

Income Statements for year ended December 31, 2012

	Purple Inc.	Green Co.
Sales	\$500,000	\$500,000
Cost of Goods Sold	<u>265,000</u>	<u>315,000</u>
Gross Margin	235,000	185,000
Restructuring Charge	0	75,000
Interest Expense	14,000	13,000
Loss (Gain) on Sale of Assets	<u>(10,000)</u>	<u>20,000</u>
Pretax Income	231,000	77,000
Income Tax Expense	<u>81,000</u>	<u>27,000</u>
Net Income	150,000	50,000

Statement of Cash Flows for year ended December 31, 2012

	Purple Inc.	Green Co.
Net Income	\$150,000	\$50,000

Net Cash from Operations

Net Cash from Investing Activities

Net Cash from Financing Activities

Net Change in Cash



Additional information as of December 31, 2012

	Purple Inc.	Green Co.
Depreciation	Cost of Goods Sold included \$50,000 of depreciation in 2012	Cost of Goods Sold included \$100,000 of depreciation in 2012

Statement of Cash Flows for year ended December 31, 2012

	Purple Inc.	Green Co.
Net Income	\$150,000	\$50,000
Depreciation	50,000	100,000

**Always add back
Depreciation
Expense because it
is a noncash
expense**

Net Cash from Operations

Net Cash from Investing Activities

Net Cash from Financing Activities

Net Change in Cash



Additional information as of December 31, 2012

	Purple Inc.	Green Co.
Depreciation	Cost of Goods Sold included \$50,000 of depreciation in 2012	Cost of Goods Sold included \$100,000 of depreciation in 2012
Restructuring Liability	No restructuring activity in 2012	Recognized a \$75,000 liability in 2012. No cash paid during year

Journal Entry for Green:

Dr. Restructuring Expense (+E, -SE)	75,000
Cr. Restructuring Liability (+L)	75,000

Statement of Cash Flows for year ended December 31, 2012

	Purple Inc.	Green Co.
Net Income	\$150,000	\$50,000
Depreciation	50,000	100,000
Restructuring Charge	0	75,000

**Add back
Restructuring
Expense because it
is a noncash
expense.**

**Cash will be paid
for restructuring
costs in the future.**

Net Cash from Operations

Net Cash from Investing Activities

Net Cash from Financing Activities

Net Change in Cash



Additional information as of December 31, 2012

	Purple Inc.	Green Co.
Depreciation	Cost of Goods Sold included \$50,000 of depreciation in 2012	Cost of Goods Sold included \$100,000 of depreciation in 2012
Restructuring Liability	No restructuring activity in 2012	Recognized a \$75,000 liability in 2012. No cash paid during year
Proceeds from sale of equipment	\$30,000 during 2012, including a \$10,000 gain	\$50,000 during 2012, including a \$20,000 loss

Additional information as of December 31, 2012

	Purple Inc.	Green Co.
Depreciation	Cost of Goods Sold included \$50,000 of depreciation in 2012	Cost of Goods Sold included \$100,000 of depreciation in 2012
Restructuring Liability	No restructuring activity in 2012	Recognized a \$75,000 liability in 2012. No cash paid during year
Proceeds from sale of equipment	\$30,000 during 2012, including a \$10,000 gain	\$50,000 during 2012, including a \$20,000 loss

Journal Entry for Purple:

Dr. Cash (+A)	30,000	
Cr. Gain on Sale (+R, +SE)	10,000	
Cr. Net PPE (-A)	20,000	

Journal Entry for Green:

Dr. Cash (+A)	50,000	
Dr. Loss on Sale (+E, -SE)	20,000	
Cr. Net PPE (-A)	70,000	

Statement of Cash Flows for year ended December 31, 2012

	Purple Inc.	Green Co.
Net Income	\$150,000	\$50,000
Depreciation	50,000	100,000
Restructuring Charge	0	75,000
Loss (Gain) on Sale of Assets	(10,000)	20,000
Net Cash from Operations		
Proceeds from Sale of Equipment	30,000	50,000
Net Cash from Investing Activities		
Net Cash from Financing Activities		
Net Change in Cash		

All of the Cash for selling equipment is listed under Cash from Investing Activities.

We have to subtract the gain or add back the loss in the Operating section to avoid double counting!

Additional information as of December 31, 2012

	Purple Inc.	Green Co.
Depreciation	Cost of Goods Sold included \$50,000 of depreciation in 2012	Cost of Goods Sold included \$100,000 of depreciation in 2012
Restructuring Liability	No restructuring activity in 2012	Recognized a \$75,000 liability in 2012. No cash paid during year
Proceeds from sale of equipment	\$30,000 during 2012, including a \$10,000 gain	\$50,000 during 2012, including a \$20,000 loss
Capital Expenditures	\$220,000 during 2012	\$70,000 during 2012

Statement of Cash Flows for year ended December 31, 2012

	Purple Inc.	Green Co.
Net Income	\$150,000	\$50,000
Depreciation	50,000	100,000
Restructuring Charge	0	75,000
Loss (Gain) on Sale of Assets	(10,000)	20,000

CAPEX is (are?) an Investing Activity.

