

Check Figures

Financial Accounting for Executives and MBAs, 2nd Ed

by Ferris & Wallace

Chapter 1

- E1.24 Net loss = \$5,000
- E1.25 Dividends declared (2006): \$0.6 million
Expenses (2007): \$11.2 million
Retained earnings (2008): \$2.0 million
- E1.29 General Electric
 $r = 10.5\%$
- P1.30 Cash (2007): \$10,000
Long-term debt (2007): \$52,000
Treasury stock (2008): \$(8,000)
Change in cash (2008): \$15,000

Chapter 2

- E2.19
Cash flow from investing activities (Year 3) = \$(35,049)
Cash flow for financing activities (Year 2) = \$4,594
- E2.21
Cash flow from operations \$8,000
Cash flow from investing \$(5,000)
Cash flow from financing \$12,700
- P2.22
Net income = \$5,000
Total assets = \$82,000
Cash flow from operations = \$(11,000)
- P2.24
Total assets (BOY) = \$123,000
Total assets (EOY) = \$152,000
- P2.26
ROE = 24.3%
ROA = 14.5%
ROS = 17.0%
Asset turnover = 0.85x
- P2.29
Net income = \$(95,500)
Total assets = \$5,580,500
Cash flow from operations = \$(28,000)

Chapter 3

E3.14 1. I 5. F 8. I
 2. F 6. O 9. N
 3. O 7. O 10. F
 4. N

E3.18 Basic EPS = \$2.65
 Diluted EPS = \$2.34

P3.23 CFFO = \$140,000
 CFFI = \$(610,000)
 CFFF = \$620,000

P3.24 CFFO = \$938,801
 CFFI = \$(1,318,764)
 CFFF = \$381,405

Chapter 4

E4.13

	<u>Year 1</u>	<u>Year 2</u>
ROE	16.6%	12.3%
ROA	9.2%	6.9%
ROS	21.6%	15.7%

E4.16

	<u>Year 1</u>	<u>Year 2</u>
Quick ratio	0.42	0.38
L.T. debt-to- assets	49%	55%
Interest coverage	2.7x	2.5x

E4.19

	<u>Year 1</u>	<u>Year 2</u>
Receivable turnover	9.6x	10.4x
Inventory turnover	14.1x	14.2x

P4.25 Total assets = \$665,000
 Maximum dividend = \$75,000

Chapter 5

E5.14

	<u>Year 1</u>	<u>Year 2</u>
Allowance for uncollectible accounts ÷ gross accounts receivable	3.0%	3.5%

E5.18

	<u>Year 1</u>	<u>Year 2</u>
Receivable turnover	9.64x	10.38x
Receivable collection period	37.9 days	35.2 days
Incremental cash flow	\$265 million	

P5.21

	<u>Year 1</u>	<u>Year 2</u>
Point-of-Sale Net Income	\$96,000	\$140,000
Installment Net Income	\$8,000	\$91,200

P5.23

Percentage of Completion	
Year	Net Income
1	\$8,000,000
2	12,000,000
3	14,000,000
4	6,000,000
Total	\$40,000,000

P5.26

Allowance for uncollectible accounts	\$41,800
Bad debt expense	\$7,600

Chapter 6

E6.13

Periodic/Perpetual	<u>2008</u>	<u>2009</u>
Cost-of-goods sold	\$2,700	\$2,840
Ending inventory	700	1,260

E6.17

	<u>Year 1</u>	<u>Year 2</u>
Inventory turnover	5.52x	5.05x
Inventory-on-hand Period	66.1 days	72.3 days
Gross profit percentage	57.7%	59.4%

P6.24

Cost-of-goods sold

	<u>Jan</u>	<u>Feb</u>
FIFO	\$789,830	\$910,080
LIFO	797,190	958,120
Wt. average	792,446	937,888

P6.25

	<u>Periodic</u>	
	<u>EI</u>	<u>COGS</u>
FIFO	\$42,000	\$328,000
LIFO	30,000	340,000
Wt. average	39,650	330,350

