

Homework 2

Lemonade Stand: Building Financial Statements

1. Complete this assignment using Excel. Use the following to build the 2019 I/S and the B/S at both 1/1/2019 and 12/31/2019:
 - (a) Before January 1, 2019 the following occur:
 - i. You enter the lemonade stand business. In order to buy all the required equipment and supplies to get started, you estimate that you will need \$50k, plus an extra \$100k for cushion. Fiscal year end is set as 12/31/2019.
 - ii. You open up a business checking account into which you put \$100k of your own money. You incorporated and issued yourself, the sole shareholder, 5,000 shares.
 - iii. In addition, you borrow \$50k from the bank at a 10% annual interest rate.
 - iv. You buy \$20k worth of lemons and paper cups (just enough to make 100k cups of lemonade). You also buy a lemon squeezer for \$15k and a lemonade stand for \$15k. You buy a cash register for \$2k.
 - v. You estimate that the lemon squeezer and lemonade stand will have useful lives of 3 years, while the cash register will be 5 years. At the end of their useful lives, assume they will be obsolete and be thrown away (assume straight-line depreciation).
 - (b) During fiscal year 2019 the following occur:
 - i. You operate the business for a year and sell 100k cups of lemonade for \$1 each.
 - ii. You hired a lemonade mixer and paid her \$15k for the year
 - iii. In addition, you also hired a cashier to ring people up and paid him \$15k for the year.
 - iv. Tax rate for the lemonade stand business is 21%.