

Sample Problems – Balance Sheet, Income Statement, and Statement of Cash flows

1. Use the following to income statement and balance sheet to determine **Cash Flows from Operating Activities** for Marble Comics for 2002.

Marble Comics Group					
Balance Sheet for Year Ending 2001 and 2002					
(\$ in millions)					
	<u>2001</u>	<u>2002</u>		<u>2001</u>	<u>2002</u>
Cash	\$ 75	\$ 135	Accounts payable	\$ 89	\$110
Accounts receivable	230	214	Notes payable	<u>227</u>	<u>442</u>
Inventory	<u>240</u>	<u>188</u>	Current liabilities	316	552
Current assets	545	537	Long-term debt	615	440
Fixed assets	<u>788</u>	<u>890</u>	Common stock	55	55
			Retained earnings	<u>347</u>	<u>380</u>
Total assets	\$1,333	\$1,427	Total liab.& equity	\$1,333	\$1,427

Marble Comics Group	
2002 Income Statement	
(\$ in millions)	
Sales	\$905
Cost of goods sold	-615
Depreciation	<u>-110</u>
Earnings before interest and taxes	180
Interest paid	<u>- 61</u>
Taxable income	119
Taxes	<u>-30</u>
Net income	\$ 89

2. Using the following Income Statement and Balance Sheets, construct a Statement of Cash Flows for Fusselman Frozen Yogurt for the year 2002.

Fusselman Frozen Yogurt					
Balance Sheets as of December 31, 2001 and 2002					
	2001	2002		2001	2002
<i>Assets</i>			<i>Liabilities and Owner's Equity</i>		
Current assets			Current Liabilities		
Cash	\$84	\$98	Accounts payable	\$312	\$344
Accounts receivable	165	188	Notes payable	231	196
Inventory	393	422			
Total	\$642	\$708	Total	\$543	\$540
Fixed assets			Long-term debt	\$531	\$457
Net plant and equipment	\$2,731	\$2,880	Owners' Equity		
			Common stock	\$500	\$550
			Retained earnings	1,799	2,041
			Total	\$2,299	\$2,591
Total assets	\$3,373	\$3,588	Total	\$3,373	\$3,588

**Fusselman Frozen Yogurt
2002 Income Statement**

Sales	\$2,311
Cost of goods sold	1,344
Depreciation	<u>276</u>
Earnings before interest and taxes	\$691
Interest paid	<u>141</u>
Taxable income	\$550
Taxes (34%)	<u>187</u>
Net income	<u><u>\$363</u></u>
Dividends	\$121
Addition to retained earnings	242

3. Construct an income statement using the following information for Faulk Industries:

Sales = \$12,200 cost of goods sold = \$9,000 depreciation expense = \$1,600 interest expense = \$200
tax rate = 34%

4. Construct an income statement using the following information for Faulk Industries:

Sales = \$17,700 cost of goods sold = \$12,200 depreciation expense = \$1,600 interest expense = \$700
tax rate = 34%

5. If current assets=\$125, net fixed assets=\$300, long-term debt=\$80, and owners' equity=\$275, what is the value of current liabilities if it is the only other item on the balance sheet?

6. Papa Roach Exterminators, Inc., has sales of \$432,000, cost of \$210,000, depreciation expense of \$25,000, interest expense of \$8,000, and a tax rate of 35 percent. Construct an income statement for Papa Roach Exterminators.