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CHAPTER 2: THE BASIC FINANCIAL STATEMENTS

Instructor's Manual Problem Set

1. Using the data presented below for Blue Sky Inc.:

	2011	2010
Sales	\$7,550,000	\$6,150,000
Cost of Goods	5,750,000	4,550,000
Depreciation	120,000	100,000
Selling and G&A Expenses	820,000	730,000
Fixed Expenses	200,000	200,000
Lease Expense	150,000	150,000
Interest Expense	350,000	300,000
Tax Rate	40.00%	40.00%
Shares Outstanding	100,000	80,000
Cash	108,000	50,000
Marketable Securities	150,000	100,000
Accounts Receivable	450,000	350,000
Inventory	1,250,000	850,000
Prepaid Expenses	120,000	40,000
Plant & Equipment	5,350,000	4,800,000
Accumulated Depreciation	410,000	290,000
Long Term Investments	450,000	360,000
Accounts Payable	420,000	380,000
Notes Payable	150,000	100,000
Accrued Expenses	150,000	100,000
Other Current Liabilities	200,000	180,000
Long-term Debt	2,900,000	2,500,000
Common Stock	2,500,000	2,000 ,000
Additional Paid-in-Capital	600,000	500,000
Retained Earnings	548,000	500,000

a. Make the Blue Sky's income statement and balance sheet using formulas wherever possible. Each statement should be on a separate worksheet. Improve the readability of the data by selecting the format explained on page 50, so that Excel will display the numbers as if they had been divided by 1,000. Make the appropriate note on the heading of each financial statement.

vv of Ksheet.					
	A	В	С		
1	Blue Sky Inc.				
2	Income State	ement			
3	For the Year Ended Dec. 3	31, 2011 (\$	in 000's)		
4		2011	2010		
5	Sales	7,550.00	6,150.00		
6	Cost of Goods Sold	5,750.00	4,550.00		
7	Gross Profit	1,800.00	1,600.00		
8	Selling and G&A Expenses	820.00	730.00		
9	Fixed Expenses	200.00	200.00		
10	Depreciation	120.00	100.00		
11	Lease Expense	150.00	150.00		
12	EBIT	510.00	420.00		
13	Interest Expense	350.00	300.00		
14	Earnings Before Taxes	160.00	120.00		
15	Taxes	64.00	48.00		
16	Net Income	96.00	72.00		
17					
18	Notes:				
19	Tax Rate	40.00%	40.00%		
20	Shares Outstanding	100,000	80,000		
21	Earnings per Share	\$0.96	\$0.90		
22	Dividends per Share	\$0.48	\$0.45		
23	Addition to RE per Share	\$0.48	\$0.45		

	Formulas.			
	А	В	С	
1]	Blue Sky Inc.		
2	Inc	ome Statement		
3	For the Year End	ded Dec. 31, 2011 (S	S in 000's)	
4		2011	2010	
5	Sales	7550000	6150000	
6	Cost of Goods Sold	5750000	4550000	
7	Gross Profit	=B5-B6	=C5-C6	
8	Selling and G&A Expenses	820000	730000	
9	Fixed Expenses	200000	200000	
10	Depreciation	120000	100000	
11	Lease Expense	150000	150000	
12	EBIT	=B7-SUM(B8:B11)	=C7-SUM(C8:C11)	
13	Interest Expense	350000	300000	
14	Earnings Before Taxes	=B12-B13	=C12-C13	
15	Taxes	=B14*B19	=C14*C19	
16	Net Income	=B14-B15	=C14-C15	
17				
18	Notes:			
19	Tax Rate	0.4	0.4	
20	Shares Outstanding	100000	80000	
21	Earnings per Share	=B16/B20	=C16/C20	
22	Dividends per Share	0.48	0.45	
23	Addition to RE per Share	-P21 P22	=C21-C22	

Worksheet:					
-A	A	В	С		
1	Blue Sky Inc.				
2	Balance Sheet				
3	As of Dec. 31, 2011 (\$ in	000's)			
4	Assets	2011	2010		
5	Cash	108.00	50.00		
6	Marketable Securities	150.00	100.00		
7	Accounts Receivable	450.00	350.00		
8	Inventory	1,250.00	850.00		
9	Prepaid Expenses	120.00	40.00		
10	Total Current Assets	2,078.00	1,390.00		
11	Plant & Equipment	5,350.00	4,800.00		
12	Accumulated Depreciation	410.00	290.00		
13	Net Fixed Assets	4,940.00	4,510.00		
14	Long-term Investments	450.00	360.00		
15	Total Assets	7,468.00	6,260.00		
16	Liabilities and Owners' Equity				
17	Accounts Payable	420.00	380.00		
18	Notes Payable	150.00	100.00		
19	Accrued Expenses	150.00	100.00		
20	Other Current Liabilities	200.00	180.00		
21	Total Current Liabilities	920.00	760.00		
22	Long-term Debt	2,900.00	2,500.00		
23	Total Liabilities	3,820.00	3,260.00		
24	Common Stock (\$ 25par)	2,500.00	2,000.00		
25	Additional Paid-in-Capital	600.00	500.00		
26	Retained Earnings	548.00	500.00		
27	Total Shareholder's Equity	3,648.00	3,000.00		
28	Total Liabilities and Owners' Equity	7,468.00	6,260.00		

IM Problem Set & Solutions

	Tormulas.			
	A	В	С	
1		Blue Sky Inc.		
2		Balance Sheet		
3	As of I	ec. 31, 2011 (\$ in 000's)		
4	Assets	2011	2010	
5	Cash	108000	50000	
6	Marketable Securities	150000	100000	
7	Accounts Receivable	450000	350000	
8	Inventory	1250000	850000	
9	Prepaid Expenses	120000	40000	
10	Total Current Assets	=SUM(B5:B9)	=SUM(C5:C9)	
11	Plant & Equipment	5350000	4800000	
12	Accumulated Depreciation	=C12+'Problem 1 IS'!B10	290000	
13	Net Fixed Assets	=B11-B12	=C11-C12	
14	Long-term Investments	450000	360000	
15	Total Assets	=B10+SUM(B13:B14)	=C10+SUM(C13:C14)	
16	Liabilities and Owners' Equity			
17	Accounts Payable	420000	380000	
18	Notes Payable	150000	100000	
19	Accrued Expenses	150000	100000	
20	Other Current Liabilities	200000	180000	
21	Total Current Liabilities	=SUM(B17:B20)	=SUM(C17:C20)	
22	Long-term Debt	2900000	2500000	
23	Total Liabilities	=SUM(B21:B22)	=SUM(C21:C22)	
24	Common Stock (\$ 25par)	='Problem 1 IS'!B20*25	='Problem 1 IS'!C20*25	
25	Additional Paid-in-Capital	600000	500000	
26	Retained Earnings	=C26+'Problem 1 IS'!B16/2	500000	
27	Total Shareholder's Equity	=SUM(B24:B26)	=SUM(C24:C26)	
28	Total Liabilities and Owners' Equity	=B23+B27	=C23+C27	

b. On another worksheet, create a statement of cash flows for 2011. All formulas should be linked directly to the source on previous worksheets.

