E9.6

Calculate Gross Profit, cost of goods sold, and selling price

MBI, Inc. had sales of $141.6 million for fiscal year 2009. The companies gross profit ratio for that year was 31.6%.

1. Calculate the gross profit and cost of goods sold for MBI, Inc., for fiscal 2009.
2. Assume that a new product is developed and that it will cost $1860 to manufacture. Calculate the selling price that must be set for this new product if its gross profit ratio is to be the same as the average achieved for all products for fiscal 2009.
3. From a management viewpoint, what would you do with this information?

E9.12

Cash flows to accrual

For each of the following items, calculate the amount of revenue or expense that should be recognized on the income statement for Pelkey Co. for the year ended 12/31/2009:

1. Cash collected from customers during the year amounted to $365,000 and accounts receivable increased by $30,000. How much were sales on account for the year ended 12/31/2009?
2. Cash payments for income taxes during the year were $232,000, and income taxes payable increased by $36,000. How much was income tax expense?
3. Cash paid to suppliers during the year amounted to $164,000, accounts payable decreased by $23,500, and inventories decreased by $10,000. How much was cost of goods sold?
4. The net book value of buildings increased by $125,000. No buildings were sold, and a new building costing $210,000 was purchased during the year. How much was depreciation expense?

P9.18

Calculate operating income and net income

The following information is available from the accounting records of Spenser Co. for the year ended 12/31/2009.

Selling, general, and administrative expenses…………………………………………….$51,000

Accounts payable………………………………………………………………………………………..85,000

Extraordinary gain from lawsuit settlement, net of tax expense of $28,000…104,000

Research and development expenses…………………………………………………………..37,000

Loss from discontinued operations net of tax savings of $5,000…………...……….16,000

Provision for income taxes……………………………………………………………………….…74,000

Net sales……...……………………………………………………………………………………...……579,000

Interest expense…………………………………………………………………………………………64,000

Net cash provided by operations……………………………………………………………….148,000

Cost of goods sold……………………………………………………………………………………..272,000

1. Calculate the operating income for Spenser Co. for the year ended 12/31/2009.
2. Calculate the company’s net income for 2009.

P9.22

Prepare a statement of cash flows-indirect method

The financial statements of Pouchie Co. included the following information for the year ended 12/31/2009 (amounts in millions).

Depreciation and amortization expense………………………………………………….$520

Cash dividends declared and paid…………………………………………………………….660

Purchase of equipment………………………………………………………………………….1,640

Net income……………………………………………………………………………………………...768

Beginning cash balance…………………………………………………………………………....240

Proceeds of common stock issued…………………………………………………………….296

Proceeds from sale of building (at book value)………………………………………….424

Accounts receivable increase……………………………………………………………………..32

Ending cash balance…………………………………………………………………………………..80

Inventory decrease……………………………………………………………………………………76

Accounts payable increase…………………………………………………………………………88

Complete the following statement of cash flows, using indirect method:

Pouchie Co.

Statement of Cash Flows

For the year Ended 12/31/2009

Cash flows from Operating Activities:

 Net income…………………………………………………………………………………..$768

 Add (deduct) items not affecting Cash:

 ??????????...........................................................................................................................???

 ??????????...........................................................................................................................???

 ??????????...........................................................................................................................???

 ??????????...........................................................................................................................???

 Net cash provided (used) by operating activities……………………………....???

Cash Flows from Investing Activities:

 ??????????...........................................................................................................................???

 ??????????...........................................................................................................................???

 Net cash provided (used) by investing activities……………………………….???

Cash Flows from Financing Activities:

 ??????????...........................................................................................................................???

 ??????????...........................................................................................................................???

 Net cash provided (used) by financing actitivties………………………...……???

Net increase (decrease) in cash for the year………………………………………………...???

Cash balance, 1/1/2009…………………………………………………………………………….240

Cash balance, 12/31/2009…………………………………………………………………………..80