Cuys upford Matural Strategic Financial Management Applications of Corporate Finance Cost | Deliver | D

Chapter 2--Financial Statements and Cash Flows

Student:
1. True or false. A restaurant company, such as Cheesecake Factory, must use FIFO inventory method since their business is conducted on a FIFO basis. True False
 True or false. Retained earnings represent the accumulated net income retained in the corporation since inception. True False
3. True or false. The sale of production equipment used for five years represents a use of cash. True False
4. True or false. The purchase of five-year old equipment represents a use of cash. True False
 True or false. Only the most notorious corporations maintain two sets of accounting records. True False
6. True or false. Within a multi-divisional corporation, each division will usually have its own set of accounting statements. True False
7. Which of the following statements shows the activities of the firm as measured by revenues less expenses:A. Income statement.B. Balance sheet.C. Cash flow statement.D. Statement of stockholders' equity.

- 8. Which statement captures a firm's position at a point in time?A. Income statement.B. Balance sheet.C. Cash flow statement.
- 9. The income statement:
- A. is for a given day of the year.

D. Statement of stockholders' equity.

- B. does not include fixed costs.
- C. includes only cash outlays.
- D. covers an interval of time.
- 10. The income statement:
- A. reports the flows of revenues and expenses.
- B. is based solely on cash flows.
- C. includes dividend expense.
- D. excludes depreciation expense.
- 11. Which expense is typically not included as part of cost of goods sold?
- A. Raw materials.
- B. Production facilities depreciation.
- C. Selling expense.
- D. Direct labor.
- 12. Which two terms are not used interchangeably?
- A. Income and profit.
- B. Income and cash flow.
- C. Sales and revenue.
- D. Costs and expenses.
- 13. Which item is generally not included as part of general and administrative costs?
- A. Selling expense.
- B. Finance department's salaries, bonuses, and benefits.
- C. Dividend expense.
- D. Corporate headquarters' depreciation expense.

15. An example of an income statement extraordinary item is:A. Surge in the raw material cost.B. Large annual bonus payment.C. Business restructuring charges.D. Introduction of a new product.
16. Which of the following is not an extraordinary income statement item:A. Asset impairment charge.B. Discontinued operations.C. Accounting change.D. Interest income.
17. The balance sheet measures:A. the value of the firm at a given point in time.B. levels of assets and liabilities.C. periodic variable costs.D. only historical costs.
18. Net plant, property, and equipment measures:A. the historical price paid for assets.B. the current market value of assets.C. the replacement value of assets.D. the historical price paid for assets less the accumulated depreciation.
19. If the primary goal of a firm is to show maximum reported profit, the method of inventory valuation that would best meet this objective during a period of inflation would be: A. average cost. B. FIFO. C. LIFO. D. NIFO.

14. Which item is generally not included as part of marketing expense? A. Returned products.

D. Marketing department's salaries, bonuses, and benefits.

B. Advertising.C. Coupon expense.

20. Goodwill represents:A. the difference between total assets less current liabilities.B. the difference between total assets and tangible assets.C. the difference between what you paid for an acquired company and the net assets received.D. the brand equity that is built through strategic advertising.
21. Accounts payable and accrued liabilities are:A. essentially the same thing.B. distinguished based on whether an invoice has been received.C. often considered long-term liabilities.D. considered financial liabilities as opposed to operating liabilities.
22. In a given year, a company's book value of its land increased from \$50 to \$60, its building's book value increased from \$250 to \$275, and it had \$20 of depreciation expense. What impact does this have on the company's net, plant, property, and equipment balance? A. Decrease of \$20. B. Decrease of \$10. C. Increase of \$5. D. Increase of \$15.
23. Stockholder's equity increased from \$835 to \$928. Income was \$118. What were dividends? A. \$225 B. \$211 C. \$93 D. \$25

24. Stockholders' equity was \$537 million at the beginning of the year. During the year, the company generated \$128 million of net income and paid dividends of \$57 million. If the ending Stockholders' Equity balance is

\$485 million, what dollar amount of shares were repurchased throughout the year?

A. \$52 B. \$71 C. \$78 D. \$123

25. The cash flow statement:

D. ignores changes in liabilities.

A. records the profit earned during the period.B. does not record the purchase of fixed assets.C. focuses on the changes in the firm's cash position.