	WOI KSHEEL.		
	A Pl Cl I	В	С
1	Blue Sky Inc.		
2	Statement of Cash Flows		
3	For the Year Ended Dec. 31, 20	11 (S in 000	'S)
4	Cash Flows from Operations	24.00	
5	Net income	96.00	
6	Depreciation Expense	120.00	
7	Change in Marketable Securities	-50.00	
8	Change in Accounts Receivables	-100.00	
9	Change in Investories	-400.00	
10	Change in Prepaid Expenses	-80.00	
11	Change in Accounts Payable	40.00	
12	Change in Accrued Expenses	50.00	
13	Change in Other Current Liabilities	20.00	
14	Total Cash Flows from Operations		-304.00
15	Cash Flows from Investing		
16	Change in Plant & Equipment	-550.00	
17	Change in Long-term Investments	-90.00	
18	Total cash Flows from Investing		-640.00
19	Cash Flows from Financing		
20	Change in Short-term Notes Payables	50.00	
21	Change in Long-term Debt	400.00	
22	Change in Common Stock	500.00	
23	Change in Paid-in-Capital	100.00	
24	Cash Dividends Paid to Shareholders	-48.00	
25	Total Cash Flows from Financing		1,002.00
26	Net Change in Cash Balance		58.00
27	-		
28	Check answer against Balance Sheet		
29	Beginning Cash From Balance Sheet	108.00	
30	Ending Cash From Balance Sheet	50.00	
31	Net Change in Cash Balance		58.00

Formulas:

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- 4	A	В	С	
1		Blue Sky Inc.		
2		Statement of Cash Flows		
3	F	or the Year Ended Dec. 31, 2011 (\$ in 000's)		
4	Cash Flows from Operations			
5	Net income	='Problem 1 IS'!B16		
6	Depreciation Expense	='Problem 1 IS'!B10		
7	Change in Marketable Securities	='Problem 1 BS'!C6-'Problem 1 BS'!B6		
8	Change in Accounts Receivables	='Problem 1 BS'!C7-'Problem 1 BS'!B7		
9	Change in Investories	='Problem 1 BS'!C8-'Problem 1 BS'!B8		
10	Change in Prepaid Expenses	='Problem 1 BS'!C9-'Problem 1 BS'!B9		
11	Change in Accounts Payable	='Problem 1 BS'!B17-'Problem 1 BS'!C17		
12	Change in Accrued Expenses	='Problem 1 BS'!B19-'Problem 1 BS'!C19		
13	Change in Other Current Liabilities	='Problem 1 BS'!B20-'Problem 1 BS'!C20		
14	Total Cash Flows from Operations		=SUM(B5:B13)	
15	Cash Flows from Investing			
16	Change in Plant & Equipment	='Problem 1 BS'!C11-'Problem 1 BS'!B11		
17	Change in Long-term Investments	='Problem 1 BS'!C14-'Problem 1 BS'!B14		
18	Total cash Flows from Investing		=SUM(B16:B17)	
19	Cash Flows from Financing			
20	Change in Short-term Notes Payables	='Problem 1 BS'!B18-'Problem 1 BS'!C18		
21	Change in Long-term Debt	='Problem 1 BS'!B22-'Problem 1 BS'!C22		
22	Change in Common Stock	='Problem 1 BS'!B24-'Problem 1 BS'!C24		
23	Change in Paid-in-Capital	='Problem 1 BS'!B25-'Problem 1 BS'!C25		
24	Cash Dividends Paid to Shareholders	=-('Problem 1 IS'!B16-('Problem 1 BS'!B26-'Problem 1 BS'!C26))		
25	Total Cash Flows from Financing		=SUM(B20:B24)	
26	Net Change in Cash Balance		=SUM(C14:C25)	
27				
28	Check answer against Balance Sheet			
29	Beginning Cash From Balance Sheet	='Problem 1 BS'!B5		
30	Ending Cash From Balance Sheet	='Problem 1 BS'!C5		
31	Net Change in Cash Balance		=B29-B30	

c. Using Excel's outlining feature, create an outline on the balance sheet that, when collapsed, shows only the subtotals for each section.

58.00

Worksheet: 1 2 Blue Sky Inc. 1 2 Statement of Cash Flows For the Year Ended Dec. 31, 2011 (\$ in 000's) Cash Flows from Operations 96.00 5 Net income Depreciation Expense 120.00 Change in Marketable Securities -50.00 Change in Accounts Receivables -100.00 Change in Investories -400.00 10 Change in Prepaid Expenses -80.00 11 Change in Accounts Payable 40.00 12 Change in Accrued Expenses 50.00 13 Change in Other Current Liabilities 20.00 14 Total Cash Flows from Operations -304.00 15 Cash Flows from Investing 16 Change in Plant & Equipment -550.00 17 Change in Long-term Investments -90.00 18 Total cash Flows from Investing -640.0019 Cash Flows from Financing 20 Change in Short-term Notes Payables 50.00 21 Change in Long-term Debt 400.00 22 Change in Common Stock 500.00 23 Change in Paid-in-Capital 100.00 24 Cash Dividends Paid to Shareholders -48.00Total Cash Flows from Financing 1,002.00 26 Net Change in Cash Balance 58.00 27 **Collapsed Worksheet:** 1 2 Blue Sky Inc. 1 2 Statement of Cash Flows For the Year Ended Dec. 31, 2011 (\$ in 000's) 14 Total Cash Flows from Operations -304.00 18 Total cash Flows from Investing -640.00 Total Cash Flows from Financing 1,002.00

2. Using the data from the previous problem:

a. Create a common-size income statement and balance sheet for 2011 and 2010. These statements should be created on a separate worksheet with all formulas linked directly to the income statement and balance sheet.

26 Net Change in Cash Balance

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	A	В	С		
1	Blue Sky Inc.				
2	Income State	ement			
3	For the Year Ended Dec. 3	31, 2011 (\$	in 000's)		
4		2011	2010		
5	Sales	100.00%	100.00%		
6	Cost of Goods Sold	76.16%	73.98%		
7	Gross Profit	23.84%	26.02%		
8	Selling and G&A Expenses	10.86%	11.87%		
9	Fixed Expenses	2.65%	3.25%		
10	Depreciation	1.59%	1.63%		
11	Lease Expense	1.99%	2.44%		
12	EBIT	6.75%	6.83%		
13	Interest Expense	4.64%	4.88%		
14	Earnings Before Taxes	2.12%	1.95%		
15	Taxes	0.85%	0.78%		
16	Net Income	1.27%	1.17%		

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	A	В	С	
1	Blue Sky Inc.			
2	Balance Sheet			
3	As of Dec. 31, 2011 (\$ in	000's)		
4	Assets	2011	2010	
5	Cash	1.45%	0.80%	
6	Marketable Securities	2.01%	1.60%	
7	Accounts Receivable	6.03%	5.59%	
8	Inventory	16.74%	13.58%	
9	Prepaid Expenses	1.61%	0.64%	
10	Total Current Assets	27.83%	22.20%	
11	Plant & Equipment	71.64%	76.68%	
12	Accumulated Depreciation	5.49%	4.63%	
13	Net Fixed Assets	66.15%	72.04%	
14	Long-term Investments	6.03%	5.75%	
15	Total Assets	100.00%	100.00%	
16	Liabilities and Owners' Equity			
17	Accounts Payable	5.62%	6.07%	
18	Notes Payable	2.01%	1.60%	
19	Accrued Expenses	2.01%	1.60%	
20	Other Current Liabilities	2.68%	2.88%	
21	Total Current Liabilities	12.32%	12.14%	
22	Long-term Debt	38.83%	39.94%	
23	Total Liabilities	51.15%	52.08%	
24	Common Stock (\$ 25par)	33.48%	31.95%	
25	Additional Paid-in-Capital	8.03%	7.99%	
26	Retained Earnings	7.34%	7.99%	
27	Total Shareholder's Equity	48.85%	47.92%	
28	Total Liabilities and Owners' Equity	100.00%	100.00%	

Formulas:

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b. Using the common-size income statement for 2011, create a pro-forma income statement for 2012 assuming that each item is expected to remain in the same proportion as in 2011. The forecasted sales for 2012 are \$8,500,000.

