Q 1) Use the following portion of the Bastion Company's balance sheet in answering next three questions.

Stockholders' Equity	
Paid-in Capital	
Preferred stock, 8%, ___ par, 10,000 shares authorized, 2,000 shares issued	$300,000
Paid-in Capital in excess of par---preferred	50,000
Common stock, $2 par, 500,000 shares authorized, _________ shares issued	360,000
Paid-in Capital in excess of par---common	?
Total paid-in capital	?
Retained Earnings	435,000
Total stockholders' equity	5,285,000

a) What is the par value of the preferred stock?
b) What was the average price received by Bastion Company for the preferred shares sold to date?
c) What is the average price received by Bastion Company for the common shares sold to date?

Q 2) The income statement and additional data for Mosier Company for the year ended December 31, 20X2 is as follows:

Sales revenue	$400,000
Cost of goods sold	$165,000
Salary expense	$ 70,000
Depreciation expense	$ 55,000
Rent expense	$ 20,000
Interest expense	$ 10,000
Income tax expense	$ 18,000
Net income	$ 62,000

a. How much cash did Mosier collect from customers during 20X2?
b. How much did Mosier pay to suppliers in 20X2?
c. How much did Mosier pay to employees in 20X2?
d. How much did Mosier pay for depreciation in 20X2?
e. How much did Mosier pay for rent in 20X2?
f. What was Mosier's net cash flows from operating activities for the year 20X2?

g. If Mosier Company reports cash flow from operating activities using the indirect method, it will add to or subtract from net income changes in current assets and liabilities. Which of the following have changes that would be added to net income to get to cash flows from operating activities?

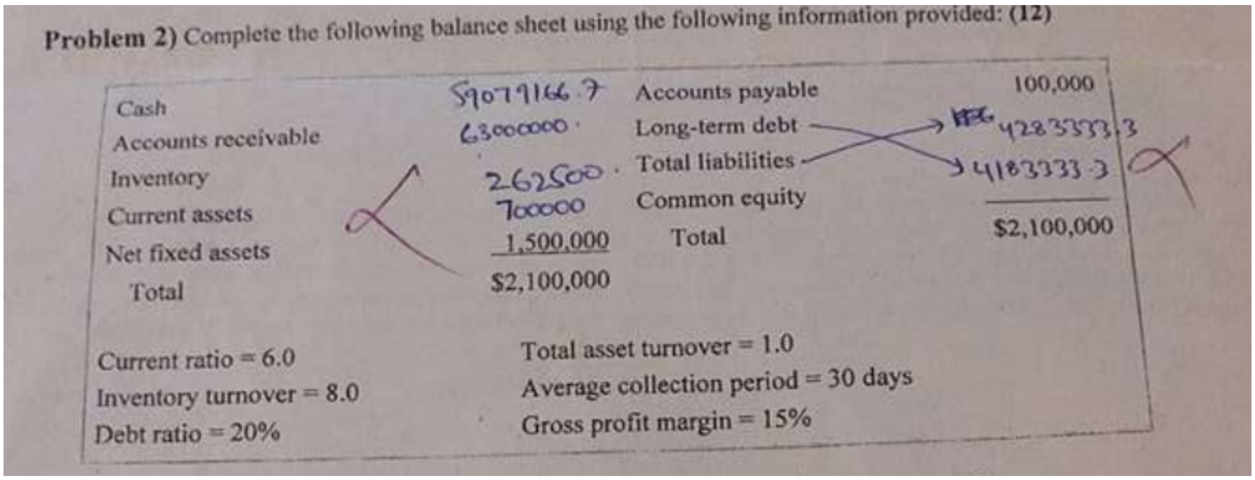
i) Accounts Receivable, Salary Payable, Accounts Payable

ii) Inventory, Accounts Payable, Prepaid Rent

iii) Accounts Receivable, Salary Payable

iv) Salary Payable, Accounts Payable

Q 3)



Problem 2) Complete the following balance sheet using the following information provided: **(12)**

Cash	59079166.7	Accounts payable	100,000
Accounts receivable	63000000	Long-term debt	4283333.3
Inventory	262500	Total liabilities	4183333.3
Current assets	700000	Common equity	
Net fixed assets	1,500,000	Total	$2,100,000
Total	$2,100,000		

