1. These are the following data from the accounting records of Nevada Estates:

Depreciation Expense 15,900

Payment of Income Taxes 24,500

Collections of Accounts Receivable 167,200

Purchase of Treasury Stock 40,000

Declaration of Stock Dividend 65,000

Loss on Sale of Plant Assets 8,400

Collection of Dividend Revenue 13,800

Payment of Salaries and Wages 83,600

Cash Sales 103,700

Net Income 61,200

Acquisition of Land 73,500

Payment of Interest 19,400

Interest Received on Investments 3,100

Issuance of Bonds Payable 500,000

Increase in Accounts Payable 20,300

Payments to Suppliers 173,600

Acquisition of Equipment by Issuing 50,000

Long-Term Note Payable \_\_\_\_\_\_\_\_

1. Prepare the operating activities section of the statement of cash flows using the direct method.
2. Comparative financial statement data of McDonalds follows:

**McDonalds**

**Comparative Income Statement**

**Years Ended Dec. 31, 2003 and 2002**

**2003 2002**

Net Sales $462,000 $427,000

Cost of Goods Sold 229,000 218,000

Gross Profit 233,000 209,000

Operating Expenses 136,000 134,000

Income From Operations 97,000 75,000

Interest Expense 11,000 12,000

Income Before Income Tax 86,000 63,000

Income Tax Expense 30,000 27,000

Net Income $ 56,000 $ 36,000

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**McDonalds**

**Comparative Balance Sheet**

**Dec. 31, 2003 and 2002**

**(Selected Amounts Given for Computation of Ratios)**

2003 2002 2001

Current Assets:

Cash $ 96,000 $ 97,000

Current Receivables (Net) 112,000 116,000 $103,000

Inventories 172,000 162,000 207,000

Prepaid Expenses 16,000 7,000

Total Current Assets 396,000 382,000

Property, Plant, and Equipment (Net) 189,000 178,000

Total Assets $585,000 $560,000 $598,000

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Total Current Liabilities $206,000 $223,000

Long-Term Liabilities 119,000 117,000

Total Liabilities $325,000 $340,000

Preferred Stockholders’ Equity, 6%,

$100 Par 100,000 100,000

Common Stockholders’ Equity, No-Par 160,000 120,000 90,000

Total Liabilities and Stockholders’ Equity $585,000 $560,000

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**Other Information**

A. Market price of McDonalds common stock: $49 on Dec. 31, 2003, and $32.50 on Dec. 31, 2002.

B. Common shares outstanding: 10,000 during 2003 and 9,000 during 2002.

C. All sales on credit.

**Required**

A. Compute the following ratios for 2003 and 2002:

1. Current Ratio

2. Inventory Turnover

3. Accounts Receivable Turnover

4. Times-Interest-Earned Ratio

5. Return on Assets

6. Return on Common Stockholders’ Equity

7. Earnings Per Share of Common Stock

8. Price/Earnings Ratio

9. Book Value Per Share of Common Stock

B. Decide (a) whether Wahl’s financial position improved or deteriorated during 2003, and (b) whether the investment attractiveness of its common stock appears to have increased or decreased.

C. How will the information you learned in this problem help you evaluate

an investment?