returns received are placed back into inventory, and the estimate for returns is adjusted to reflect the value of the returns placed into inventory. Any changes in this accrued liability are recorded as a debit or credit to the reserve for returns and allowances account.
2. **Allowance for Doubtful Accounts** The allowance for doubtful accounts is an estimate of the loss that could be incurred if our customers do not make required payments. Trade receivables are periodically evaluated by management for collectability based on past credit history with customers and their current financial condition. Changes in the estimated collectability of trade receivables are recorded in the results of operations for the period in which the estimate is revised. Estimates are made based on specific disputes and additional reserves for bad debt based on the accounts receivable aging ranging from 0.35% for invoices currently due to 2.0% for invoices more than ninety-one days overdue. Trade receivables that are deemed uncollectible are offset against the allowance for uncollectible accounts. The Company generally does not require collateral for trade receivables.
3. **Inventory Obsolescence Reserve** Management reviews the inventory records on a monthly basis. Management deems to be obsolete finished good items that are no longer being sold, and have no possibility of sale within the ensuing twelve months. Components and raw materials are deemed to be obsolete if management has no planned usage of those items within the ensuing twelve months. In addition, management conducts periodic testing of inventory to make sure that the value reflects the lower of cost or market. If the value is below market, a provision is made within the inventory obsolescence reserve. This reserve is adjusted monthly, with changes recorded as part of cost of sales in the results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company's financial statements record the Company's investments under the mark to market method (i.e., at date-of-statement market value). The investments are, categorically listed, in Common Stock, Mutual Funds, Preferred Stock, Limited Partnership and Corporate Obligations. \$815,189 of the Company's \$5,358,940 portfolio of investments (approximate, as at February 29, 2012) is invested in the Common Stock and Limited Partnership categories, and approximately \$2,858,597 in the Preferred Stock holdings category. The Company invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term. The Company does not take positions or engage in transactions in risk-sensitive market instruments in any substantial degree, nor as defined by SEC rules and instructions, however, due to current securities market conditions, the Company cannot ascertain the risk of any future change in the market value of its investments.

ITEM 4. CONTROLS AND PROCEDURES

The Company has established disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934, as amended (the Exchange Act) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to management, including the principal executive officer (our Chief Executive Officer) and principal financial officer (our Chief Financial Officer), to allow timely decisions regarding required disclosure. Notwithstanding the foregoing, there can be no assurance that the Company's disclosure controls and procedures will detect or uncover all failures of persons within the Company to disclose material information otherwise required to be set forth in the Company's periodic reports. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable, not absolute, assurance of achieving their control objectives.

An evaluation was performed under the supervision of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in the Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report. Based on that evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that, as of February 29, 2012, the Company's disclosure controls and procedures were effective at the reasonable assurance level to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

There have been no changes in the Company's internal control over financial reporting during the quarterly period ended February 29, 2012 that have materially affected, or are reasonably likely to materially affect, the Company's internal control overall financial reporting.

CCA INDUSTRIES, INC.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On September 27, 2011, a lawsuit, entitled Shirilla v. CCA Industries, Inc., was instituted against the Company in the Superior Court of California, County of Los Angeles. The plaintiff named in the complaint relating to the lawsuit seeks to have the case certified as a class action. The complaint alleged unfair or deceptive business practices by the Company and asserted that the Company made false and misleading claims about its Mega-T product line in violation of the California Consumer Legal Remedies Act and the California Business and Professions Code. The complaint stated that the plaintiff was seeking an injunction and other equitable remedies, and restitution, disgorgement and unspecified monetary damages and expenses. The Company denied the allegations of wrongdoing and liability with regard to its advertising and other business practices. Moreover, the Company believed that the claims asserted in the Shirilla matter were the same as or similar to those asserted in the class action Wally v. CCA Industries, Inc., which was filed in the same court in 2009 and was settled, without admission of any liability or allegations made in the case, in 2010. The court-approved settlement in Wally dismissed all claims that were made, or could have been made, in the case by members of the plaintiff class. The Sharilla case was moved to the United States District Court for the Central District of California. On January 12, 2012, plaintiff's counsel notified the Company's attorney that they were seeking to dismiss the case, with prejudice. The case was subsequently dismissed by the United States District Court, and the matter is now closed.

On February 6, 2012, a class action suit, entitled Harold M. Hoffman v. CCA Industries, Inc. was instituted against the Company in the Superior Court of New Jersey alleging that the Company made false and misleading claims about its product Scar Zone. The Company moved to dismiss the action, after removing it to federal court. On April 4, 2012, the Plaintiff voluntarily dismissed the action with prejudice, and the matter is now closed.

ITEM 6. EXHIBITS.

In reviewing the agreements included as exhibits to this Form 10-Q, please remember that they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about the Company or the other parties to the agreements. The agreements may contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the parties to the applicable agreement and:

should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;

have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;

may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and

were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

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Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about the Company may be found elsewhere in this Form 10-Q and the Company's other public filings, which are available without charge through the SEC's website at <http://www.sec.gov>.

The following exhibits are included as part of this report:

| <i>Exhibit No.</i> | <i>Description</i> |
|--------------------|--|
| 3 | Amended and re-stated bylaws of CCA Industries, Inc., effective February 3, 2012, incorporated by reference to the Company's Form 8-K filed February 9, 2012 |
| 11 | Computation of Unaudited Earnings Per Share |
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 the Sarbanes-Oxley Act of 2002 |
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302 the Sarbanes-Oxley Act of 2002 |
| 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.Def | Definition Linkbase Document |
| 101.Pre | Presentation Linkbase Document |
| 101.Lab | Labels Linkbase Document |
| 101.Cal | Calculation Linkbase Document |
| 101.Sch | Schema Document |
| 101.Ins | Instance Document |

Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability under these sections.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: April 12, 2012

CCA INDUSTRIES, INC.

By: /s/ STEPHEN A. HEIT
Stephen A. Heit
Executive Vice President and Chief Financial Officer,
and duly authorized signatory on behalf of Registrant