26. Which of the following is <u>not</u> one of the three sections of the cash flow statement?A. OperationsB. InvestingC. Working capitalD. Financing
 27. Sources of cash include: A. decrease in inventory. B. increase in accrued liabilities. C. dividends to stockholders. D. decrease in inventory and increase in accrued liabilities. E. all of the above.
 28. Uses of cash include: A. decrease in inventory. B. increase in accrued liabilities. C. dividends to stockholders. D. decrease in inventory and increase in accrued liabilities. E. increase in accrued liabilities and dividends to stockholders.
29. Capital expenditures represent: A. repayment of a short-term loan. B. repayment of a long-term loan. C. purchase of equipment. D. purchase of a marketable security.
30. Geographical information is provided in the footnotes. Which item is not provided? A. Sales B. Identifiable assets C. Equity D. Depreciation
31. The footnotes provide additional detail for specific lines of business for a company. Which items are provided? A. Sales B. Identifiable assets C. Equity D. All of the above E. Sales and Identifiable assets

A. facilitating con B. identifying a co	gets accomplish all of the following goals except: nmunication throughout an organization. ommon goal and setting objectives to attain the goal. npeting strategies. ove.
A. engaging all m B. identifying a co	gets accomplish all of the following goals except: embers of the organization if implemented as a participatory exercise. ommon goal and setting objectives to attain the goal. mpeting strategies. ove.
	icial statement would you find the following. Please use IS for income statement, BS for I CF for the cash flow statement.
a b c d e f g h i j	Capital expenditures Sales of existing products Finished goods inventory Buildings Dividends paid Dividends received Interest expense Marketable securities Investment in inventory Long-term borrowings
35. Identify the fo	ollowing as a Source (S) or Use (U) of cash:
a b c d e	Net income. Depreciation. Increase in accounts receivable. Repayment of long-term debt. Purchase of a mid-size computer server.

36. Identify the following as a Source (S) or Use (U) of cash:

a.	 Borrowing on a line of credit
b.	 Share repurchase.
c.	 Decrease in inventory.
d.	 Decrease in taxes payable.
e.	 Payment of a dividend.

37. Please complete the following:

	Α	В	С	D	E
Sales	\$ 9,000	\$ 5,000	\$ 7,500	\$ 9,500	\$ 8,000
Cost of goods sold	6,300		4,800		
Gross profit		1,800			
Administrative expense	2,200			2,500	1,125
Operating income		200	800	(100)	790
Interest expense	50				
Pre-tax income		250		(150)	
Income taxes	200		230		210
Net income		\$ 175	\$ 350	\$ (125)	
Net margin		3.50%	4.67%	-1.32%	8.00%
(Net income / Sales)					

38. Stockholders' equity was \$537 million at the beginning of the year. During the year, the company generate \$128 million of net income and paid dividends of \$57 million. If the ending Stockholders' Equity balance is \$485 million, what dollar amount of shares were repurchased throughout the year?
39. The beginning balance of Net, Plant, Property, and Equipment was \$738 million. During the year, capital expenditures were \$146 million and depreciation expense was \$123 million. In addition, the company sold \$6 million of idle equipment. What is the ending balance of Net, Plant, Property, and Equipment?

40. Please complete the following:

	A	В	С	D	E
Sales	\$ 2,225	\$ 3,392	\$ 4,145	\$ 7,345	
Cost of goods sold	1,761	2,777	3,152	5,821	
Depreciation	80	176			145
Gross profit			780		523
Selling expense	23	72		63	
Marketing expense	78		52	125	68
Administrative expense	15	15	36	52	23
Operating income		(120)		792	400
Interest expense	43	25	62		10
Interest income	10		16	8	
Pre-tax income		(115)	622	742	400
Income taxes	82			265	
Net income		\$ (73)	\$ 387		\$ 225
Net margin			9.34%		7.50%
(Net income / Sales)					

41. Please complete the following:

	A	В	С	D	E
Current assets	\$ 1,835	\$ 4,378	\$ 683		\$ 455
Long-term assets	3,452		345	2,121	
Total assets		\$ 9,912			
Current liabilities	\$ 1,234	\$ 3,232	\$ 321		\$ 432
Long-term liabilities				436	
Total liabilities		7,213		1,787	1,782
Equity	1,167		245		2,245
Total				\$ 3,411	

	Year 1		Year 0	Year 1
Sales	\$8,335	Cash	\$ 120	\$ 80
Cost of sales	5,278	Accounts receivable	240	350
Depreciation	145	Inventory	350	420
Gross income	2,912	Total current assets	710	850
Operating expense	1,997	Equipment, net	1,325	1,390
Operating income	915	Other assets	250	200
Interest income	25	Total assets	\$2,285	\$2,440
Pre-tax income	940			
Income taxes	380	Accounts payable	\$ 289	\$ 374
Net income	\$ 560	Accrued liabilities	150	100
		Short-term debt	600	395
Dividends	\$ 300	Total current liabilities	1,039	869
		Long-term liabilities	288	353
		Stockholders' equity	958	1,218
		Total	\$2,285	\$2,440

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		Long-term liabilities	288	353
		Stockholders' equity	958	1,218
		Total	\$ 2,285	\$ 2,440
What are capital expenditures in year 1?	\$			

