

Using the following data.

Big Rock Candy Mountain Mining Co.			
Income Statement			
For the years 2019 and 2020			
	2019	2020	
Sales	\$398,600	\$412,500	
COGS	\$315,300	\$318,786	
Gross Profit	\$83,300	\$93,714	
Depreciation	\$29,652	\$29,800	
S&A Expense	\$24,550	\$26,250	
Other Op. Expense	\$1,245	\$1,210	
Net Operating Income	\$27,853	\$36,454	
Interest Expense	\$8,457	\$8,582	
Earnings Before Taxes	\$19,396	\$27,872	
Taxes	\$4,849	\$6,968	
Net Income	\$14,547	\$20,904	
Notes:			
Tax Rate	25%	25%	
Shares	52100	52100	
EPS	\$ 0.28	\$ 0.40	

Big Rock Candy Mountain Mining Co.			
Balance Sheet			
For the years 2019 and 2020			
	2019	2020	
<b>Assets</b>			
Cash	\$11,596	\$16,435	
Marketable Securities	\$619	\$3,656	
Accounts Receivable	\$47,404	\$45,896	
Inventory	\$54,599	\$52,397	
Total Current Assets	\$114,218	\$118,384	
Gross Fixed Assets	\$397,023	\$436,573	
Accumulated Depreciation	\$57,650	\$87,450	
Net Plant & Equipment	\$339,373	\$349,123	
Total Assets	\$453,591	\$467,507	
<b>Liabilities &amp; Owner's Equity</b>			
Accounts Payable	\$36,819	\$37,752	
Accrued Expenses	\$3,085	\$3,183	
Total Current Liabilities	\$39,904	\$40,935	
Long-term Debt	\$178,581	\$170,562	
Total Liabilities	\$218,485	\$211,497	
Common Stock	\$ 58,664	\$ 58,664	
Add'l Paid-in Capital	\$ 136,807	\$ 136,807	
Retained Earnings	\$ 39,635	\$ 60,539	
Total Owner's Equity	\$ 235,106	\$ 256,010	
Total Liabilities & Owner's Equity	\$ 453,591	\$ 467,507	

Retained Earnings from 2018 \$ 25,088

A

B

Big Rock Candy Mountain Mining Co.			
Statement of Cash Flows			
For the year ended Dec. 31, 2020			
<b>Cash Flow from Operations</b>			
Net Income	\$20,904		
Depreciation Expense	\$29,800		
Change in Accounts Receivable	\$1,508		
Change in Inventories	\$2,202		
Change in Marketable Securities	-\$3,037		
Change in Accounts Payable	\$933		
Change in Other Current Liabilities	\$98		
Total Cash Flow from Operations		\$52,408	
<b>Cash Flow from Investing</b>			
Change in PP&E	-\$39,550		
Total Cash Flow from Investing		-\$39,550	
<b>Cash Flows from Financing</b>			
Change in Long-Term Debt	-\$8,019		
Change in Common Stock	\$0		
Cash Dividends Paid to Shareholders	\$0		
Total Cash Flow from Financing		-\$8,019	
Net Change in Cash Balance		\$4,839	
Check		\$ 4,839	

Dividends Paid = Net income - Change in RE

D

Suppose that sales were \$425,000 rather than \$412,500. What would be the new Net Income and Retained Earnings?

Net Income	\$30,279
Retained Earnings	\$69,914

E

Undo the changes from Part D and change the tax rate to 20%. What is the 2020 Net Income and Retained Earnings?

Net Income	\$22,298
Retained Earnings	\$61,933