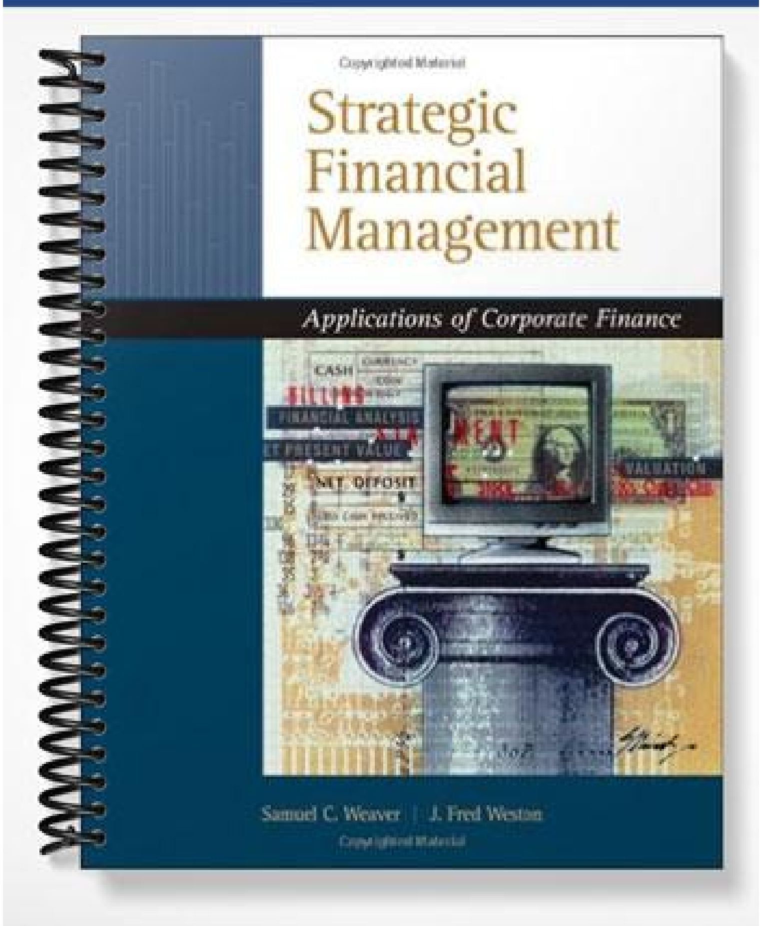
TEST BANK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CASH
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Samuel C. Weaver | J. Fred Weston
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Chapter 2--Financial Statements and Cash Flows

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

2. 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

5. 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.
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9. The income statement:
A. is for a given day of the year.
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.

14. Which item is generally not included as part of marketing expense?
A. Returned products.
B. Advertising.
C. Coupon expense.
D. Marketing department's salaries, bonuses, and benefits.

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.

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:
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.
D. ignores changes in liabilities.

26. Which of the following is <u>not</u> one of the three sections of the cash flow statement?
A. Operations
B. Investing
C. Working capital
D. 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

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

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.

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:

	A	B	C	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 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?

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	B	C	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	B	C	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	

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 expenditures 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	
	Repayment of short-term debt	
	Dividends	
	Cash flow - financing	
	Change in Cash	$

43. 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
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			Stockholders' equity	958	1,218
			Total	$ 2,285	$ 2,440
What are capital expenditures in year 1?	$				

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

	2007			2006	2007
Sales	$ 1,111		Cash	$ 12	$ 80
Cost of sales	862		Accounts receivable	123	167
Depreciation	65		Inventory	221	207
Gross income	184		Total current assets	356	454
Operating expense	98		Equipment, net	432	421
Operating income	86		Other assets	43	23
Interest expense	12		Total assets	$ 831	$ 898
Pre-tax income	74				
Income taxes	29		Accounts payable	$ 32	$ 21
Net income	$ 45		Accrued liabilities	12	20
			Short-term debt	21	45
Dividends	$ 15		Total current liabilities	65	86
			Long-term liabilities	113	129
			Stockholders' equity	653	683
			Total	$ 831	$ 898
What are capital expenditures in year 2007?	$				