	2007	2006	2007
Sales	\$ 1,111	Cash \$ 12	
			\$
			80
Cost of sales	862	Accounts 123	167
		receivable	
Depreciation	65	Inventory 221	207
Gross income	184	Total 356	454
		current	
		assets	
Operating expense	98	Equipmen 432	421
		t, net	
Operating income	86	Other 43	23
		assets	
Interest expense	12	Total \$ 831	
		assets	\$
			898
Pre-tax income	74		
Income taxes	29	Accounts \$ 32	
		payable	\$
			21
Net income	\$ 45	Accrued 12	20
		liabilities	
		Short-ter 21	45
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Dividends	\$ 15	Total 65	86
		current	
		liabilities	
		Long-ter 113	129
		m	
		liabilities	
		Stockhold 653	683
		ers' equity	
		Total \$ 831	
			\$
			898
What are capital expenditures in	\$		
year 2007?			

	2007			2006		2007	
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Cash flow -	- investing			
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Dividends				
Cash flow -	- financing			
Change in 0	Cash \$			

46. Please use the following alphabetically listed data to create the income statement and balance sheet for 2005 Cheesecake Factory (\$ millions):

Accounts payable	\$ 32.2
Accounts receivable	8.1
Cash and cash equivalents	31.1
Cost of sales	302.9
Deemed landlord financing liability	26.3
Deferred income taxes	9.8
Deferred income taxes	75.3
Deferred rent	36.0
Depreciation and amortization expenses	45.1
General and administrative expenses	50.2
Income tax provision	46.1
Income taxes payable	6.1
Interest income, net	3.9
Inventories	19.1
Labor expenses	363.9
Long-term investments	63.2
Other accrued expenses	91.6
Other assets	143.7
Other expense (income), net	(0.5)
Other noncurrent liabilities	10.7
Other operating costs and expenses	268.0
Other receivables	26.4
Preopening costs	18.3
Prepaid expenses	14.6
Property and equipment, net	609.9
Revenues	1,177.6
Total stockholders' equity	647.7

a. What is the 2005 net income?

b. What are the 2005 current assets and total assets?

47. Please use the following alphabetically listed data to create the income statement and balance sheet for 2005 Merck (\$ millions):

Accounts receivable	\$ 2,927.3		
Accumulated depreciation	9,315.1		
Cash and cash equivalents	9,585.3		
Dividends payable	830.0		
Equity (income) from affiliates	(1,717.1)		
Goodwill	1,085.7		
Gross property, plant, and equipment	23,713.3		
Income taxes payable	3,649.2		
Inventories	1,658.1		
Investments	1,107.9		
Loans payable	2,972.0		
Long-term debt	5,125.6		
Marketing and administrative expense	7,155.5		
Materials and production expense	5,149.6		
Other (income) expense, net	(110.2)		
Other assets	6,686.0		
Other current liabilities	5,381.2		
Other intangibles	518.7		
Other long-term liabilities	8,500.1		
Prepaid expenses and taxes	826.3		
Research and development	3,848.0		
Restructuring costs	322.2		
Sales	22,011.9		
Short-term investments	6,052.3		
Stockholders' equity	17,916.6		
Taxes on income	2,732.6		
Trade accounts payable	471.1		

a. What is the 2005 net income?

b. What are the 2005 current assets and total assets?

c. What are the 2005 current liabilities and total liabilities?

Chapter 2--Financial Statements and Cash Flows Key

1. True or false. A restaurant company, such as Cheesecake Factory, must use FIFO inventor	y method since
their business is conducted on a FIFO basis.	

TRUE

2. True or false. Retained earnings represent the accumulated net income retained in the corporation since inception.

TRUE

3. True or false. The sale of production equipment used for five years represents a use of cash.

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TRUE

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B. \$71

C. \$78

D. \$123

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- A. records the profit earned during the period.
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- <u>C.</u> focuses on the changes in the firm's cash position.
- D. ignores changes in liabilities.

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31. The footnotes provide additional detail for specific lines of business for a company. Which items are provided? A. Sales B. Identifiable assets C. Equity D. All of the above E. Sales and Identifiable assets

 A. facilitating communication throughout an organization. B. identifying a common goal and setting objectives to attain the goal. C. prioritizing competing strategies. D. none of the above.
 33. Financial budgets accomplish all of the following goals except: A. engaging all members of the organization if implemented as a participatory exercise. B. identifying a common goal and setting objectives to attain the goal. C. prioritizing competing strategies. D. none of the above.
34. On what financial statement would you find the following. Please use IS for income statement, BS for balance sheet, and CF for the cash flow statement.
a Capital expenditures b Sales of existing products c Finished goods inventory d Buildings e Dividends paid f Dividends received g Interest expense h Marketable securities i Investment in inventory j Long-term borrowings
a. CF b. IS c. BS d. BS e. CF f. IS g. IS h. BS i. CF j. BS
35. Identify the following as a Source (S) or Use (U) of cash:
a Net income. b Depreciation. c Increase in accounts receivable. d Repayment of long-term debt. e Purchase of a mid-size computer server.