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A	А	В			
1	1 Blue Sky Inc.				
2	Income Statemen	t			
3	the Year Ended Dec. 31, 20	11 (\$ in 00			
4		2011			
5	Sales	8,500.00			
6	Cost of Goods Sold	6,473.51			
7	Gross Profit	2,026.49			
8	Selling and G&A Expenses	923.18			
9	Fixed Expenses	225.17			
10	Depreciation	135.10			
11	Lease Expense	168.87			
12	EBIT	574.17			
13	Interest Expense	394.04			
14	Earnings Before Taxes	180.13			
15	Taxes	72.05			
16	Net Income	108.08			
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4	А	В
1]	Blue Sky Inc.
2	Inc	ome Statement
3	For the Year End	ded Dec. 31, 2011 (\$ in 000's)
4		2011
5	Sales	8500000
6	Cost of Goods Sold	='Problem 2 Common-size IS'!B6*B\$5
7	Gross Profit	=B5-B6
8	Selling and G&A Expenses	='Problem 2 Common-size IS'!B8*B\$5
9	Fixed Expenses	='Problem 2 Common-size IS'!B9*B\$5
10	Depreciation	='Problem 2 Common-size IS'!B10*B\$5
11	Lease Expense	='Problem 2 Common-size IS'!B11*B\$5
12	EBIT	=B7-SUM(B8:B11)
13	Interest Expense	='Problem 2 Common-size IS'!B13*B\$5
14	Earnings Before Taxes	=B12-B13
15	Taxes	=B14*B19
16	Net Income	=B14-B15
17		
18	Notes:	
19	Tax Rate	0.4

3. Using the data presented below:

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a. Recreate the income statement and balance sheet by filling in the question marks with formulas wherever is possible. Each statement should be on a separate worksheet. Try to duplicate the formatting exactly. Note that the dividend policy in 2010 was based on a dividend payout ratio of 60%. In other words, 60 percent of earnings were paid to shareholders as dividends.

Worksheet:

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	A	В	С
1	Square Corp.		
2	Balance Sheet	t	
3	As of Dec. 31,		
4	Assets	2011	2010
5	Cash	149,970	100,000
6	Accounts Receivable	370,000	347,000
7	Inventory	870,000	515,000
8	Total Current Assets	1,389,970	962,000
9	Plant & Equipment	6,570,000	5,010,000
10	Accumulated Depreciation	1,930,000	1,380,000
11	Net Fixed Assets	4,640,000	3,630,000
12	Total Assets	6,029,970	4,592,000
13	Liabilities and Owners' Equity		
14	Accounts Payable	420,000	321,440
15	Notes Payable	100,000	22,960
16	Total Current Liabilities	520,000	344,400
17	Long-term Debt	1,350,000	918,400
18	T . 1 T . 1 . 1	1.070.000	1.000.000
19	Total Liabilities	1,870,000	1,262,800
19	Common Stock	2,520,000	2,043,440
19	Common Stock	2,520,000	2,043,440
19 20	Common Stock Additional Paid-in-Capital	2,520,000 772,000	2,043,440 551,040

	or maias.	
A	В	С
	Square Corp.	
1	Balance Sheet	
	As of Dec. 31,	
Assets	2011	2010
Cash	149970	100000
Accounts Receivable	370000	347000
Inventory	870000	515000
Total Current Assets	=SUM(B5:B7)	=SUM(C5:C7)
Plant & Equipment	6570000	5010000
Accumulated Depreciation	1930000	1380000
Net Fixed Assets	=B9-B10	=C9-C10
Total Assets	=B8+SUM(B11:B11)	=C8+SUM(C11:C11)
Liabilities and Owners' Equity		
Accounts Payable	420000	321440
Notes Payable	100000	22960
Total Current Liabilities	=SUM(B14:B15)	=SUM(C14:C15)
Long-term Debt	1350000	918400
Total Liabilities	=SUM(B16:B17)	=SUM(C16:C17)
Common Stock	2520000	2043440
Additional Paid-in-Capital	772000	551040
Retained Earnings	=C21+'Problem 3 IS'!B14/2	734720
Total Shareholder's Equity	=SUM(B19:B21)	=SUM(C19:C21)
Total Liabilities and Owners' Equity	=B18+B22	=C18+C22
	Assets Cash Accounts Receivable Inventory Total Current Assets Plant & Equipment Accumulated Depreciation Net Fixed Assets Total Assets Liabilities and Owners' Equity Accounts Payable Notes Payable Notes Payable Total Current Liabilities Long-term Debt Total Liabilities Common Stock Additional Paid-in-Capital Retained Earnings Total Shareholder's Equity	Square Corp.

b. On another worksheet, create a statement of cash flows for 2011. Use formulas linked directly to the source on previous worksheets instead of numbers.

	worksneet:			
A	А	В	С	
2	Statement of Cash	Flows		
3	For the Year Ended Dec	c. 31, 2011		
4	Cash Flows from Operations			
5	Net income	133,250		
6	Depreciation Expense	550,000		
7	Change in Accounts Receivables	-23,000		
8	Change in Investories	-355,000		
9	Change in Accounts Payable	98,560		
10	Total Cash Flows from Operations		403,810	
11	Cash Flows from Investing			
12	Change in Plant & Equipment	-1,560,000		
13	Total cash Flows from Investing		-1,560,000	
14	Cash Flows from Financing			
15	Change in Notes Payables	77,040		
16	Change in Long-term Debt	431,600		
17	Change in Common Stock	476,560		
18	Change in Paid-in-Capital	220,960		
19	Cash Dividends Paid to Shareholders	-66,625		
20	Total Cash Flows from Financing		1,139,535	
21	Net Change in Cash Balance		-16,655	
22	Check answer against Balance Sheet			
23	Beginning Cash From Balance Sheet	100.00		
24	Ending Cash From Balance Sheet	149.97		
25	Net Change in Cash Balance		49.97	

