

1. Using the data presented below:

**Mike Owjai Manufacturing
Income Statements
For the Years 2013 and 2014**

	2014	2013
Sales	\$2,625,000	\$2,422,500
Cost of Goods	1,704,975	1,621,875
Gross Profit	920,025	800,625
Depreciation	63,000	53,250
Selling & Admin. Expense	652,350	626,250
Lease Expense	48,750	48,750
Net Operating Income	155,925	72,375
Interest Expense	84,000	51,000
Earnings Before Taxes	71,925	21,375
Taxes	25,174	7,481
Net Income	\$46,751	\$13,894

Notes:

Tax Rate	35.00%	35.00%
Shares	75,000	60,000
Earnings per Share	\$0.62	\$0.23

**Mike Owjai Manufacturing
Balance Sheet
For the Year Ended December 31, 2014**

	2014	2013
Assets		
Cash	\$39,000	\$30,750
Marketable Securities	1,826	15,750
Accounts Receivable	315,000	279,000
Inventory	386,250	315,000
<i>Total Current Assets</i>	742,076	640,500
Gross Fixed Assets	2,010,000	1,627,500
Accumulated Depreciation	426,750	363,750
<i>Net Plant & Equipment</i>	1,583,250	1,263,750
Total Assets	\$2,325,326	\$1,904,250
Liabilities & Owner's Equity		
Accounts Payable	378,750	217,500
Accrued Expenses	26,250	22,500
<i>Total Current Liabilities</i>	405,000	240,000
Long-term Debt	878,325	795,750
<i>Total Liabilities</i>	1,283,325	1,035,750
Common Stock (\$1.00 par)	75,000	60,000
Additional Paid-in-Capital	518,250	406,500
Retained Earnings	448,751	402,000
<i>Total Owner's Equity</i>	1,042,001	868,500
Total Liab. & Owner's Equity	\$2,325,326	\$1,904,250

- 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 2014. 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 \$2,850,000 in 2014 rather than \$2,625,000. What is the 2014 net income and retained earnings?
 - e. Undo the changes from part d, and change the tax rate to 40%. What is the 2014 net income and retained earnings?
2. Using the data from the previous problem:
- a. Create a common-size income statement for 2013 and 2014. 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 2013 and 2014. This statement should be created on a separate worksheet with all formulas linked directly to the balance sheet.
 - c. Create a common-size statement of cash flows for 2014 that can be switched between using sales and the 2013 cash balance in the denominator.
3. Download the file named "Chapter 2 Problem 3.xlsx" from the text support Web site. (www.cengage.com/finance/mayes)
- 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 with formatting that is identical to the original worksheets.
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