32. Financial budgets accomplish all of the following goals except:

a.	S
b.	S
c.	U
d.	U
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36. Identify the following as a Source (S) or Use (U) of cash:

a.		Borrowing on a line of credit
b.		Share repurchase.
c.		Decrease in inventory.
d.		Decrease in taxes payable.
e.		Payment of a dividend.
a.	S	
b.	U	
c.	S	
d.	U	
e.	U	

37. Please complete the following:

	A	В	С	D	Е
Sales	\$ 9,000	\$ 5,000	\$ 7,500	\$ 9,500	\$ 8,000
Cost of goods sold	6,300		4,800		
Gross profit		1,800			
Administrative expense	2,200			2,500	1,125
Operating income		200	800	(100)	790
Interest expense	50				
Pre-tax income		250		(150)	
Income taxes	200		230		210
Net income		\$ 175	\$ 350	\$ (125)	
Net margin		3.50%	4.67%	-1.32%	8.00%
(Net income / Sales)					

Income Statement Relationships. Please complete the following:

	A	В	С	D	E
Sales	\$ 9,000	\$ 5,000	\$ 7,500	\$ 9,500	\$ 8,000
Cost of goods sold	6,300	3,200	4,800	7,100	6,085
Gross profit	2,700	1,800	2,700	2,400	1,915
Administrative expense	2,200	1,600	1,900	2,500	1,125
Operating income	500	200	800	(100)	790
Interest expense	50	(50)	220	50	(60)
Pre-tax income	450	250	580	(150)	850
Income taxes	200	75	230	25	210
Net income	\$ 250	\$ 175	\$ 350	\$ (125)	\$ 640
Net margin	2.78%	3.50%	4.67%	-1.32%	8.00%
(Net income / Sales)					

38. Stockholders' equity was \$537 million at the beginning of the year. During the year, the company generated \$128 million of net income and paid dividends of \$57 million. If the ending Stockholders' Equity balance is \$485 million, what dollar amount of shares were repurchased throughout the year?

Balance Sheet Relationship

Beginning Balance - Equity	\$ 537
+ Net Income	128
- Dividends	(57)
- Shares Repurchased	??
Ending Balance - Equity	\$ 485
Shares Repurchased =	\$ (123)

39. The beginning balance of Net, Plant, Property, and Equipment was \$738 million. During the year, capital expenditures were \$146 million and depreciation expense was \$123 million. In addition, the company sold \$6 million of idle equipment. What is the ending balance of Net, Plant, Property, and Equipment?

Balance Sheet Relationship

Beginning Balance - Net, PP&E	\$ 738
+ Capital expenditures	146
- Depreciation	(123)
- Equipment Disposal	(6)
Ending Balance - Net, PP&E	\$ 755

40. Please complete the following:

	A	В	С	D	Е
Sales	\$ 2,225	\$ 3,392	\$ 4,145	\$ 7,345	
Cost of goods sold	1,761	2,777	3,152	5,821	
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Gross profit			780		523
Selling expense	23	72		63	
Marketing expense	78		52	125	68
Administrative expense	15	15	36	52	23
Operating income		(120)		792	400
Interest expense	43	25	62		10
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Pre-tax income		(115)	622	742	400
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(Net income / Sales)					

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Cost of goods sold	1,761	3,110	3,152	5,821	2,332
Depreciation	80	176	213	492	145
Gross profit	384	106	780	1,032	523
Selling expense	23	72	24	63	32
Marketing expense	78	139	52	125	68
Administrative expense	15	15	36	52	23
Operating income	268	(120)	668	792	400
Interest expense	43	25	62	58	10
Interest income	10	30	16	8	10
Pre-tax income	235	(115)	622	742	400
Income taxes	82	(42)	235	265	175
Net income	\$ 153	\$ (73)	\$ 387	\$ 477	\$ 225
Net margin	6.88%	-2.15%	9.34%	6.49%	7.50%
(Net income / Sales)					

41. Please complete the following:

	A	В	С	D	Е
Current assets	\$ 1,835	\$ 4,378	\$ 683		\$ 455
Long-term assets	3,452		345	2,121	
Total assets		\$ 9,912			
Current liabilities	\$ 1,234	\$ 3,232	\$ 321		\$ 432
Long-term liabilities				436	
Total liabilities		7,213		1,787	1,782
Equity	1,167		245		2,245
Total				\$ 3,411	

Balance Sheet Completion:

