**BUSN 5200**

**Homework Assignment for Week 2:**

For Week 2, please turn in the answers to the following questions:

1.If gross profits are $300, and cost of goods sold is $600, what is the net sales?

2. What are the three major divisions in the accounting field and what are the main functions of each?

3. What is the Fundamental Accounting Equation?

4. Which financial statement reports the amounts of cash that the firm generated and distributed during a particular time period?

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| **A.** | **Balance sheet** |

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| **B.** | **Income statement** |

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| --- | --- |
| **C.** | **Statement of retained Earnings** |

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| --- | --- |
| D.  | **Statement of cash Flows** |

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| 5. | If the current account balances are: Cash = $1,000 Accounts receivable = $500 Accounts payable = $750 Common Equity = 2,000 Fixed Assets = 1,500Calculate current assets. |

6. Based on the financial information below, prepare an income statement and a balance sheet for Webster company for the year ended December 31, 2016. Unless otherwise indicated, assume all information below is either for the year 2016 or as of December 31, 2016.

Accounts receivable………………………………….. $5,000

Accumulated depreciation…………………………… $12,000

Cost of goods sold…………………………………… $4,000

Income tax expense………………………………….. $1,000

Cash………………………………………………….. $12,500

Sales………………………………………………….. $25,000

Equipment (gross)……………………………………. $27,000

Selling, general, & administrative expenses…………. $3,000

Common stock (1,000 shares)………………………... $7,000

Accounts payable……………………………………. $19,000

Retained earnings……………………………………. $13,000

Interest expense……………………………………… $200

Inventory…………………………………………….. $17,000

Long-term debt………………………………………. $10,500

Dividends declared and paid………………………… $600

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| 7. If earnings before taxes (EBT) are $136,000, net sales (all on credit) are $315,000, dividends are 25,000 and net income is 90,000, what is the tax expense?  |  |

8. Net operating profit after taxes (NOPAT) is defined as which of the following?

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| A.  | Net profit a firm earns before taxes, but after any financing costs |

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| B.  | Net profit a firm earns after taxes, and after any financing cots |

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| --- | --- |
| C.  | Net profit a firm earns after taxes, but before any financing costs |

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| --- | --- |
| D.  | Net profit a firm earns before taxes, and before any financing cost |

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| 9. | If a company reports a large amount of net income on its income statement during a year, the firm will have:

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| A.  | positive cash flow. |

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| B.  | negative cash flow. |

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| C.  | zero cash flow. |

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| D.  | Any of these scenarios are possible. |

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10. Free cash flow is defined as:

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| A.  | cash flows available for payments to stockholders of a firm after the firm has made payments to all others with claims against it. |

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| --- | --- |
| B.  | cash flows available for payments to stockholders and debt holders of a firm after the firm has made payments necessary to vendors. |

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| --- | --- |
| C.  | cash flows available for payments to stockholders and debt holders of a firm after the firm has made investments in assets necessary to sustain the ongoing operations of the firm. |

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| D.  | cash flows available for payments to stockholders and debt holders of a firm that would be tax-free to the recipients. |

11. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is defined as after-tax operating profit minus the amount of new investment in working capital, fixed assets, and the development of new products.

12. Which of the following can be considered a source of cash by the organization:

1. Depreciation
2. Payment of dividends
3. Decrease in a current liability
4. Increase in a non cash current asset.

**Case Study Tasks:**

1. Refer to the Case Study topic lecture on the Week 1 Content page. Using the information you obtained last week, complete the Part I, Company Overview portion of the case study report and submit it along with your regular homework (use a separate file for the company overview). Note that your Company Overview should contain:

a. Brief description of the company (one paragraph, briefly summarizing the company’s business)

b. Company history (origin, major developments, etc.)

c. Organization (describe how the company is structured)

d. Main products and services (describe what the company sells; how it makes money)

e. Geographic area of operations (describe where the company sells its products)

f. Recent developments (list recent major news stories, if any)

2. Refer to your online sources of information for companies. Download and save the company’s latest annual income statement, balance sheet, and statement of cash flows.

*Suggestion: Once you have obtained the data, transfer it to an Excel spreadsheet. This will make it easier for you to analyze and work with the data later in the course*