	1 of maias.			
	A	В	С	
2		Statement of Cash Flows		
3	For	he Year Ended Dec. 31, 2011		
4	Cash Flows from Operations			
5	Net income	='Problem 3 IS'!B14		
6	Depreciation Expense	='Problem 3 IS'!B9		
7	Change in Accounts Receivables	='Problem 3 BS'!F6-'Problem 3 BS'!E6		
8	Change in Investories	='Problem 3 BS'!F7-'Problem 3 BS'!E7		
9	Change in Accounts Payable	='Problem 3 BS'!E14-'Problem 3 BS'!F14		
10	Total Cash Flows from Operations		=SUM(B5:B9)	
11	Cash Flows from Investing			
12	Change in Plant & Equipment	='Problem 3 BS'!F9-'Problem 3 BS'!E9		
13	Total cash Flows from Investing		=SUM(B12:B12)	
14	Cash Flows from Financing			
15	Change in Notes Payables	='Problem 3 BS'!E15-'Problem 3 BS'!F15		
16	Change in Long-term Debt	='Problem 3 BS'!E17-'Problem 3 BS'!F17		
17	Change in Common Stock	='Problem 3 BS'!E19-'Problem 3 BS'!F19		
18	Change in Paid-in-Capital	='Problem 3 BS'!E20-'Problem 3 BS'!F20		
19	Cash Dividends Paid to Shareholders	=-('Problem 3 IS'!E14-('Problem 3 BS'!E2	21-'Problem 3 BS'!F21)	
20	Total Cash Flows from Financing		=SUM(B15:B19)	
21	Net Change in Cash Balance		=SUM(C10:C20)	
22	Check answer against Balance Sheet			
23	Beginning Cash From Balance Sheet	='Problem 3 BS'!C5		
24	Ending Cash From Balance Sheet	='Problem 3 BS'!B5		
25	Net Change in Cash Balance		=B24-B23	

c. Create a common-size income statement and balance sheet for 2011 and 2010. These statements should be created on a separate worksheet with all formulas linked directly to the income statement and balance sheet.

	WUIKSIIC	•••	
4	А	В	С
1	Square	Corp.	
2	Income Sta	atement	
3	For the Year Er	ided Dec. 3	l
4		2011	2010
5	Sales	100.00%	100.00%
6	Cost of Goods Sold	74.48%	78.96%
7	Gross Profit	25.52%	21.04%
8	Selling and G&A Expenses	13.31%	9.36%
9	Depreciation	7.59%	8.15%
10	EBIT	4.62%	3.53%
11	Interest Expense	1.79%	1.63%
12	Earnings Before Taxes	2.83%	1.90%
13	Taxes	0.99%	0.72%
14	Net Income	1.84%	1.17%

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A	А	В	С
1	Square Corp.		
2	Balance Sheet		
3	As of Dec. 31,		
4	Assets	2011	2010
5	Cash	2.49%	2.18%
6	Accounts Receivable	6.14%	7.56%
7	Inventory	14.43%	11.22%
8	Total Current Assets	23.05%	20.95%
9	Plant & Equipment	108.96%	109.10%
10	Accumulated Depreciation	32.01%	30.05%
11	Net Fixed Assets	76.95%	79.05%
12	Total Assets	100.00%	100.00%
13	Liabilities and Owners' Equity		
14	Accounts Payable	6.97%	
		0.9770	7.00%
15	Notes Payable	1.66%	7.00% 0.50%
15 16	•		
	Notes Payable	1.66%	0.50%
16	Notes Payable Total Current Liabilities	1.66% 8.62%	0.50% 7.50%
16 17	Notes Payable Total Current Liabilities Long-term Debt	1.66% 8.62% 22.39%	0.50% 7.50% 20.00%
16 17 18	Notes Payable Total Current Liabilities Long-term Debt Total Liabilities	1.66% 8.62% 22.39% 31.01%	0.50% 7.50% 20.00% 27.50%
16 17 18 19	Notes Payable Total Current Liabilities Long-term Debt Total Liabilities Common Stock	1.66% 8.62% 22.39% 31.01% 41.79%	0.50% 7.50% 20.00% 27.50% 44.50%
16 17 18 19 20	Notes Payable Total Current Liabilities Long-term Debt Total Liabilities Common Stock Additional Paid-in-Capital	1.66% 8.62% 22.39% 31.01% 41.79% 12.80%	0.50% 7.50% 20.00% 27.50% 44.50% 12.00%

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4. Dragon Telecommunications Inc. wants to estimate forecasted financial statements for 2012 based on its accounting data in 2011. In 2011 total revenue was \$1,550,000; cost of goods sold was \$1,250,000; selling and G&A expenses were \$110,000; depreciation expense was \$15,000; interest expense was \$25,000; the average tax rate was 35 percent, and the number of shares outstanding was 80,000. Also, in 2011 Dragon has cash for \$20,000; accounts receivable of \$120,000; inventory of \$220,000; plant & equipment of \$1,150,000 with an accumulated depreciation of \$250,000. In 2011, accounts payable, notes payable, long-term debt, common stock, additional paid-in-capital, and retained earnings represented 7, ½, 20, 44.5, 12, and 16 percent of total assets respectively. For 2012, Reptile expects a 25% increase in total revenue, while cost of goods sold and selling and G&A expenses are expected to remain in the same proportion of total revenue as in 2011. Also for 2012, total plant and equipment will increase in 12 percent as well as the total annual depreciation expense. Similarly, long-term debt is forecasted to increase by 20 percent as well as the total annual interest expense, but the tax rate and the number of shares outstanding will remain constant. Additionally in 2012, accounts receivable, inventory, accounts payable, and notes payable are expected to increase 15 percent, while common stocks and paid-in-capital will increase by 25 percent. The dividend policy in 2012 will be based on a dividend payout ratio of 50 percent. In other words, 50 percent of forecasted earnings will be paid to shareholders as dividends. Using all these projections, create the forecasted 2012 income statement, balance sheet, and statement of cash flows for Dragon Telecommunications Inc. Each statement should be on a separate worksheet.

Worksheet:				For	mulas:		
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Worksheet:			
	A	В	С
1	Dragon Telecommunicat	ions Inc.	
2	Pro-Forma Balance S	heet	
3	As of Dec. 31		
4	Assets	2012	2011
5	Cash	152,328	20,000
6	Accounts Receivable	138,000	120,000
7	Inventory	253,000	220,000
8	Total Current Assets	543,328	360,000
9	Plant & Equipment	1,288,000	1,150,000
10	Accumulated Depreciation	266,800	250,000
11	Net Fixed Assets	1,021,200	900,000
12	Total Assets	1,564,528	1,260,000
13	Liabilities and Owners' Equity		
14	Accounts Payable	101,430	88,200
15	Notes Payable	7,245	6,300
16	Total Current Liabilities	108,675	94,500
17	Long-term Debt	302,400	252,000
18	Total Liabilities	411,075	346,500
19	Common Stock	700,875	560,700
20	Additional Paid-in-Capital	189,000	151,200
21	Retained Earnings	263,578	201,600
22	Total Shareholder's Equity	1,153,453	913,500
23	Total Liabilities and Owners' Equity	1,564,528	1,260,000

Pormutas.				
A	В	С		
Pro-Forma Balance Sheet				
	As of Dec. 31			
Assets	2012	2011		
Cash	=C5+'Problem 4 SCF'!C21	20000		
Accounts Receivable	=1.15*C6	120000		
Inventory	=1.15*C7	220000		
Total Current Assets	=SUM(B5:B7)	=SUM(C5:C7)		
Plant & Equipment	=C9*1.12	1150000		
Accumulated Depreciation	=C10+'Problem 4 IS'!B9	250000		
Net Fixed Assets	=B9-B10	=C9-C10		
Total Assets	=B8+SUM(B11:B11)	=C8+SUM(C11:C11)		
Liabilities and Owners' Equity				
Accounts Payable	=1.15*C14	=0.07*C12		
Notes Payable	=1.15*C15	=0.005*C12		
Total Current Liabilities	=SUM(B14:B15)	=SUM(C14:C15)		
Long-term Debt	=C17*1.2	=0.2*C12		
Total Liabilities	=SUM(B16:B17)	=SUM(C16:C17)		
Common Stock	=C19*1.25	=0.445*C12		
Additional Paid-in-Capital	=C20*1.25	=0.12*C12		
Retained Earnings	=C21+('Problem 4 IS'!B14*0.5)	=0.16*C12		
Total Shareholder's Equity	=SUM(B19:B21)	=SUM(C19:C21)		
	Assets Cash Accounts Receivable Inventory Total Current Assets Plant & Equipment Accumulated Depreciation Net Fixed Assets Total Assets Liabilities and Owners' Equity Accounts Payable Notes Payable Notes Payable Total Current Liabilities Long-term Debt Total Liabilities Common Stock Additional Paid-in-Capital Retained Earnings	Dragon Telecommunications Inc.		