	A	В	С	D	Е
Current assets	\$ 1,835	\$ 4,378	\$ 683	\$ 1,290	\$ 455
Long-term assets	3,452	5,534	345	2,121	3,572
Total assets	\$ 5,287	\$ 9,912	\$ 1,028	\$ 3,411	\$ 4,027
Current liabilities	\$ 1,234	\$ 3,232	\$ 321	\$ 1,351	\$ 432
Long-term liabilities	2,886	3,981	462	436	1,350
Total liabilities	4,120	7,213	783	1,787	1,782
Equity	1,167	2,699	245	1,624	2,245
Total	\$ 5,287	\$ 9,912	\$ 1,028	\$ 3,411	\$ 4,027

42. Please prepare a cash flow statement from the following:

	Year 1		Year 0	Year 1
Sales	\$8,335	Cash	\$ 120	\$ 80
Cost of sales	5,278	Accounts receivable	240	350
Depreciation	145	Inventory	350	420
Gross income	2,912	Total current assets	710	850
Operating expense	1,997	Equipment, net	1,325	1,390
Operating income	915	Other assets	250	200
Interest income	25	Total assets	\$2,285	\$2,440
Pre-tax income	940			
Income taxes	380	Accounts payable	\$ 289	\$ 374
Net income	\$ 560	Accrued liabilities	150	100
		Short-term debt	600	395
Dividends	\$ 300	Total current liabilities	1,039	869
		Long-term liabilities	288	353
		Stockholders' equity	958	1,218
		Total	\$2,285	\$2,440

What	\$	
are		
capital		
expend		
itures		
in year		
1?		
		Year 1
	Net income	\$
	Depreciation	
	Change in:	
	Accounts receivable	
	Inventory	
	Other assets	
	Accounts payable	
	Accrued liabilities	
	Long-term liabilities	
	Cash flow - operations	
	Capital expenditures*	
	Cash flow - investing	
	Cush now investing	
	Repayment of short-term debt	
	Dividends	
	Cash flow - financing	
	Change in Cash	\$
	•	•

Same as the original question 2.43 - Cash flow statement and financial relationships:

	57 1	1		h. 7	x 7 - 1
	Year 1			0	Year 1
Sales	\$ 8,335		Cash	\$ 1 20	\$ 80
Cost of sales	5,278		Accounts receivable	240	350
Deprec iation	145		Inventory	350	420
	2,912		Total	710	850
s income			current assets	710	830
Operati			Equipment,	1 325	1,390
ng	1,,,,,,		net	1,323	1,370
expens			1101		
e					
Oper	915		Other assets	250	200
ating					
income					
Interest	25		Total assets	\$ 2,2	\$ 2,440
income				85	
Pre-t	940				
ax					
income					
Income	380		Accounts		\$ 374
taxes			payable	89	
Net	\$ 560		Accrued	150	100
income			liabilities		
			Short-term	600	395
			debt		
Divide	\$ 300		Total	1,039	869
nds			current		
			liabilities		
			Long-term liabilities	288	353
			Stockholders' equity	958	1,218
			Total	\$ 2,2	\$ 2,440
				85	
What	\$ 210	*			
are					
capital			ĺ		
expend					
itures			1		
in year					
1?				-	
	X7 1			-	
	Year 1	ф 7 -		-	1
	Net income	\$ 56 0			
	Depreciation	145			
	Change in:			ļ	
	Accounts receivable	(110)	ļ		
	Inventory	(70)			
	Other assets	50			
	Accounts payable	85			
	Accrued liabilities	(50)			
	Long-term liabilities	65			
	Cash flow - operations	675			
		_			-

Capital expenditures*	(210)	
Cash flow - investing	(210)	
Repayment of short-term debt	(205)	
Dividends	(300)	
Cash flow - financing	(505)	
Change in Cash	\$ (4 0)	
* Capital expenditures are calculated as follows:		
Equipment, net - Beginning Balance	\$ 1,3 25	
+ Capital Expenditures	??	
- Depreciation	145	
Equipment, net - Ending Balance	\$ 1,3 90	
Or:		
Ending Balance	- Beginn ing Balanc e	+ Depreciation
\$ 1,390	\$ 1,3 25	\$ 145
Capital Expenditures = \$210		1

	Year 1		Year 0	Year 1
Sales	\$ 8,335	Cash	\$ 120	\$ 80
Cost of sales	5,278	Accounts receivable	240	350
Depreciation	145	Inventory	350	420
Gross income	2,912	Total current assets	710	850
Operating expense	1,997	Equipment, net	1,325	1,390
Operating income	915	Other assets	250	200
Interest income	25	Total assets	\$ 2,285	\$ 2,440
Pre-tax income	940			
Income taxes	380	Accounts payable	\$ 289	\$ 374
Net income	\$ 560	Accrued liabilities	150	100
		Short-term debt	600	395
Dividends	\$ 300	Total current liabilities	1,039	869
		Long-term liabilities	288	353
		Stockholders' equity	958	1,218
		Total	\$ 2,285	\$ 2,440
What are capital expenditures in year 1?	\$			