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

	2007			2006	2007
Sales	$ 1,111		Cash	$ 12	$ 80
Cost of sales	862		Accounts receivable	123	167
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What are capital expenditures in year 2007?	$				

		2007		
	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			
	Repayment of short-term debt			
	Dividends			
	Cash flow - financing			
	Change in 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 inventory 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.
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3. True or false. The sale of production equipment used for five years represents a use of cash.
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4. True or false. The purchase of five-year old equipment represents a use of cash.
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B. $211
C. $93
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<u>D.</u> decrease in inventory and increase in accrued liabilities.
E. all of the above.

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A. decrease in inventory.
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A. repayment of a short-term loan.
B. repayment of a long-term loan.
<u>C.</u> purchase of equipment.
D. purchase of a marketable security.

30. Geographical information is provided in the footnotes. Which item is not provided?
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D. All of the above
<u>E.</u> Sales and Identifiable assets

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

a. S
b. S
c. U
d. U
e. U

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	B	C	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)					

Income Statement Relationships. Please complete the following:

	A	B	C	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	B	C	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)					

Income Statement Relationships. Please complete the following:

	A	B	C	D	E
Sales	$ 2,225	$ 3,392	$ 4,145	$ 7,345	**$ 3,000**
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	B	C	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	

Balance Sheet Completion:

	A	B	C	D	E
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 expenditures 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	
	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:

	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?	$ 210	*			
	Year 1				
	Net income	$ 560			
	Depreciation	145			
	Change in:				
	Accounts receivable	(110)			
	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	$ (40)		
	* Capital expenditures are calculated as follows:			
	Equipment, net - Beginning Balance	$ 1,325		
	+ Capital Expenditures	??		
	- Depreciation	145		
	Equipment, net - Ending Balance	$ 1,390		
	Or:			
	Ending Balance	- Beginning Balance	+ Depreciation	
	$ 1,390	$ 1,325	$ 145	
	Capital Expenditures = $210			

43. 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 expenditures in year 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?	$ 210	*			
	* Capital expenditures are calculated as follows:				
	Equipment, net - Beginning Balance	$ 1,325			
	+ Capital Expenditures	??			
	- Depreciation	145			
	Equipment, net - Ending Balance	$ 1,390			
	Or:				
	Ending Balance	- Beginning Balance	+ Depreciation		

	$ 1,390	$ 1,325	$ 145	
	Capital Expenditures = $210			

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

	2007			2006	2007
Sales	$ 1,111		Cash	$ 12	$ 80
Cost of sales	862		Accounts receivable	123	167
Depreciation	65		Inventory	221	207
Gross income	184		Total current assets	356	454
Operating expense	98		Equipment, net	432	421
Operating income	86		Other assets	43	23
Interest expense	12		Total assets	$ 831	$ 898
Pre-tax income	74				
Income taxes	29		Accounts payable	$ 32	$ 21
Net income	$ 45		Accrued liabilities	12	20
			Short-term debt	21	45
Dividends	$ 15		Total current liabilities	65	86
			Long-term liabilities	113	129
			Stockholders' equity	653	683
			Total	$ 831	$ 898
What are capital expenditures in year 2007?	$				

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

	2007			2006	2007
Sales	$ 1,111		Cash	$ 12	$ 80
Cost of sales	862		Accounts receivable	123	167
Depreciation	65		Inventory	221	207
Gross income	184		Total current assets	356	454
Operating expense	98		Equipment, net	432	421
Operating income	86		Other assets	43	23
Interest expense	12		Total assets	$ 831	$ 898
Pre-tax income	74				
Income taxes	29		Accounts payable	$ 32	$ 21
Net income	$ 45		Accrued liabilities	12	20
			Short-term debt	21	45
Dividends	$ 15		Total current liabilities	65	86
			Long-term liabilities	113	129
			Stockholders' equity	653	683
			Total	$ 831	$ 898
What are capital expenditures in year 1?	$ 54	*			
	* Capital expenditures are calculated as follows:	2007			
	Equipment, net - Beginning Balance	$ 432			
	+ Capital Expenditures	??			