	vv orksneet:		
	A	В	С
1	Dragon Telecommunications Inc.		
2	Pro-Forma Statement of C	ash Flows	
3	For the Year Ended Dec.	31, 2012	
4	Cash Flows from Operations		
5	Net income	123,955	
6	Depreciation Expense	16,800	
7	Change in Accounts Receivables	-18,000	
8	Change in Investory	-33,000	
9	Change in Accounts Payable	13,230	
10	Total Cash Flows from Operations		102,985
11	Cash Flows from Investing		
12	Change in Plant & Equipment	-138,000	
13	Total cash Flows from Investing		-138,000
14	Cash Flows from Financing		
15	Change in Notes Payables	945	
16	Change in Long-term Debt	50,400	
17	Change in Common Stock	140,175	
18	Change in Paid-in-Capital	37,800	
19	Cash Dividends Paid to Shareholders	-61,978	
20	Total Cash Flows from Financing		167,343
21	Net Change in Cash Balance		132,328
22	Check answer against Balance Sheet		
23	Beginning Cash From Balance Sheet	20,000	
		4.50,000	
24	Ending Cash From Balance Sheet	152,328	
24	Ending Cash From Balance Sheet Net Change in Cash Balance	152,328	132,328

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Test Bank

1. What custom category was used to format cell A2 using the data on cell A1?

a. #,##0.00,

b. #,##0.00

c. #,###.00

d. #,##0,

e. #,##0

Solution: a.

2. How would look cell A1 after being formatted as "#,###.000,"?

a. 1.23

b. 1,234.56

c. 1.235

d. 1

e. 1,235

Solution: c.

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1	123456789.1
2	123,456.79

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3. Which cells have the wrong formula to calculate some items associated with the cash flows from operations?

I. cell B8

II. cell B9

III. cell B10

IV. cell B11

a. I and III

b. II and IV

c. I, II, and III

d. II, III, and IV

e. I, II, III, and IV

Solution: b.

	А	В	С
1	Assets	2012	2011
2	Accounts Receivable	277000	463200
3	Inventory	527000	633400
4	Liabilities and Owners' Equity		
5	Accounts Payable	235800	187500
6	Other Current Liabilities	127400	97500
7	Cash Flows from Operations		
8	Change in Accounts Receivables	=C2-B2	
9	Change in Investories	=B3-C3	
10	Change in Accounts Payable	=B5-C5	
11	Change in Other Current Liabilities	=C6-B6	

4. Which of the following are the correct formulas to calculate the change in accounts receivable, inventories, accounts payable, and other current liabilities for cells B8, B9, B10, and B11 respectively? a. =C2-B2, =C3-B3, =C5-B5,and =C6-B6 b. =C2-B2, =B3-C3, =B5-C5,and =C6-B6 c. =B2-C2, =B3-C3, =B5-C5,and =B6-C6 d. =C2-B2, =C3-B3, =B5-C5,and =B6-C6 e. =B2-C2, =C3-B3, =C5-B5,and =B6-C6 *Solution: d.*

	А	В	С
1	Assets	2012	2011
2	Accounts Receivable	277.00	463.20
3	Inventory	527.00	633.40
4	Liabilities and Owners' Equity		
5	Accounts Payable	235.80	187.50
6	Other Current Liabilities	127.40	97.50
7	Cash Flows from Operations		
8	Change in Accounts Receivable	?	
9	Change in Investories	?	
10	Change in Accounts Payable	?	
11	Change in Other Current Liabilities	?	

- 5. Which of the following is the correct formula for cell B8 to calculate the cash dividends paid to shareholders?
- a. =-(B2+(B5-C5))
- b. = -(B2-(B6-C6))
- c. = B2-(B5-C5)
- d. = -B2 (B5 C5)
- e. =-(B2-(B5-C5))

Solution: e.

	Α	В	С
1		2012	2011
2	Net Income	44.22	87.96
3	Liabilities and Owners' Equity		
4	Common Stock	460.00	460.00
5	Retained Earnings	225.99	203.77
6	Total Shareholder's Equity	685.99	663.77
7	Cash Flows from Financing		
8	Cash Dividends Paid to Shareholders	?	

- 6. In the following worksheet of an income statement, which cell has an error?
- a. B4
- b. B8
- c. B10
- d. B12
- e. None

Α	В
	2012
Sales	2900000
Cost of Goods	2030000
Gross Profit	=B2-B3
Depreciation	62000
Selling & Admin. Expense	425000
	Cost of Goods Gross Profit Depreciation

Solution: b.

7. In the following worksheet of a balance sheet, which cell has an error?

a. B10

b. B11

c. B15

d. B17

e. B21

Solution: d.

	А	В
1		2012
2	Assets	
3	Cash	72000
4	Marketable Securities	15000
5	Accounts Receivable	440000
6	Inventory	535000
7	Total Current Assets	=SUM(B3:B6)
8	Gross Fixed Assets	2720000
9	Accumulated Depreciation	568000
10	Net Plant & Equipment	=B8-B9
11	Total Assets	= B 7+ B 10
12	Liabilities & Owner's Equity	
13	Accounts Payable	535000
14	Accrued Expenses	25000
15	Total Current Liabilities	=SUM(B13:B14)
16	Long-term Debt	1268100
17	Total Liabilities	=SUM(B15:B16)
18	Common Stock (\$2 par)	86000
19	Additional Paid-in-Capital	641000
20	Retained Earnings	658900
21	Total Owner's Equity	=SUM(B17:B20)
22	Total Liab. & Owner's Equity	=B17+B21

8. Which of the following is the correct formula for cell B5 to calculate the earnings per share?

a. =B2-B3*B2/B4

b. = (B2-B3)/B4

c. = B2*(1-B3)/B4

d = (B2 + B3 * B2)/B4

e. = B2*(1+B3)/B4

Solution: c.

	Α	В
1		2012
2	Earnings Before Taxes	\$520,000
3	Tax Rate	30.0%
4	Shares Outstanding	70,000
5	Earnings per Share	?

- 9. Which of the following is the correct formula for cell B9 to calculate the net income?
- a. =B2-(B3-B4-B5-B6)-B7-B8
- b. =B2+(B3-B4-B5-B6)-B7-B8
- c. = B2-B3-B4-B5-B6-B7+B8
- d. = B2-SUM(B2:B8)
- e. = B2-SUM(B3:B8)

Solution: c.

	A B	
1		2012
2	Sales	\$11,203,160
3	Cost of Goods Sold	1,853,780
4	Selling/General/Admin.	117,710
5	Fuel Expense	4,947,980
6	Other Expenses	2,766,750
7	Interest Expense	112,000
8	Taxes	72,100
9	Net Income	?