	Year 1			Year 0	Year 1
Sales	\$ 8,335		Cash	\$ 1 20	\$ 80
Cost of	5,278		Accounts	240	350
sales			receivable		
Deprec	145		Inventory	350	420
iation				=10	0.50
s income	2,912		Total current assets	710	850
Operati			Equipment,	1 325	1,390
ng	1,007		net	1,323	1,570
expens					
e					
Oper	915		Other assets	250	200
ating					
income					
Interest			Total assets	\$ 2,2	\$ 2,440
income				85	
Pre-t	940				
ax					
income			A	Ф О	\$ 374
Income	380		Accounts	\$ 2 89	\$ 374
taxes	\$ 560	-	payable Accrued	150	100
Net income			liabilities	130	100
meome			Short-term	600	395
			debt	000	373
Divide	\$ 300		Total	1,039	869
nds			current	1,000	
			liabilities		
			Long-term	288	353
			liabilities		
			Stockholders'	958	1,218
			equity		
			Total	\$ 2,2	\$ 2,440
				85	
	.				
What	\$ 210	*			
are capital					
expend					
itures					
in year					
1?					
	 Capital expenditures are 				
	calculated as follows:				1
	Equipment, net - Beginning	\$ 1,3			
	Balance	25			
	+ Capital Expenditures	??			
	- Depreciation	145			
	Equipment, net - Ending	Ф 10			
	Balance	\$ 1,3			
-		90			
<u> </u>	O#:		<u> </u>		
	Or:		1.	1	1
	Ending Balance	- Reginn	+ Depreciation		
		ing	Pepreciation		
		Balanc			
		e			
			·		•

S	\$ 1,390	\$ 25	1,3	\$ 145	
		23			
(Capital Expenditures = \$210				

	2007	2006	2007
Sales	\$ 1,111	Cash \$ 12	_
			\$
Cost of sales	862	Accounts 123	80 167
Cost of sales	002	receivable	10/
Depreciation	65	Inventory 221	207
Gross income	184	Total 356	454
Gross income	104	current	434
		assets	
Operating expense	98	Equipmen 432	421
S. L. W.		t, net	
Operating income	86	Other 43	23
_		assets	
Interest expense	12	Total \$ 831	
		assets	\$
			898
Pre-tax income	74		
Income taxes	29	Accounts \$ 32	_
		payable	\$
NT / '	\$ 45	Accrued 12	21 20
Net income	\$ 45	liabilities	20
		Short-ter 21	45
		m debt	43
Dividends	\$ 15	Total 65	86
Bividends	Ψ 13	current	00
		liabilities	
		Long-ter 113	129
		m	
		liabilities	
		Stockhold 653	683
		ers' equity	
		Total \$ 831	
			\$
		+ +	898
W. 1 1:	¢	 	
What are capital expenditures in year 2007?	\$		
year 2007?			

Same as the original question 2.45 - Cash flow statement and financial relationships:

	I	ı		I	I
	2007			2006	
Sales	\$ 1,111		Cash		\$ 80
				\$	
				12	
Cost of	862		Accounts	123	167
sales			receivable		
Deprec	65		Inventory	221	207
iation	404			2 7 4	
Gros	184		Total	356	454
S			current assets		
income			.	100	101
Operat	98		Equipment,	432	421
ing expens			net		
_					
e Oper	26		Other assets	43	23
ating			Other assets	43	23
income					
Interes		1	Total assets		\$ 898
t	j -		10.001 00.000	\$ 8	
expens				31	
e					
Pre-t	74				
ax					
income					
Incom	29		Accounts		\$ 21
e taxes			payable	\$	
				32	
Net	\$ 45		Accrued	12	20
income			liabilities		
			Short-term	21	45
			debt		
Divide	\$ 15		Total	65	86
nds			current		
			liabilities		
			Long-term	113	129
			liabilities		
				653	683
<u> </u>		<u> </u>	equity		Φ 000
			Total	ф О	\$ 898
				\$ 8 31	
-		1		31	
What	\$ 54	*			l
What are	φ 34	I .			
capital					
expend					
itures					
in year					
1?					
		1			
	* Capital expenditures are	2007			
	calculated as follows:				
	,			1	
	Equipment, net - Beginning	 			
	Balance	\$ 43			
		2			
		i -			
	+ Capital Expenditures	??			
	- Suprim Emperiorers				ı

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\$ 42 1		
+		<u> </u>
ing		
\$ 43 2	8\$ 65	
	\$ 42 1 Beginn ing Balanc e \$ 43	\$ 42 1 Heginn Depreciation ing Balanc e

