



11002

Stylistic Furniture

In the Appendix of Chapter 6, a cash budget is presented in page 200, by making direct assumptions about cash collections and disbursements. Instead assume that the following for Dec 31, 2000 and the Dec 31, 2001 balances of accounts receivable, land, building and equipment and accounts payable.

Assume

The company borrowed short term funds on which it paid interest of \$18,480
 Tax rate is 36.00%

Prepare the balance sheet, the income statement and the cash flow statement (indirect method) for 2000. The company paid no dividends and issued no new stock. It also did not dispose or write off any machines. Use the Budgeted Income Statement from exhibit 6-3.

Balance sheet

Assets

Current assets

Cash	\$500,000	
Accounts receivable	\$1,881,600	
Direct materials	\$223,000	
Finished goods	\$1,375,000	\$3,979,600

Property, plant and equipment

Land	\$1,200,000	\$1,200,000
Building and equipment	\$2,300,000	\$4,100,000
Accumulated depreciation	(\$800,000)	\$2,700,000

Total

\$6,679,600

31-Dec-01

\$1,254,400

Liabilities and Stockholder's Equity

Current liabilities

Accounts payable	\$384,000	\$358,000
Income taxes payable	\$20,460	\$40,075

Long-term liability	10.00%	\$2,400,000	
Total current and long term liabilities			\$2,804,460

Stockholder's equity

Common stock	\$3,000	
Retained earnings	\$3,872,140	\$3,875,140

Total

\$6,679,600

Stylistic Furniture

Solution

11002

Income statement, Year ended

01-Mar-80

Revenues		\$20,384,000
Cost of goods sold		\$14,751,250
Gross margin		\$5,632,750
Operating costs		\$4,151,840
Operating income		\$1,480,910
Interest expense	\$240,000	\$258,480
Earnings before taxes		\$1,222,430
Income taxes	36.00%	\$440,075
Net income		\$782,355

Balance sheet

31-Dec-00

31-Dec-01

Assets

Current assets

Cash

\$500,000

\$1,142,920

Accounts receivable

\$1,881,600

\$1,254,400

Direct materials

\$223,000

\$204,000

Finished goods

\$1,375,000

\$3,979,600

\$854,250

\$3,455,570

Property, plant and equipment

Land

\$1,200,000

\$1,200,000

Building and equipment

\$2,300,000

\$4,100,000

Accumulated depreciation

(\$800,000)

\$2,700,000

(\$1,300,000)

\$4,000,000

Total

\$6,679,600

\$7,455,570

Liabilities and Stockholder's Equity

Current liabilities

Accounts payable

\$384,000

\$358,000

Income taxes payable

\$20,460

\$40,075

Long-term liability

10.00%

\$2,400,000

\$2,400,000

Total current and long term liabilities

\$2,804,460

\$2,798,075

Stockholder's equity

Common stock

\$3,000

\$3,000

Retained earnings

\$3,872,140

\$3,875,140

\$4,654,495

\$4,657,495

Total

\$6,679,600

\$7,455,570

Check

\$0

Cash Flow Statement, 19_5

All items are from the beginning balance sheet, unless the source is explained in the right column.

Cash Flow from Operations

Net income			\$782,355	
+ Depreciation			\$500,000	Schedule 5
- Accounts receivable	Ending	\$1,254,400		Given
	Beginning	\$1,881,600		
	Increase	(\$627,200)	\$627,200	
- Direct materials	Ending	\$204,000		Schedule 6B
	Beginning	\$223,000		
	Increase	(\$19,000)	\$19,000	
- Finished goods	Ending	\$854,250		Schedule 6B
	Beginning	\$1,375,000		
	Increase	(\$520,750)	\$520,750	
+ Accounts payable	Ending	\$358,000		Given
	Beginning	\$384,000		
	Increase	(\$26,000)	(\$26,000)	
+ Income taxes payable	Ending	\$40,075		Given
	Beginning	\$20,460		
	Increase	\$19,615	\$19,615	
Cash Flow from Operations			\$2,442,920	

Cash Flow from Investment

- Purchases of machinery	Ending	\$4,100,000		Given
	Beginning	\$2,300,000		
Cash Flow from Investment	Increase	\$1,800,000	(\$1,800,000)	

Net cash flow		\$642,920
Cash	Beginning	\$500,000
Cash	Ending	\$1,142,920