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**EMGT 5020**

**HW3**

**3.7, 3.13, 3.18, 3.20, 3.32**

3.7 Income statement: The Oakland Mills Company has just disclosed the following financial information in its annual report: sales of $1.45 million, cost of goods sold of $812,500, depreciation expenses of $175,000, and interest expenses of $89,575. Assume that the firm has an average tax rate of 29 percent. What is the company’s net income? Set up an income statement to answer the question.

Net sales $1,450,000.00

Cost of goods sold $812,500.00

EBITDA $637,500.00

Depreciation $175,000.00

EBIT $462,500.00

Interest expense $89,575.00

EBT $372,925.00

Taxes $108,148.25

**Net income $264,776.75**

3.13 Cash flows: Hillman Corporation reported current assets of $3,495,055 on December 31, 2020, and $3,103,839 on December 31, 2019. Current liabilities for the firm were $2,867,225 and $2,760,124 at the end of 2020 and 2019, respectively. Compute the cash flow invested in net working capital at Hillman Corporation during 2020.

2019 NWC: $3,103,839 - $2,760,124 = $343,715

2020 NWC: $3,495,055 - $2,867,225 = $627,830

CFNWC: $627,830 - $343,715 = **$284,115**

3.18 Balance sheet: Tim Dye, the CFO of Blackwell Automotive, Inc., is putting together this year’s financial statements. He has gathered the following balance sheet information: The firm had a cash balance of $23,015, accounts payable of $163,257, common stock of $313,299, retained earnings of $512,159, inventory of $212,444, goodwill and other assets equal to $78,656, net plant and equipment of $711,256, and short-term notes payable of $21,115. It also had accounts receivable of $141,258 and other current assets of $11,223. How much long-term debt does Blackwell Automotive have?

**Cash and marketable securities**

Cash $23,015

Accounts receivable $141,258

Inventory $212,444

Other current assets $11,223

Net Plant and equipment $711,256

Goodwill and other assets $78,656

Total Assets $1,177,852

**Liabilities and Equity**

Accounts payable and accurals $163,257

Notes payable $21,115

Total current liabilities $184,372

Common stock $313,299

Retained earnings $512,159

Total common equity $825,458

Total liabilities and equity $1,009,830

$1,177,852 - $825,458 = $352,394 is the total liabilities

$352,394 - $184,372 = **$168,022** **is the long-term liabilities**

Assets = Equity + Liabilities

Liabilities = short term + long term

3.20 Market value: Reservoir Bottling Company reported the following information at the end of the year. Total current assets are worth $237,513 at book value and $219,344 at market value. In addition, plant and equipment have a market value of $343,222 and a book value of $362,145. The company’s total current liabilities are valued at market for $134,889 and have a book value of $129,175. Both the book value and the market value of long-term debt are $144,000. The company’s total assets have a market value of $562,566 and a book value of $599,658. What is the value of the difference between the market value of equity and the book value of equity?

Book value of Assets 237,513 + 362,145 = $599,658

Book value of liabilities 129,175 + 144,000 = $273,175

Martket value of Assets 219,344 + 343,222 = $562,566

Market value of liabilities 134,889 + 144,000 = $278889

Assets = Equity + Liabilities

Book value of equity 599,658 - 273,175 = $326,483

Market value of equity 562,566 – 278,889 = $283,677

Value difference between the market value and book value of equity is **$42,806**

The book value of equity is $42,806 more than the market value of equity.

3.32 In addition, it was reported that the company had a net income of $3,155,848 and that depreciation expenses were equal to $212,366 during 2020. Assume amortization expense was $0 in 2020.

a. Construct a 2020 cash flow statement for this firm.

**Operating Activities**

Net income $3,155,848

Additons

Depreciation and amortization $212,366

Increase in accounts payable $46,232

Increase in accrued income taxes $4,310

Decrease in accounts receivable $58,563

Subtractions

Increase in other current assets ($11,339)

Increase in inventories ($71,079)

Net cash provided by operating activites $3,394,901

**Long-term Investing Activities**

Property, equipment, and other assets ($321,821)

Decrease in goodwill and other assets $30,420

Net cash used in investing activites ($291,401)

**Financing Activities**

Decrease in long-term debt ($113,534)

Purchase of treasury stock ($13,334)

Increase in notes payable $6,625

Net cash provided by financing activities ($120,243)

**Cash Reconcilition**

Net increase in cash and marketable securities $16,845

Cash and securities at beginning of year $16,566

Cash and securities at end of year $2,999,823

b.Calculate the net cash provided by operating activities for the statement of cash flows.

**$3,394,901**

c. What is the net cash used in investing activities?

**($291,401)**

d. Compute the net cash provided by financing activities.

**($120,243)**