P6.27

- A. 7,100
B. (27,350)
C. 1,460
D. 8,074
- 156 million

P6.29

- 300 units
- \$6,000
- 190 units
- \$5,200

Chapter 7

E7.14

Purchase price	\$200,000
Demolition of old structure	20,000
Legal fees	<u>35,000</u>
Land cost (a)	<u>\$255,000</u>

E7.21

	<u>Year 1</u>	<u>Year 2</u>
Intangible asset turnover	1.85x	1.59x
Fixed asset turnover	2.86x	3.00x
Accum. depreciation divided by gross fixed assets	31.7%	35.8%

E7.24

	<u>Year 8</u>	<u>Year 9</u>
Depreciation expense	\$72,000	\$24,000

P7.29

- Depletion charge per barrel = \$5.00
- Depletion expense (2006) = \$10 million

Chapter 8

E8.19

- | | <u>Year 2</u> |
|-----------------------------|---------------|
| Unrealized decline in value | \$2.0 million |
- Reported as a component of Other Comprehensive Income on the balance sheet.

E8.22

	<u>Year 2</u>	<u>Year 3</u>
Cash dividends paid	\$200	\$285
Undistributed earnings	\$215	\$235

E8.24

	<u>2008</u>	<u>2009</u>
Book value of investment	\$6,217,500	\$6,127,500

P8.29

- Equity in loss of Keystone Consolidated \$700,000
- Year-end balance sheet value of investment \$38.6 billion

P8.31

Partial Consolidated Balance Sheet

(in millions)

Assets (from MTF)	\$70
Assets (from KMF)	50
Goodwill	10
Total	<u>\$130</u>

P8.35

- Total assets = \$6 million
- Cumulative translation adjustment = \$2 million
- Depreciated

Chapter 9

E9.15

	<u>Issue Price</u>
Bond A	\$914.69
Bond B	\$1,563.11

E9.17

Proceeds from sale	=	\$45,944,350
Interest expense for Year 1	=	\$3,689,059

E9.21

Proceeds from sale	=	\$54,264,900
Interest expense	=	\$3,244,732
Book value at end of Year 1		\$53,509,632

P9.29

- (a) Par value
(b) \$17.25 million
(c) \$596.92 million

P9.32

- \$14.9 million
- Lease liability = \$100 million
- Interest expense = \$8 million
Depreciation expense = \$10 million
- Operating lease = \$14.90 million
Capital lease = \$17.45 million

Chapter 10

E10.14

Deferred income tax liability	
(a) Tax rate – 35%	\$10,500
(b) Tax rate – 30%	\$ 9,000

E10.17

	<u>Year 2</u>	<u>Year 1</u>
Underfunded Pension Obligations (in millions)	\$335	\$263

P10.23

	<u>2008</u>	<u>2009</u>
Deferred tax asset	\$3,277	\$3,300
Cumulative deferred tax Asset	\$3,277	\$6,577

P10.26

1. Swap eight percent fixed for 3.1 percent fixed plus LIBOR (six month trailing)
2. Breakeven LIBOR = 4.9 percent.

P10.29

	<u>Year 2</u>
Projected budget obligation	\$539
Plan assets	803
Overfunding	<u>\$264</u>

Chapter 11

E11.14

	<u>12/31</u>
Shareholders' Equity	
Common stock	\$600,000
Additional paid-in-capital	89,400,000
Retained earnings	36,500,000
Treasury stock	(8,450,000)
Total	<u>\$118,050,000</u>

E11.17

	<u>Year-end</u>
Shareholder's Equity	
Common stock, \$0.333 par	\$131,978
Additional paid-in-capital	1,408,022
Retained earnings	260,000

E11.20

	<u>Preferred Stock</u>	<u>Debentures</u>
Adjusted conversion ratio following the 10% stock dividend	3.3-to-1	50.6-to-1

P11.25

	<u>12/31/2009</u>
Par value per share	\$0.333
Number of shares outstanding	32,500,000

Chapter 12

E12.11

Cost of equity = 10.0%

E12.15

Free cash flow to equity = \$200

E12.18

Equity value per share = \$1.82

E12.19

1. \$6.20 per share
2. \$95.17 per share

P12.22

CFFO = \$3,572

CFFI = \$(3,366)

CFFF = \$(126)