- 10. Using only the information provided in the following worksheet, what is the correct formula to calculate the total cash flows from financing?
- a. =(B2-C2)-(B4+(B3-C3))
- b. =(B2-C2)+(B4-(B3-C3))
- c. = (B3-C3)-(B4-(B2-C2))
- d. = (B2-C2)-(B4-(B3-C3))
- e. = (B2+C2)-(B4+(B3+C3))

Solution: d.

	А	В	С
1		2012	2011
2	Common Stock	1,235,000	1,079,000
3	Retained Earnings	572,000	487,000
4	Net Income	798,000	
5	Total Cash Flows from Financing	?	

- 11. Which is the correct formula to determine depreciation on cell B9?
- a. =(B5+B6)-(B8-B10)
- b = (B5-B6)-B8-B10
- c = (B5+B6) (B8+B10)
- d. (B5-B6)+(B8-B10)
- e. = B5-B6-B8+B10

Solution: b.

	А	В
5	Sales	\$7,250,000
6	Cost of Goods Sold	5,400,000
7	Gross Profit	?
7 8	Gross Profit Selling and G&A Expenses	? 965,000

- 12. Which is the correct formula to determine taxes on cell B14?
- a. =(B10+B11)+B14
- b = (B10+B11)-B14
- c. = (B10-B11)-B14
- d. = (B10-B11)+B14
- e. None of the above

1	А	В
10	EBIT	335,000
11	Interest Expense	130,000
12	Earnings Before Taxes	?
13	Taxes	?
14	Net Income	133,250

Solution: c.

13. Which is the correct formula to determine the average tax rate on cell B15?

- a. =(B10-B11-B14)/(B10-B11)
- b. =(B10+B11+B14)/(B10-B11)
- c. =(B10-B11-B14)/(B10+B11)
- d = (B10+B11+B14)/(B10-B11)
- e = (B10-B11-B14)/B10-B11

Solution: a.

	А	В
10	EBIT	335,000
11	Interest Expense	130,000
12	Earnings Before Taxes	?
13	Taxes	?
14	Net Income	133,250
15	Tax Rate	?

14. Which is the correct formula to determine the net income on cell B14?

- a. =(B10+B11)*(1+B15)
- b. =(B10-B11)*(1+B15)
- c. = (B10+B11)*(1-B15)
- d. = (B10-B11)*(1-B15)
- e. = (B10-B11)/(1-B15)

Solution: d.

A	\$%
12 ALGE	2000
10 Taftens-A. Pagestage	DSS MARK
12 Business September	7
10 Tassex	Ÿ
AN SERVICE OF THE PROPERTY.	8
15 Wedleto	2574,00000

- 15. Which is the correct formula to determine the EPS on cell B16?
- a. =(B10+B11)*(1+B25)/B15
- b. =(B10-B11)*(1-B25)/B15
- c. =(B10-B11)/(1-B25)*B15
- d. = (B10+B11)*(1-B25)/B15
- e. =(B10-B11)*(1+B25)/B15

Solution: b.

1	3%	85
Ţ6	181907	4800,660
33	Same Higgson	有特殊所以
313	Showings Inform Houses	39
223	Toma	71,523
300	Mar Strategy	ę
33	Barner Calenti Cag	双病物
35	विकामीकृत्यक्षा स्थितक	- 10

Blue Sky Inc.
Income Statement
For the Year Ended Dec. 31, 2011 (\$ in 000's)

	2011	2010
Sales	7,550.00	6,150.00
Cost of Goods Sold	5,750.00	4,550.00
Gross Profit	1,800.00	1,600.00
Selling and G&A Expenses	820.00	730.00
Fixed Expenses	200.00	200.00
Depreciation	120.00	100.00
Lease Expense	150.00	150.00
EBIT	510.00	420.00
Interest Expense	350.00	300.00
Earnings Before Taxes	160.00	120.00
Taxes	64.00	48.00
Net Income	96.00	72.00
Notes:		
Tax Rate	40.00%	40.00%
Shares Outstanding	100,000	80,000
Earnings per Share	\$0.96	\$0.90
Dividends per Share	\$0.48	\$0.45
Addition to RE per Share	\$0.48	\$0.45

Blue Sky Inc. Balance Sheet As of Dec. 31, 2011 (\$ in 000's)

Assets	2011	2010
Cash	108.00	50.00
Marketable Securities	150.00	100.00
Accounts Receivable	450.00	350.00
Inventory	1,250.00	850.00
Prepaid Expenses	120.00	40.00
Total Current Assets	2,078.00	1,390.00
Plant & Equipment	5,350.00	4,800.00
Accumulated Depreciation	410.00	290.00
Net Fixed Assets	4,940.00	4,510.00
Long-term Investments	450.00	360.00
Total Assets	7,468.00	6,260.00
Liabilities and Owners' Equity		
Accounts Payable	420.00	380.00
Notes Payable	150.00	100.00
Accrued Expenses	150.00	100.00
Other Current Liabilities	200.00	180.00
Total Current Liabilities	920.00	760.00
Long-term Debt	2,900.00	2,500.00
Total Liabilities	3,820.00	3,260.00
Common Stock (\$ 25par)	2,500.00	2,000.00
Additional Paid-in-Capital	600.00	500.00
Retained Earnings	548.00	500.00
Total Shareholder's Equity	3,648.00	3,000.00
Total Liabilities and Owners' Equity	7,468.00	6,260.00

Blue Sky Inc. Statement of Cash Flows For the Year Ended Dec. 31, 2011 (\$ in 000's)

Cash Flows from Operations		
Net income	96.00	
Depreciation Expense	120.00	
Change in Marketable Securities	-50.00	
Change in Accounts Receivables	-100.00	
Change in Investories	-400.00	
Change in Prepaid Expenses	-80.00	
Change in Accounts Payable	40.00	
Change in Accrued Expenses	50.00	
Change in Other Current Liabilities	20.00	
Total Cash Flows from Operations		-304.00
Cash Flows from Investing		
Change in Plant & Equipment	-550.00	_
Change in Long-term Investments	-90.00	
		C 40 00
Total cash Flows from Investing		-640.00
Cash Flows from Financing		-640.00
	50.00	-640.00
Cash Flows from Financing	50.00 400.00	-640.00
Cash Flows from Financing Change in Short-term Notes Payables		-640.00
Cash Flows from Financing Change in Short-term Notes Payables Change in Long-term Debt	400.00	-640.00
Cash Flows from Financing Change in Short-term Notes Payables Change in Long-term Debt Change in Common Stock	400.00 500.00	-640.00
Cash Flows from Financing Change in Short-term Notes Payables Change in Long-term Debt Change in Common Stock Change in Paid-in-Capital	400.00 500.00 100.00	1,002.00
Cash Flows from Financing Change in Short-term Notes Payables Change in Long-term Debt Change in Common Stock Change in Paid-in-Capital Cash Dividends Paid to Shareholders	400.00 500.00 100.00	
Cash Flows from Financing Change in Short-term Notes Payables Change in Long-term Debt Change in Common Stock Change in Paid-in-Capital Cash Dividends Paid to Shareholders Total Cash Flows from Financing Net Change in Cash Balance	400.00 500.00 100.00	1,002.00
Cash Flows from Financing Change in Short-term Notes Payables Change in Long-term Debt Change in Common Stock Change in Paid-in-Capital Cash Dividends Paid to Shareholders Total Cash Flows from Financing	400.00 500.00 100.00 -48.00	1,002.00
Cash Flows from Financing Change in Short-term Notes Payables Change in Long-term Debt Change in Common Stock Change in Paid-in-Capital Cash Dividends Paid to Shareholders Total Cash Flows from Financing Net Change in Cash Balance	400.00 500.00 100.00	1,002.00
Cash Flows from Financing Change in Short-term Notes Payables Change in Long-term Debt Change in Common Stock Change in Paid-in-Capital Cash Dividends Paid to Shareholders Total Cash Flows from Financing Net Change in Cash Balance Check answer against Balance Sheet	400.00 500.00 100.00 -48.00	1,002.00

