

- 14. Calculating Total Cash Flows** Schwert Corp. shows the following information on its 2012 income statement: sales = \$185,000; costs = \$98,000; other expenses = \$6,700; depreciation expense = \$16,500; interest expense = \$9,000; taxes = \$19,180; dividends = \$9,500. In addition, you're told that the firm issued \$7,550 in new equity during 2012 and redeemed \$7,100 in outstanding long-term debt.
- What is the 2012 operating cash flow?
 - What is the 2012 cash flow to creditors?
 - What is the 2012 cash flow to stockholders?
 - If net fixed assets increased by \$26,100 during the year, what was the addition to net working capital (NWC)?
- 17. Marginal versus Average Tax Rates** (Refer to Table 2.3.) Corporation Growth has \$86,000 in taxable income, and Corporation Income has \$8,600,000 in taxable income.
- What is the tax bill for each firm?
 - Suppose both firms have identified a new project that will increase taxable income by \$10,000. How much in additional taxes will each firm pay? Why is this amount the same?

Table 2.3
Corporate Tax
Rates

Taxable Income		Tax Rate
\$	0– 50,000	15%
	50,001– 75,000	25
	75,001– 100,000	34
	100,001– 335,000	39
	335,001–10,000,000	34
	10,000,001–15,000,000	35
	15,000,001–18,333,333	38
	18,333,334+	35

- 18. Net Income and OCF** During 2012, Raines Umbrella Corp. had sales of \$630,000. Cost of goods sold, administrative and selling expenses, and depreciation expenses were \$470,000, \$95,000, and \$140,000, respectively. In addition, the company had an interest expense of \$70,000 and a tax rate of 35 percent. (Ignore any tax loss carryback or carryforward provisions.)
- What is Raines's net income for 2012?
 - What is its operating cash flow?
 - Explain your results in (a) and (b).
- 19. Accounting Values versus Cash Flows** In Problem 18, suppose Raines Umbrella Corp. paid out \$34,000 in cash dividends. Is this possible? If spending on net fixed assets and net working capital was zero, and if no new stock was issued during the year, what was the change in the firm's long-term debt account?
- 20. Calculating Cash Flows** Cusic Industries had the following operating results for 2012: sales = \$19,900; cost of goods sold = \$14,200; depreciation expense = \$2,700; interest expense = \$670; dividends paid = \$650. At the beginning of the year, net fixed assets were \$15,340, current assets were \$4,420, and current liabilities were \$2,470. At the end of the year, net fixed assets were \$16,770, current assets were \$5,135, and current liabilities were \$2,535. The tax rate for 2012 was 40 percent.
- What is net income for 2012?
 - What is the operating cash flow for 2012?
 - What is the cash flow from assets for 2012? Is this possible? Explain.
 - If no new debt was issued during the year, what is the cash flow to creditors? What is the cash flow to stockholders? Explain and interpret the positive and negative signs of your answers in (a) through (d).

Use the following information for Ingersoll, Inc., for Problems 22 and 23 (assume the tax rate is 34 percent):

	2011	2012
Sales	\$ 7,835	\$ 8,409
Depreciation	1,125	1,126
Cost of goods sold	2,696	3,060
Other expenses	639	534
Interest	525	603
Cash	4,109	5,203
Accounts receivable	5,439	6,127
Short-term notes payable	794	746
Long-term debt	13,460	16,050
Net fixed assets	34,455	35,277
Accounts payable	4,316	4,185
Inventory	9,670	9,938
Dividends	956	1,051

22. **Financial Statements** Draw up an income statement and balance sheet for this company for 2011 and 2012.
23. **Calculating Cash Flow** For 2012, calculate the cash flow from assets, cash flow to creditors, and cash flow to stockholders.