

Financial Statements and Cash Flow Practice Problems

From the book Chapter 2: Self Test Problem 2.1. Question and Problems: 11th Edition: 7-14, 21, 25, 26. 12th Edition: 5-12, 18, 21, 22

1. Cole Industries had sales of \$843,800 and costs of \$609,900. The firm paid \$38,200 in interest and \$18,000 in dividends. It also increased retained earnings by \$62,138 for the year. The depreciation was \$76,400. What is the average tax rate?
2. Cotter Collision has shareholders' equity of \$141,800. The firm owes a total of \$126,000 of which 60 percent is payable within the next year. The firm net fixed assets of \$161,900. What is the amount of the net working capital?
3. Moc Industries has sales of \$546,000, costs of \$295,000, depreciation expense of \$37,000, interest expense of \$15,000, and a tax rate of 32 percent. The firm paid \$59,000 in cash dividends. What is the addition to retained earnings?

Use the following Financial Statements for "Galaxy Interiors" to answer the following questions

Galaxy Interiors 2011 Income Statement (\$ in millions)		Galaxy Interiors 2010 and 2011 Balance Sheets (\$ in millions)					
Net sales	\$21,415		<u>2010</u>	<u>2011</u>		<u>2010</u>	<u>2011</u>
Cost of goods sold	16,408	Cash	\$ 668	\$ 297	Accounts payable	\$1,694	\$ 1,532
Depreciation	<u>1,611</u>	Accounts receivable	1,611	1,527	Notes payable	<u>2,500</u>	<u>0</u>
Earnings before interest and taxes	3,396	Inventory	<u>3,848</u>	<u>2,947</u>	Total	<u>\$4,194</u>	<u>\$ 1,532</u>
Interest paid	<u>1,282</u>	Total	<u>\$ 6,127</u>	<u>\$ 4,771</u>	Long-term debt	9,800	10,650
Taxable Income	\$ 2,114	Net fixed assets	<u>17,489</u>	<u>17,107</u>	Common stock	7,500	7,000
Less: Taxes	<u>740</u>	Total assets	<u>\$23,616</u>	<u>\$21,878</u>	Retained earnings	<u>2,122</u>	<u>2,696</u>
Net income	\$ 1,374				Total liab. & equity	<u>\$23,616</u>	<u>\$21,878</u>

4. What is the change in the net working capital from 2010 to 2011?
5. What is the amount of the net capital spending for 2011?
6. What is the cash flow from assets for 2011?
7. What is the cash flow to creditors for 2011?
8. What is the cash flow to stockholders for 2011?

Answers to Textbook

11th

- 7) $OCF=15,010$ 8) $NCS=1,128,000$ 9) $\Delta NWC=-90$
10) $CF_{creditors}=-95,000$
11) $CF_{stockholders}=110,000$ (include APIS - additional paid in surplus, treat as common stock)
12) $OCF=1,220,000$ 13) Book value= $4,370,000$ Market Value= $5,850,000$
14) a) $78,180$ b) $17,300$ c) $9,100$ d) $9,180$
21) a) 566 b) $8,316$ c) $-2,082$, yes d) $CF_c 2,409$ $CF_s -4,491$
25) 2014 $TA=87,199$ 2015 $TA=94,001$ 2014 $NI=3,056.46$ 2015 $NI=3,442.56$
26) $CF_a=-2,080.44$ $CF_c=-3,728$ $CF_s=1,674.56$

12th

- 5) $18,876$ 6) $1,219,000$ 7) -190 8) $-85,000$ 9) $170,000$
10) $1,290,000$ 11) $BV=4,530,000$ $MV=6,250,000$
12) a) $96,755$ b) $17,800$ c) $13,100$ d) $1,155$
18) a) 745 b) $9,272$ c) $-2,166$ d) $2,650$; $-4,816.1$
21) 2017 $TA=113,358$ 2018 $TA=122,201$ 2017 $NI=4,755.8$ 2018 $NI=5,356.20$
22) $-1,824$; $-4,844$; $3,020$

Answer to above problems

- 1) 32.83
2) $30,300$
3) $76,320$
4) $1,306$
5) $1,229$
6) $1,732$
7) 432
8) $1,300$