	2007			2006		2007	
	\$ 1,111	İ	Cash		12	\$	80
Cost of			Acco			167	
sales			unts	1		1	
			recei			1	
			vable				
Deprec	65	+	Inven			207	
iation			tory	~~ I		207	
Gros	101	+	ωι y Τ- ·	356		454	
	104			336		454	
S :			al				
income			curre				
			nt				
			assets				
Operat	98		Equip	43		421	
ing			ment,			1	
expens			net				
e			 				
Oper	86		 Other	43		23	
ating			assets			1	
ncome							
Interes		<u> </u>	Tot	\$	831	\$	898
			al	Ĭ -		ľ	
expens			assets			1	
expens e			usseis			1	
Pre-t	74	+				+	
	/ +						
ax income							
income			<u> </u>	Φ.			21
Incom	29		Acco	\$	32	\$	21
e taxes			unts				
			payab	1		1	
			le				
Net	\$ 45	[Accr	12		20	
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			liabili				
			ties			1	
		İ	Short	21		45	
			-term				
			debt			1	
Divide	\$ 15		Tot	65		86	
nds	Ψ 13		al	0.5		00	
iius						1	
			curre				
			nt			1	
			liabili				
			ties	1			
			Long	113		129	
			-term			1	
			liabili			1	
			ties				
			Stock		_	683	·
			holde				
			rs'			1	
			equit				
			y			1	
			Tot	\$	831	\$	898
			al	-		ľ	
		+		1		-	
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	\$						
are							
capital							
expend							
tures							
in year							
<u>2007</u> ?	<u> </u>		 <u>L</u> _]			
2007?]			

Net income Depreciation Change in: Accounts receiv Inventory Other assets Accounts payal Accrued liabilit				
Change in: Accounts receiv Inventory Other assets Accounts payab				
Accounts receiv Inventory Other assets Accounts payab				
Inventory Other assets Accounts payab				
Other assets Accounts payab	1			
	1			
	ties			
Long-term liabi	ilities			
Cash flow -	- operations			
Capital expendi	itures			
Cash flow -	- investing			
Repayment of s debt	hort-term			
Dividends				
Cash flow -	- financing			
Change in 0	Cash \$			

	2007			2006	2007
Sales	\$ 1,111		Cash		\$ 80
	·			\$	
				12	
Cost of	862		Accounts	123	167
sales			receivable		
Deprec	65		Inventory	221	207
iation					
Gros	184		Total	356	454
s			current		
income			assets		
Operat	98		Equipment,	432	421
ing			net		
expens					
e					
Oper	86		Other assets	43	23
ating					
income					
Interes	12		Total		\$ 898
t			assets	\$ 8	
expens				31	
e					
Pre-t	74				
ax					
income					
Incom	29		Accounts		\$ 21
e taxes			payable	\$	
				32	
Net	\$ 45		Accrued	12	20
income			liabilities		
			Short-term	21	45
			debt		
Divide	\$ 15		Total	65	86
nds			current		
			liabilities		
			Long-term	113	129
			liabilities		
			Stockholders	653	683
			' equity		
			Total		\$ 898
				\$ 8	
				31	
What	\$ 54	*			
are					
capital					
expend					
itures					
in year					
1?					4
					1
		2007			1
	Net income	\$ 4 5			
]
	Depreciation	65]
	Change in:]
	Accounts receivable	(44)			1
	Inventory	14			1
	Other assets	20			1
	Accounts payable	(11)			1
	Accrued liabilities	8			1
	Long-term liabilities	16		 	1
	Long with haomities	10	I		1

	6.1.7	1.1.0	I	1
		113		
	operations			
	Capital expenditures*	(54)		
	Cash flow -	(54)		
	investing			
	Repayment of short-term	24		
	debt			
	Dividends	(15)		
	Cash flow -	9		
	financing			
	Change in Cash			
		\$ 6	5	
		8		
* Cap	2007			
ital				
expend				
itures				
are				
calcula				
ted as				
follow				
s:				
	Equipment, net -	\$ 43	3	
	Beginning Balance	2		
	+ Capital Expenditures	? ?		
	- Depreciation	6		
	- Depreciation	5	Ί	
		5		-
	Equipment, net - Ending	\$ 42		
	Balance) 42 1	1	
	Dalance	1		
	O			
	Or:		Τ.	
	Ending Balance	- D	+	
		Beginn	Depreciati	ion
		ing Balanc		
	Φ 421	e • 12	h	_
	\$ 421	\$ 43	\$ 65	
		2		
	•	-	-	•

46. Please use the following alphabetically listed data to create the income statement and balance sheet for 2005 Cheesecake Factory (\$ millions):