Current ratio = 6.0
Inventory turnover = 8.0
Debt ratio = 20%

Total asset turnover = 1.0
Average collection period = 30 days
Gross profit margin = 15%

Q 4) A question featuring few of these conditions:

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	Total Current Assets	Current Ratio	Effect on Net Income
a. Cash is acquired through issuance of additional common stock.	+	+	0
b. Merchandise is sold for cash.	+	+	+
c. Federal income tax due for the previous year is paid.	–	+	0
d. A fixed asset is sold for less than book value.	+	+	–
e. A fixed asset is sold for more than book value.	+	+	+
f. Merchandise is sold on credit.	+	+	+
g. Payment is made to trade creditors for previous purchases.	–	+	0
h. A cash dividend is declared and paid.	–	–	0
i. Cash is obtained through short-term bank loans.	+	–	0

		Total Current Assets	Current Ratio	Effect on Net Income
j.	Short-term notes receivable are sold at a discount.	–	–	–
k.	Marketable securities are sold below cost.	–	–	–
l.	Advances are made to employees.	0	0	0
m.	Current operating expenses are paid.	–	–	–
n.	Short-term promissory notes are issued to trade creditors in exchange for past due accounts payable.	0	0	0
o.	10-year notes are issued to pay off accounts payable.	0	+	0
p.	A fully depreciated asset is retired.	0	0	0
q.	Accounts receivable are collected.	0	0	0
r.	Equipment is purchased with short-term notes.	0	–	0
s.	Merchandise is purchased on credit.	+	–	0
t.	The estimated taxes payable are increased.	0	–	–

Q 5)

a) Newco is exploring replacing its current machine with a newer, more efficient machine. Based on the current market, Newco can sell the old machine for $200, but this machine has a book value of $500.

The new machine Newco is looking to invest capital in has a cost of $2,000, with shipping and installation expenses of $500 and $300 in net working capital. Newco expects the machine to last for five years, at which point Machine B would have a book value of $1,000 ($2,000 minus five years of $200 annual depreciation) and a potential market value of $800.

With respect to cash flows, Newco expects the new machine to generate an additional $1,500 in revenues and costs of $200. We will assume Newco has a tax rate of 40%. The maximum payback period that the company established is five years. Cost of Capital is 12%. Find NPV?

b) During years one and two, a company is spending $5,000 each year on a new computer software system. The company expects to save (positive cash flow) $8,000 each year for years 3, 4, 5, & 6. Is the project worthy of consideration if the company expects a 15% return on its investments? What is the value of IRR?

Q 6)

a) some loan amortization question

b) The Klaven Corporation has operating income (EBIT) of $750,000. The company's depreciation expense is $200,000. Klaven is 100 percent equity financed, and it faces a 40 percent tax rate. What is the company's net income? What is its net cash flow? What is its operating cash flow?

Q 7) Flanagan Corporation accountants have assembled the following data for the year ended December 31, 20X3:

	December 31,	
Current Accounts (All Result from Operations)	20X3	20X2
Current Assets:		
Cash and cash equivalents	$67,700	$22,700
Accounts receivable	69,700	64,200
Inventories	88,600	83,000
Prepaid expenses	5,300	4,100
Current Liabilities:		
Notes payable (for inventory purchases)	$22,600	$18,300
Accounts payable	52,900	55,800
Income tax payable	18,600	16,700
Accrued liabilities	15,500	27,200

Transaction data for 20X3:

Transaction data for 20X3:

Acquisition of land by issuing long-term note payable	$107,000	Purchase of treasury stock	$14,300
Stock dividends	31,800	Loss on sale of equipment	11,700
Collection of loan	8,700	Payment of cash dividends	18,300
Depreciation expense	26,800	Issuance of long-term note payable to borrow cash	34,400
Acquisition of building	125,300	Net income	69,100
Retirement of bonds payable by issuing common stock	65,000	Issuance of common stock for cash	41,200
Acquisition of long-term investment	31,600	Sale of equipment	58,000
		Amortization expense	5,300

Required

Prepare Flanagan Corporation's statement of cash flows, using the indirect method for operating activities.