	- Depreciation	65		
	Equipment, net - Ending Balance	$ 421		
	Or:			
	Ending Balance	- Beginning Balance	+ Depreciation	
	$ 421	$ 432	$ 65	

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

	2007			2006	2007
Sales	$ 1,111		Cash	$ 12	$ 80
Cost of sales	862		Accounts receivable	123	167
Depreciation	65		Inventory	221	207
Gross income	184		Total current assets	356	454
Operating expense	98		Equipment, net	43	421
Operating income	86		Other assets	43	23
Interest expense	12		Total assets	$ 831	$ 898
Pre-tax income	74				
Income taxes	29		Accounts payable	$ 32	$ 21
Net income	$ 45		Accrued liabilities	12	20
			Short-term debt	21	45
Dividends	$ 15		Total current liabilities	65	86
			Long-term liabilities	113	129
			Stockholders' equity	653	683
			Total	$ 831	$ 898
What are capital expenditures in year 2007?	$				

		2007		
	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			
	Repayment of short-term debt			
	Dividends			
	Cash flow - financing			
	Change in Cash	$		

	2007			2006	2007
Sales	$ 1,111		Cash	$ 12	$ 80
Cost of sales	862		Accounts receivable	123	167
Depreciation	65		Inventory	221	207
Gross income	184		Total current assets	356	454
Operating expense	98		Equipment, net	432	421
Operating income	86		Other assets	43	23
Interest expense	12		Total assets	$ 831	$ 898
Pre-tax income	74				
Income taxes	29		Accounts payable	$ 32	$ 21
Net income	$ 45		Accrued liabilities	12	20
			Short-term debt	21	45
Dividends	$ 15		Total current liabilities	65	86
			Long-term liabilities	113	129
			Stockholders' equity	653	683
			Total	$ 831	$ 898
What are capital expenditures in year 1?	$ 54	*			
		2007			
	Net income	$ 45			
	Depreciation	65			
	Change in:				
	Accounts receivable	(44)			
	Inventory	14			
	Other assets	20			
	Accounts payable	(11)			
	Accrued liabilities	8			
	Long-term liabilities	16			

	Cash flow - operations	113		
	Capital expenditures*	(54)		
	Cash flow - investing	(54)		
	Repayment of short-term debt	24		
	Dividends	(15)		
	Cash flow - financing	9		
	Change in Cash	$ 68		
* Capital expenditures are calculated as follows:	2007			
	Equipment, net - Beginning Balance	$ 432		
	+ Capital Expenditures	??		
	- Depreciation	65		
	Equipment, net - Ending Balance	$ 421		
	Or:			
	Ending Balance	- Beginning Balance	+ Depreciation	
	$ 421	$ 432	$ 65	

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.

Revenues	$1,177.6		Cash and cash equivalents	$ 31.1
			Accounts receivable	8.1
Cost of sales	302.9		Other receivables	26.4
Labor expenses	363.9		Inventories	19.1
Depreciation and				
amortization expenses	45.1		Deferred income taxes - assets	9.8
General and				
administrative expenses	50.2		Prepaid expenses	14.6
Preopening costs	18.3		Property and equipment, net	609.9
Other operating costs				
and expenses	268.0		Long-term investments	63.2
Other expense (income), net	(0.5)		Other assets	143.7
EBIT	129.7		Total Assets	$ 925.9
Interest income, net	3.9		Accounts payable	$ 32.2
Pre-tax income	133.6		Deferred rent payable	36.0
			Other accrued expenses	91.6
Income tax provision	46.1		Deferred income taxes - liabilities	75.3
Net income	$ 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

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
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
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
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