Accounts payable	\$ 32.2
Accounts receivable	8.1
Cash and cash equivalents	31.1
Cost of sales	302.9
Deemed landlord financing liability	26.3
Deferred income taxes	9.8
Deferred income taxes	75.3
Deferred rent	36.0
Depreciation and amortization expenses	45.1
General and administrative expenses	50.2
Income tax provision	46.1
Income taxes payable	6.1
Interest income, net	3.9
Inventories	19.1
Labor expenses	363.9
Long-term investments	63.2
Other accrued expenses	91.6
Other assets	143.7
Other expense (income), net	(0.5)
Other noncurrent liabilities	10.7
Other operating costs and expenses	268.0
Other receivables	26.4
Preopening costs	18.3
Prepaid expenses	14.6
Property and equipment, net	609.9
Revenues	1,177.6
Total stockholders' equity	647.7

a. What is the 2005 net income?

b. What are the 2005 current assets and total assets?

Income statement and balance sheet for 2005 Cheesecake Factory.

\$1,177.6	Cash and cash equivalents	\$ 31.1
	Accounts receivable	8.1
302.9	Other receivables	26.4
363.9	Inventories	19.1
45.1	Deferred income taxes - assets	9.8
50.2	Prepaid expenses	14.6
18.3	Property and equipment, net	609.9
268.0	Long-term investments	63.2
(0.5)	Other assets	143.7
129.7	Total Assets	\$ 925.9
3.9	Accounts payable	\$ 32.2
133.6		36.0
	Other accrued expenses	91.6
46.1	Deferred income taxes - liabilities	75.3
\$ 87.5	Long-term debt	26.3
	Other noncurrent liabilities	10.7
	Income taxes payable	6.1
	Total stockholders' equity	647.7
	Total liabilities and equity	\$ 925.9
	302.9 363.9 45.1 50.2 18.3 268.0 (0.5) 129.7 3.9 133.6	Accounts receivable 302.9 Other receivables Inventories 45.1 Deferred income taxes - assets 50.2 Prepaid expenses 18.3 Property and equipment, net 268.0 Long-term investments (0.5) Other assets 129.7 Total Assets 3.9 Accounts payable 133.6 Deferred rent payable Other accrued expenses 46.1 Deferred income taxes - liabilities \$ 87.5 Long-term debt Other noncurrent liabilities Income taxes payable Total stockholders' equity

47. Please use the following alphabetically listed data to create the income statement and balance sheet for 2005 Merck (\$ millions):

Accounts receivable	\$ 2,927.3
Accumulated depreciation	9,315.1
Cash and cash equivalents	9,585.3
Dividends payable	830.0
Equity (income) from affiliates	(1,717.1)
Goodwill	1,085.7
Gross property, plant, and equipment	23,713.3
Income taxes payable	3,649.2
Inventories	1,658.1
Investments	1,107.9
Loans payable	2,972.0
Long-term debt	5,125.6
Marketing and administrative expense	7,155.5
Materials and production expense	5,149.6
Other (income) expense, net	(110.2)
Other assets	6,686.0
Other current liabilities	5,381.2
Other intangibles	518.7
Other long-term liabilities	8,500.1
Prepaid expenses and taxes	826.3
Research and development	3,848.0
Restructuring costs	322.2
Sales	22,011.9
Short-term investments	6,052.3
Stockholders' equity	17,916.6
Taxes on income	2,732.6
Trade accounts payable	471.1

a. What is the 2005 net income?

b. What are the 2005 current assets and total assets?

c. What are the 2005 current liabilities and total liabilities?

Income statement and balance sheet for 2005 Merck.

Cash and cash equivalents	\$ 9,585.3
Short-term investments	6,052.3
Accounts receivable	2,927.3
Inventories	1,658.1
Prepaid expenses and taxes	826.3
Current Assets	21,049.3
Investments	1,107.9
Gross property, plant, and equipment	23,713.3
Accumulated depreciation	9,315.1
Net, property, plant, and equipment	14,398.2
G 1 '''	1,005,7
Goodwill	1,085.7
Other intangibles	518.7
Other assets	6,686.0
Total Assets	\$ 44,845.8
Loans payable	\$ 2,972.0
Trade accounts payable	471.1
Other current liabilities	5,381.2
Income taxes payable	3,649.2
Dividends payable	830.0
Current Liabilities	13,303.5
Current Elucinities	13,505.5
Long-term debt	5,125.6
Other long-term liabilities	8,500.1
Total Liabilities	26,929.2
Stockholders' equity	17,916.6
Total Liabilities and Equity	\$ 44,845.8
Sales	\$ 22,011.9
Maria la la	5.140.6
Materials and production expense	5,149.6
Marketing and administrative expense	7,155.5
Research and development	3,848.0
Restructuring costs	322.2
Equity (income) from affiliates	(1,717.1)
Other (income) expense, net	(110.2)
Pre-tax income	7,363.9
Taxes on income	2,732.6
Net Income	\$ 4,631.3