Blue Sky Inc.
Income Statement
For the Year Ended Dec. 31, 2011 (\$ in 000's)

	, ,	
	2011	2010
Sales	100.00%	100.00%
Cost of Goods Sold	76.16%	73.98%
Gross Profit	23.84%	26.02%
Selling and G&A Expenses	10.86%	11.87%
Fixed Expenses	2.65%	3.25%
Depreciation	1.59%	1.63%
Lease Expense	1.99%	2.44%
EBIT	6.75%	6.83%
Interest Expense	4.64%	4.88%
Earnings Before Taxes	2.12%	1.95%
Taxes	0.85%	0.78%
Net Income	1.27%	1.17%
Notes:		
Tax Rate	40.00%	40.00%
Shares Outstanding	100,000	80,000
Earnings per Share	\$0.00	\$0.00
Dividends per Share	\$0.48	\$0.45
Addition to RE per Share	(\$0.48)	(\$0.45)

Blue Sky Inc. Balance Sheet As of Dec. 31, 2011 (\$ in 000's)

Assets	2011	2010
Cash	1.45%	0.80%
Marketable Securities	2.01%	1.60%
Accounts Receivable	6.03%	5.59%
Inventory	16.74%	13.58%
Prepaid Expenses	1.61%	0.64%
Total Current Assets	27.83%	22.20%
Plant & Equipment	71.64%	76.68%
Accumulated Depreciation	5.49%	4.63%
Net Fixed Assets	66.15%	72.04%
Long-term Investments	6.03%	5.75%
Total Assets	100.00%	100.00%
Liabilities and Owners' Equity		
Accounts Payable	5.62%	6.07%
Notes Payable	2.01%	1.60%
Accrued Expenses	2.01%	1.60%
Other Current Liabilities	2.68%	2.88%
Total Current Liabilities	12.32%	12.14%
Long-term Debt	38.83%	39.94%
Total Liabilities	51.15%	52.08%
Common Stock (\$ 25par)	33.48%	31.95%
Additional Paid-in-Capital	8.03%	7.99%
Retained Earnings	7.34%	7.99%
Total Shareholder's Equity	48.85%	47.92%
Total Liabilities and Owners' Equity	100.00%	100.00%

Blue Sky Inc. Income Statement

For the Year Ended Dec. 31, 2011 (\$ in 000's)

	2011
Sales	8500000
Cost of Goods Sold	='Problem 2 Common-size IS'!B6*B\$5
Gross Profit	= <i>B5-B6</i>
Selling and G&A Expenses	='Problem 2 Common-size IS'!B8*B\$5
Fixed Expenses	='Problem 2 Common-size IS'!B9*B\$5
Depreciation	='Problem 2 Common-size IS'!B10*B\$5
Lease Expense	='Problem 2 Common-size IS'!B11*B\$5
EBIT	=B7-SUM(B8:B11)
Interest Expense	='Problem 2 Common-size IS'!B13*B\$5
Earnings Before Taxes	=B12-B13
Taxes	=B14*B19
Net Income	=B14-B15

Notes:

Tax Rate	0.4
Shares Outstanding	100000
Earnings per Share	=B16/B20
Dividends per Share	0.48
Addition to RE per Share	=B21-B22

Square Corp.
Income Statement
For the Year Ended Dec. 31

	2011	2010	2011	2010
Sales	7,250,000	6,750,000	\$ 7,250,000	\$ 6,750,000
Cost of Goods Sold	5,400,000	5,330,000	5,400,000	5,330,000
Gross Profit	1,850,000	1,420,000	?	?
Selling and G&A Expenses	965,000	632,000	965,000	632,000
Depreciation	550,000	550,000	?	550,000
EBIT	335,000	238,000	335,000	?
Interest Expense	130,000	110,000	?	110,000
Earnings Before Taxes	205,000	128,000	205,000	?
Taxes	71,750	48,900	?	?
Net Income	133,250	79,100	133,250	79,100
Notes:				
Tax Rate	35.00%	38.20%	?	?
Shares Outstanding	75,000	65,000	75,000	65,000
Earnings per Share	\$1.78	\$1.22	?	?
Dividends per Share	\$0.89	\$0.73	?	?
Addition to RE per Share	\$0.89	\$0.49	?	?

Square Corp. Balance Sheet As of Dec. 31,

Assets	2011	2010	2011	2010
Cash	149,970	100,000	64,000	100,000
Accounts Receivable	370,000	347,000	370,000	347,000
Inventory	870,000	515,000	870,000	515,000
Total Current Assets	1,389,970	962,000	?	?
Plant & Equipment	6,570,000	5,010,000	6,570,000	5,010,000
Accumulated Depreciation	1,930,000	1,380,000	1,930,000	1,380,000
Net Fixed Assets	4,640,000	3,630,000	?	?
Total Assets	6,029,970	4,592,000	?	?
Liabilities and Owners' Equity				
Accounts Payable	420,000	321,440	420,000	321,440
Notes Payable	100,000	22,960	100,000	22,960
Total Current Liabilities	520,000	344,400	?	?
Long-term Debt	1,350,000	918,400	1,350,000	918,400
Total Liabilities	1,870,000	1,262,800	?	?
Common Stock	2,520,000	2,043,440	2,520,000	2,043,440
Additional Paid-in-Capital	772,000	551,040	772,000	551,040
Retained Earnings	801,345	734,720	801,345	734,720
Total Shareholder's Equity	4,093,345	3,329,200	?	?
Total Liabilities and Owners' Equity	5,963,345	4,592,000	?	?