Net Cash from Operations

Proceeds from Sale of Equipment	30,000	50,000
Capital Expenditures	(220,000)	(70,000)
Net Cash from Investing Activities	(190,000)	(20,000)

Net Cash from Financing Activities

Net Change in Cash

Additional information as of December 31, 2012

	Purple Inc.	Green Co.
Depreciation	Cost of Goods Sold included \$50,000 of depreciation in 2012	Cost of Goods Sold included \$100,000 of depreciation in 2012
Restructuring Liability	No restructuring activity in 2012	Recognized a \$75,000 liability in 2012. No cash paid during year
Proceeds from sale of equipment	\$30,000 during 2012, including a \$10,000 gain	\$50,000 during 2012, including a \$20,000 loss
Capital Expenditures	\$220,000 during 2012	\$70,000 during 2012
Proceeds from issuance of long-term debt	\$50,000 during 2012	No new debt issued
Payments of long-term debt	\$35,000 during 2012	\$95,000 during 2012
Dividends paid	No dividends were paid during 2012	\$60,000 during 2012

Statement of Cash Flows for year ended December 31, 2012

	Purple Inc.	Green Co.
Net Income	\$150,000	\$50,000
Depreciation	50,000	100,000
Restructuring Charge	0	75,000
Loss (Gain) on Sale of Assets	(10,000)	20,000
Net Cash from Operations		
Proceeds from Sale of Equipment	30,000	50,000
Capital Expenditures	(220,000)	(70,000)
Net Cash from Investing Activities	(190,000)	(20,000)
Proceeds from long-term debt	50,000	0
Payment of long-term debt	(35,000)	(95,000)
Dividends paid	0	(60,000)
Net Cash from Financing Activities	15,000	(155,000)

**Dividends and
Borrowing and
Repayment of debt
principal are
Financing Activities**

Net Change in Cash

Changes in working capital accounts as of December 31, 2012

	<u>Purple Inc.</u>	<u>Green Co.</u>
Accounts Receivable	Increased by \$100,000 in 2012	Decreased by \$100,000 in 2012

Statement of Cash Flows for year ended December 31, 2012

	Purple Inc.	Green Co.	
Net Income	\$150,000	\$50,000	Cash + NCA = Liab +SE
Depreciation	50,000	100,000	-100K +100K
Restructuring Charge	0	75,000	
Loss (Gain) on Sale of Assets	(10,000)	20,000	+100K -100K
Change in Accounts Receivable	(100,000)	100,000	
<hr/>			
Net Cash from Operations			
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Proceeds from Sale of Equipment	30,000	50,000	
Capital Expenditures	(220,000)	(70,000)	
Net Cash from Investing Activities	(190,000)	(20,000)	
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Proceeds from long-term debt	50,000	0	
Payment of long-term debt	(35,000)	(95,000)	
Dividends paid	0	(60,000)	
Net Cash from Financing Activities	15,000	(155,000)	
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Net Change in Cash			

Changes in working capital accounts as of December 31, 2012

	Purple Inc.	Green Co.
Accounts Receivable	Increased by \$100,000 in 2012	Decreased by \$100,000 in 2012
Inventory	Increased by \$50,000 in 2012	Decreased by \$50,000 in 2012

Statement of Cash Flows for year ended December 31, 2012

	Purple Inc.	Green Co.	
Net Income	\$150,000	\$50,000	Cash + NCA = Liab +SE
Depreciation	50,000	100,000	-50K +50K
Restructuring Charge	0	75,000	
Loss (Gain) on Sale of Assets	(10,000)	20,000	+50K -50K
Change in Accounts Receivable	(100,000)	100,000	
Change in Inventory	(50,000)	50,000	
Net Cash from Operations			
Proceeds from Sale of Equipment	30,000	50,000	
Capital Expenditures	(220,000)	(70,000)	
Net Cash from Investing Activities	(190,000)	(20,000)	
Proceeds from long-term debt	50,000	0	
Payment of long-term debt	(35,000)	(95,000)	
Dividends paid	0	(60,000)	
Net Cash from Financing Activities	15,000	(155,000)	
Net Change in Cash			

Changes in working capital accounts as of December 31, 2012

	Purple Inc.	Green Co.
Accounts Receivable	Increased by \$100,000 in 2012	Decreased by \$100,000 in 2012
Inventory	Increased by \$50,000 in 2012	Decreased by \$50,000 in 2012
Prepaid Expenses	Decreased by \$100,000 in 2012	Increased by \$25,000 in 2012

