

Problems

1. Using the data presented below:

Stetson Skydiving Adventures Income Statements For the Years 2010 and 2011

	2011	2010
Sales	\$3,500,000	\$3,230,000
Cost of Goods	2,273,300	2,162,500
Gross Profit	1,226,700	1,067,500
Depreciation	84,000	71,000
Selling & Admin. Expense	869,800	835,000
Lease Expense	65,000	65,000
Net Operating Income	207,900	96,500
Interest Expense	112,000	68,000
Earnings Before Taxes	95,900	28,500
Taxes	33,565	9,975
Net Income	\$62,335	\$18,525

Notes:

Tax Rate	35.00%	35.00%
Shares	50,000	40,000
Earnings per Share	\$1.25	\$0.46

Stetson Skydiving Adventures Balance Sheet For the Year Ended December 31, 2011

	2011	2010
Assets		
Cash	\$52,000	\$41,000
Marketable Securities	2,435	21,000
Accounts Receivable	420,000	372,000
Inventory	515,000	420,000
<i>Total Current Assets</i>	<i>989,435</i>	<i>854,000</i>
Gross Fixed Assets	2,680,000	2,170,000
Accumulated Depreciation	569,000	485,000
<i>Net Plant & Equipment</i>	<i>2,111,000</i>	<i>1,685,000</i>
Total Assets	\$3,100,435	\$2,539,000
Liabilities & Owner's Equity		
Accounts Payable	\$505,000	\$290,000
Accrued Expenses	35,000	30,000
<i>Total Current Liabilities</i>	<i>540,000</i>	<i>320,000</i>
Long-term Debt	1,171,100	1,061,000
<i>Total Liabilities</i>	<i>1,711,100</i>	<i>1,381,000</i>
Common Stock (\$2 par)	100,000	80,000
Additional Paid-in-Capital	691,000	542,000
Retained Earnings	598,335	536,000
<i>Total Owner's Equity</i>	<i>1,389,335</i>	<i>1,158,000</i>
Total Liab. & Owner's Equity	\$3,100,435	\$2,539,000

- a. Recreate the income statement and balance sheet using formulas wherever possible. Each statement should be on a separate worksheet. Try to duplicate the formatting exactly.
 - b. On another worksheet, create a statement of cash flows for 2011. Do not enter any numbers directly on this worksheet. All formulas should be linked directly to the source on previous worksheets.
 - c. Using Excel's outlining feature, create an outline on the statement of cash flows that, when collapsed, shows only the subtotals for each section.
 - d. Suppose that sales were \$3,800,000 in 2011 rather than \$3,500,000. What is the 2011 net income and retained earnings?
 - e. Undo the changes from part d, and change the tax rate to 40%. What is the 2011 net income and retained earnings?
2. Using the data from the previous problem:
- a. Create a common-size income statement for 2010 and 2011. This statement should be created on a separate worksheet with all formulas linked directly to the income statement.
 - b. Create a common-size balance sheet for 2010 and 2011. This statement should be created on a separate worksheet with all formulas linked directly to the balance sheet.
3. Download the file named "Chapter 2 Problem 3.xlsx" from the text support Web site.
- a. Fill in the blanks on the financial statements for Winter Park Web Design with formulas. Some of the formulas will require links to data given in other worksheets in the workbook.
 - b. Create a common-size income statement and balance sheet using your answers from above. Using the techniques you have learned in this chapter, you should be able to do these statements in less than one minute each with formatting that is identical to that in the original worksheets.

Internet Exercise

1. Choose your own company and repeat the analysis from Problems 1 and 2. You can get the data from MSN Money at <http://money.msn.com/investing>. To retrieve the data for your company, go to the Stocks area and enter the ticker symbol. Finally, choose Financials and then the statement type.
 - a. On the page that appears, click on the link for the Income Statement and copy the data to a new worksheet. Reformat the data so that it is more readable, and insert formulas in place of the numbers where possible.
 - b. Repeat part a for the Balance Sheet.
 - c. Create a common-size income statement and balance sheet based on the data from parts a and b.