**In-class activities 2.1 \_ Ch 2**

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**Please answer/solve the following questions/problems clearly and concisely.**

* Go to ***sec.gov*** => Filings => Look for the most recent (Dec 31, 2023) 10-K of Delta airlines (DAL)
* Go to pages 58-62 and answer the following questions.

1. Look at the Consolidated Balance Sheets.
2. What are the corresponding names of Noncurrent Assets and non-current Liabilities in the textbook?

**Answer:** Noncurrent Assets are typically referred to as Long-Term Assets, and Noncurrent Liabilities are typically referred to as Long-Term Debt.

1. List the airlines specific current liabilities items.

**Answer:** Current maturities of debt and finance leases, current maturities of operating leases, air traffic liability, accounts payable, accrued salaries and related benefits, loyalty program deferred revenue, fuel card obligation, other accrued liabilities.

1. How much was the change in total assets of Delta from year 2022 to year 2023?

**Answer:** The change was an increase of $1356.00 from 2022 to 2023 in total assets.

1. How much was the net working capital of Delta in the year 2022? How much was the net working capital in 2023?

**Answer:** In 2022 the NWC was $-16,149.00 and in 2023 the NWC was $-12,929.00

1. What was the change in net working capital of Delta from year 2022 to year 2023?

**Answer:** The change was positive: $3,220.00

1. Look at the consolidated Statements of Operations
2. What percentage of the total Operating revenue was from passenger revenue in the year 2022? How much was it in the year 2023?

**Answer:** In 2022, passenger revenue accounted for 79.51% of the total operating revenue. It was 84.25% in 2023.

1. List the operating expense items that are specific to airlines.

**Answer:** Aircraft fuel and related taxes, landing fees and other rents, aircraft maintenance materials and outside repairs, passenger commissions and other selling expenses, regional carrier expenses, passenger service, pilot agreement and related expenses, aircraft rent.

**Following questions are unrelated to the Delta’s 10-K**

1. Sheraton, Inc. has sales of $670,000, costs of $332,000, depreciation expense of $76,000, interest expense of $48,000, and a tax rate of 23 percent.
2. Create an income statement.

**Answer:** 

1. What is the net income for the firm?

**Answer:** $164,780.00

1. Suppose the company paid out $45,000 in cash dividends. What is the addition to retained earnings?

**Answer:** Net income – cash dividends paid out = $119,780.00

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| 1. Bob Anderson is single and had $198,000 in taxable income. Use the rates from Table below: |

Text, table

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1. Calculate his income taxes.

**Answer:** $ 44,187.00

1. What is the average tax rate?

**Answer:** 22.32%

1. What is the marginal tax rate?

**Answer:** 32%

1. During the year, the Halifax Company had gross sales of $1.11 million. The company’s cost of goods sold and selling expenses were $580,000 and $233,000, respectively. The company also had notes payable of $720,000. These notes carried an interest rate of 4 percent. Depreciation was $110,000. The tax rate was 25 percent.
2. What was the company’s net income?

**Answer:** $118,650.00

1. What was the company’s operating cash flow?

**Answer:** $257,450.00

1. Global Link, Inc. is obligated to pay its creditors $6,900 very soon.
2. What is the market value of the shareholders’ equity if assets have a market value of $10,500?

**Answer:** $3,600.00

1. What is the market value of the shareholders’ equity if assets equal $6,300?

**Answer:** $-600.00

1. DaytoRace Corporation shows the following information on its 2021 income statement: Sales = $403,000; Costs = $305,000; Other expenses = $7,900; Depreciation expense = $18,200; Interest expense = $13,800; Taxes = $20,335; Dividends = $11,000. In addition, you’re told that the firm issued $5,300 in new equity during 2021 and redeemed $3,800 in outstanding long-term debt.
   1. What is the 2021 operating cash flow?

**Answer:** $69,765.00

* 1. What is the 2021 cash flow to creditors?

**Answer:** $17,600.00

* 1. What is the 2021 cash flow to stockholders?

**Answer:** $5,700.00

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| 1. Given the following information for SixGuys Company, calculate the depreciation expense: Sales = $85,000; Costs = $42,600; Addition to retained earnings = $12,800; Dividends paid = $3,220; Interest expense = $3,550; Tax rate = 25 percent.   **Answer:** $ 17,490.00   1. Use the following information for Zarb, Incorporated. Assume the tax rate is 22 percent. |

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|  | 2020 | 2021 |
| --- | --- | --- |
| Sales | $ 18,573 | $ 17,136 |
| Depreciation | 1,801 | 1,876 |
| Cost of goods sold | 4,679 | 4,847 |
| Other expenses | 1,016 | 894 |
| Interest | 865 | 996 |
| Cash | 6,277 | 6,886 |
| Accounts receivable | 8,180 | 9,847 |
| Short-term notes payable | 1,310 | 1,287 |
| Long-term debt | 20,740 | 24,986 |
| Net fixed assets | 51,196 | 54,693 |
| Accounts payable | 4,608 | 5,064 |
| Inventory | 14,521 | 15,428 |
| Dividends | 1,650 | 1,758 |

1. Prepare a balance sheet for this company for 2020 and 2021.

**Answer:**  


1. Prepare an income statement for this company for 2020 and 2021.

**Answer:**

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| **Income Statement** | **2020** | **2021** |
| Sales | $18,573 | $17,136 |
| Cost of Goods Sold (COGS) | $4,679 | $4,847 |
| Gross Profit | $13,894 | $12,289 |
| Other Expenses | $1,016 | $894 |
| Depreciation | $1,801 | $1,876 |
| EBIT (Operating Income) | $11,077 | $9,519 |
| Interest | $865 | $996 |
| EBT | $10,212 | $8,523 |
| Taxes (25%) | $2,553 | $2,131 |
| Net Income | $7,659 | $6,392 |

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