Statement of Cash Flows for year ended December 31, 2012

	Purple Inc.	Green Co.	
Net Income	\$150,000	\$50,000	Cash + NCA = Liab +SE
Depreciation	50,000	100,000	+100K -100K
Restructuring Charge	0	75,000	
Loss (Gain) on Sale of Assets	(10,000)	20,000	-25K +25K
Change in Accounts Receivable	(100,000)	100,000	
Change in Inventory	(50,000)	50,000	
Change in Prepaid Expenses	100,000	(25,000)	
Net Cash from Operations			
Proceeds from Sale of Equipment	30,000	50,000	
Capital Expenditures	(220,000)	(70,000)	
Net Cash from Investing Activities	(190,000)	(20,000)	
Proceeds from long-term debt	50,000	0	
Payment of long-term debt	(35,000)	(95,000)	
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Net Change in Cash			

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Inventory	Increased by \$50,000 in 2012	Decreased by \$50,000 in 2012
Prepaid Expenses	Decreased by \$100,000 in 2012	Increased by \$25,000 in 2012
Accounts Payable	Increased by \$75,000 in 2012	Decreased by \$75,000 in 2012

Statement of Cash Flows for year ended December 31, 2012

	Purple Inc.	Green Co.		
Net Income	\$150,000	\$50,000	Cash + NCA = Liab + SE	
Depreciation	50,000	100,000	+75K	= +75K
Restructuring Charge	0	75,000		
Loss (Gain) on Sale of Assets	(10,000)	20,000	-75K	= -75K
Change in Accounts Receivable	(100,000)	100,000		
Change in Inventory	(50,000)	50,000		
Change in Prepaid Expenses	100,000	(25,000)		
Change in Accounts Payable	75,000	(75,000)		
Net Cash from Operations				
Proceeds from Sale of Equipment	30,000	50,000		
Capital Expenditures	(220,000)	(70,000)		
Net Cash from Investing Activities	(190,000)	(20,000)		
Proceeds from long-term debt	50,000	0		
Payment of long-term debt	(35,000)	(95,000)		
Dividends paid	0	(60,000)		
Net Cash from Financing Activities	15,000	(155,000)		
Net Change in Cash				

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Inventory	Increased by \$50,000 in 2012	Decreased by \$50,000 in 2012
Prepaid Expenses	Decreased by \$100,000 in 2012	Increased by \$25,000 in 2012
Accounts Payable	Increased by \$75,000 in 2012	Decreased by \$75,000 in 2012
Interest Payable	Increased by \$10,000 in 2012	Decreased by \$70,000 in 2012

Statement of Cash Flows for year ended December 31, 2012

	Purple Inc.	Green Co.		
Net Income	\$150,000	\$50,000	Cash + NCA = Liab + SE	
Depreciation	50,000	100,000	+10K	= +10K
Restructuring Charge	0	75,000		
Loss (Gain) on Sale of Assets	(10,000)	20,000	-70K	= -70K
Change in Accounts Receivable	(100,000)	100,000		
Change in Inventory	(50,000)	50,000		
Change in Prepaid Expenses	100,000	(25,000)		
Change in Accounts Payable	75,000	(75,000)		
Change in Interest Payable	10,000	(70,000)		
Net Cash from Operations	225,000	225,000		
Proceeds from Sale of Equipment	30,000	50,000		
Capital Expenditures	(220,000)	(70,000)		
Net Cash from Investing Activities	(190,000)	(20,000)		
Proceeds from long-term debt	50,000	0		
Payment of long-term debt	(35,000)	(95,000)		
Dividends paid	0	(60,000)		
Net Cash from Financing Activities	15,000	(155,000)		
Net Change in Cash	50,000	50,000		

Statement of Cash Flows for year ended December 31, 2012

	Purple Inc.	Green Co.
Net Income	\$150,000	\$50,000
Depreciation	50,000	100,000
Restructuring Charge	0	75,000
Loss (Gain) on Sale of Assets	(10,000)	20,000
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Change in Prepaid Expenses	100,000	(25,000)
Change in Accounts Payable	75,000	(75,000)
Change in Interest Payable	10,000	(70,000)
Net Cash from Operations	225,000	225,000
Proceeds from Sale of Equipment	30,000	50,000
Capital Expenditures	(220,000)	(70,000)
Net Cash from Investing Activities	(190,000)	(20,000)
Proceeds from long-term debt	50,000	0
Payment of long-term debt	(35,000)	(95,000)
Dividends paid	0	(60,000)
Net Cash from Financing Activities	15,000	(155,000)
Net Change in Cash	50,000	50,000

EBITDA

	Purple	Green
Net Income ("Earnings")	150,000	50,000
Plus Income Taxes	<u>81,000</u>	<u>27,000</u>
Earnings Before Taxes (EBT)	231,000	77,000
Plus Interest Expenses	<u>14,000</u>	<u>13,000</u>
Earnings Before Interest and Taxes (EBIT)	245,000	90,000
Plus Depreciation and Amortization	<u>50,000</u>	<u>100,000</u>
EBITDA	295,000	190,000
Plus Restructuring Charge		<u>75,000</u>
EBITDA w/o Restructuring	295,000	265,000
Adjust for gains/losses on sales of assets	<u>(10,000)</u>	<u>20,000</u>
EBITDA w/o Restructuring and G/L	285,000	285,000
vs. Net Cash from Operations	225,000	225,000