Triangle Corp. Statement of Cash Flows For the Year Ended Dec. 31, 2011

Cash Flows from Operations	
Net income	='Problem 3 IS'!B14
Depreciation Expense	='Problem 3 IS'!B9
Change in Accounts Receivables	='Problem 3 BS'!F6-'Problem 3 BS'!E6
Change in Investories	='Problem 3 BS'!F7-'Problem 3 BS'!E7
Change in Accounts Payable	='Problem 3 BS'!E14-'Problem 3 BS'!F14
Total Cash Flows from Operations	
Cash Flows from Investing	
Change in Plant & Equipment	='Problem 3 BS'!F9-'Problem 3 BS'!E9
Total cash Flows from Investing	
Cash Flows from Financing	
Change in Notes Payables	='Problem 3 BS'!E15-'Problem 3 BS'!F15
Change in Long-term Debt	='Problem 3 BS'!E17-'Problem 3 BS'!F17
Change in Common Stock	='Problem 3 BS'!E19-'Problem 3 BS'!F19
Change in Paid-in-Capital	='Problem 3 BS'!E20-'Problem 3 BS'!F20
Cash Dividends Paid to Shareholders	=-('Problem 3 IS'!E14-('Problem 3 BS'!E21-
Total Cash Flows from Financing	
Net Change in Cash Balance	
Check answer against Balance Sheet	
Beginning Cash From Balance Sheet	='Problem 3 BS'!C5
Ending Cash From Balance Sheet	='Problem 3 BS'!B5
Net Change in Cash Balance	

=SUM(B5:B9)

=SUM(B12:B12)

'Problem 3 BS'!F21))

=SUM(B15:B19)

=SUM(C10:C20)

=B24-B23

Square Corp. Income Statement For the Year Ended Dec. 31

	2011	2010
Sales	100.00%	100.00%
Cost of Goods Sold	74.48%	78.96%
Gross Profit	25.52%	21.04%
Selling and G&A Expenses	13.31%	9.36%
Depreciation	7.59%	8.15%
EBIT	4.62%	3.53%
Interest Expense	1.79%	1.63%
Earnings Before Taxes	2.83%	1.90%
Taxes	0.99%	0.72%
Net Income	1.84%	1.17%
Notes:		
Tax Rate	35.00%	38.20%
Shares Outstanding	75,000	65,000
Earnings per Share	\$0.00	\$0.00
Dividends per Share	(\$0.89)	\$0.00
Addition to RE per Share	\$0.89	\$0.00

Square Corp. Balance Sheet As of Dec. 31,

Assets	2011
Cash	='Problem 3 BS'!B5/'Problem 3 BS'!B\$12
Accounts Receivable	='Problem 3 BS'!B6/'Problem 3 BS'!B\$12
Inventory	='Problem 3 BS'!B7/'Problem 3 BS'!B\$12
Total Current Assets	='Problem 3 BS'!B8/'Problem 3 BS'!B\$12
Plant & Equipment	='Problem 3 BS'!B9/'Problem 3 BS'!B\$12
Accumulated Depreciation	='Problem 3 BS'!B10/'Problem 3 BS'!B\$12
Net Fixed Assets	='Problem 3 BS'!B11/'Problem 3 BS'!B\$12
Total Assets	='Problem 3 BS'!B12/'Problem 3 BS'!B\$12
Liabilities and Owners' Equity	
Accounts Payable	='Problem 3 BS'!B14/'Problem 3 BS'!B\$12
Notes Payable	='Problem 3 BS'!B15/'Problem 3 BS'!B\$12
Total Current Liabilities	='Problem 3 BS'!B16/'Problem 3 BS'!B\$12
Long-term Debt	='Problem 3 BS'!B17/'Problem 3 BS'!B\$12
Total Liabilities	='Problem 3 BS'!B18/'Problem 3 BS'!B\$12
Common Stock	='Problem 3 BS'!B19/'Problem 3 BS'!B\$12
Additional Paid-in-Capital	='Problem 3 BS'!B20/'Problem 3 BS'!B\$12
Retained Earnings	='Problem 3 BS'!B21/'Problem 3 BS'!B\$12
Total Shareholder's Equity	='Problem 3 BS'!B22/'Problem 3 BS'!B\$12
Total Liabilities and Owners' Equity	='Problem 3 BS'!B23/'Problem 3 BS'!B\$12

2010
='Problem 3 BS'!C5/'Problem 3 BS'!C\$12
='Problem 3 BS'!C6/'Problem 3 BS'!C\$12
='Problem 3 BS'!C7/'Problem 3 BS'!C\$12
='Problem 3 BS'!C8/'Problem 3 BS'!C\$12
='Problem 3 BS'!C9/'Problem 3 BS'!C\$12
='Problem 3 BS'!C10/'Problem 3 BS'!C\$12
='Problem 3 BS'!C11/'Problem 3 BS'!C\$12
='Problem 3 BS'!C12/'Problem 3 BS'!C\$12
='Problem 3 BS'!C14/'Problem 3 BS'!C\$12
='Problem 3 BS'!C15/'Problem 3 BS'!C\$12
='Problem 3 BS'!C16/'Problem 3 BS'!C\$12
='Problem 3 BS'!C17/'Problem 3 BS'!C\$12
='Problem 3 BS'!C18/'Problem 3 BS'!C\$12
='Problem 3 BS'!C19/'Problem 3 BS'!C\$12
='Problem 3 BS'!C20/'Problem 3 BS'!C\$12
='Problem 3 BS'!C21/'Problem 3 BS'!C\$12
='Problem 3 BS'!C22/'Problem 3 BS'!C\$12
='Problem 3 BS'!C23/'Problem 3 BS'!C\$12

Dragon Telecommunications Inc. Pro-Forma Income Statement For the Year Ended Dec. 31

	2012	2011
Sales	1,937,500	1,550,000
Cost of Goods Sols	1,562,500	1,250,000
Gross Profit	375,000	300,000
Selling and G&A Expenses	137,500	110,000
Depreciation Expense	16,800	15,000
EBIT	220,700	175,000
Interest Expense	30,000	25,000
Earnings Before Taxes	190,700	150,000
Taxes	66,745	52,500
Net Income	123,955	97,500
Notes:		
Tax Rate	35.00%	35.00%
Shares Outstanding	80,000	80,000
Earnings per Share	\$1.549	\$1.22
Dividends per share	\$0.775	
Retained earnings per share	\$0.775	

Dragon Telecommunications Inc. Pro-Forma Balance Sheet As of Dec. 31

Assets	2012	2011
Cash	152,328	20,000
Accounts Receivable	138,000	120,000
Inventory	253,000	220,000
Total Current Assets	543,328	360,000
Plant & Equipment	1,288,000	1,150,000
Accumulated Depreciation	266,800	250,000
Net Fixed Assets	1,021,200	900,000
Total Assets	1,564,528	1,260,000
Liabilities and Owners' Equity		
Accounts Payable	101,430	88,200
Notes Payable	7,245	6,300
Total Current Liabilities	108,675	94,500
Long-term Debt	302,400	252,000
Total Liabilities	411,075	346,500
Common Stock	700,875	560,700
Additional Paid-in-Capital	189,000	151,200
Retained Earnings	263,578	201,600
Total Shareholder's Equity	1,153,453	913,500
Total Liabilities and Owners' Equity	1,564,528	1,260,000

Financial Analysis with Microsoft Excel 6th Edition Mayes Solutions Manual

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Dragon Telecommunications Inc. Pro-Forma Statement of Cash Flows For the Year Ended Dec. 31, 2012

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Cash Flows from Operations		
Net income	123,955	
Depreciation Expense	16,800	
Change in Accounts Receivables	-18,000	
Change in Investory	-33,000	
Change in Accounts Payable	13,230	
Total Cash Flows from Operations		102,985
Cash Flows from Investing		
Change in Plant & Equipment	-138,000	
Total cash Flows from Investing		-138,000
Cash Flows from Financing		
Change in Notes Payables	945	
Change in Long-term Debt	50,400	
Change in Common Stock	140,175	
Change in Paid-in-Capital	37,800	
Cash Dividends Paid to Shareholders	-61,978	
Total Cash Flows from Financing		167,343
Net Change in Cash Balance	_	132,328
Check answer against Balance Sheet		
Beginning Cash From Balance Sheet	20.000	
Deginning Cash I form Datanee Sheet	20,000	
Ending Cash From Balance Sheet	152,328	
	*	132,328