**1. Operating income versus net income** Refer to the selected financial data (five-year) financial summary) of the Intel Corporation annual report.

**Required:**

Compare the trend of the operating income data with the trend of net income data from 2004 through 2008. Which series of data is more meaningful? Explain your answer.

SELECTED FINANCIAL DATA

(In Millions, Except Per Share Amounts) 2008 2007 2006 2005 2004

Net revenue ……………………………………… $ 37,586 $ 38,334 $ 35,38 2 $ 38,826 $ 34,209

Gross margin……………………………………… $ 20,844 $ 19,904 $ 18,218 $ 23,049 $ 19,746

Research and development…………………. $ 5,722 $ 5,755 $ 5,873 $ 5,145 $ 4,778

Operating income………………………………… $ 8,954 $ 8,216 $ 5,652 $ 12,090 $ 10,130

Net income………………………………………….. $ 5,292 $ 6,976 $ 5,044 $ 8,664 $ 7,516

Earnings per common share

Basic …………………………………………….. $ 0.93 $ 1.20 $ 0.87 $1.42 $1.17

Diluted…………………………………………… $ 0.92 $ 1.18 $ 0.86 $1.40 $1.16

Weighted average diluted shares outstanding 5,748 5,936 5,880 6,178 6,494

Dividends per share

Declared………………………………………….. $ 0.5475 $ 0.45 $ 0.40 $ 0.32 $ 0.16

Paid ………………………………………………… $ 0.5475 $ 0.45 $ 0,40 $ 0.32 $ 0.16

(Dollars in Millions) Dec.27, 2008 Dec.29, 2007 Dec.30, 2006 Dec.31, 2005 Dec.25, 2004

Property, plant &equipment, net $ 17,544 $16,918 $17,602 $ 17,111 $ 15,768

Total assets………………………….. $ 50,715 $ 55,651 $ 48,368 $ 48,314 $ 48,143

Long-term debt……………………. $ 1,886 $ 1,980 $ 1,848 $2,106 $ 703

Stockholders’ equity …………….. $ 39,088 $ 42,762 $ 36,752 $ 36,182 $ 38,579

Additions to property, plant &equipment $5,197 $ 5,000 $ 5,860 $ 5,871 $ 3,843

Employees (in thousands)………. 83.9 86.3 94.1 99.9 85.0

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

The ratio earnings to fixed charges for each of the five years in the period ended December 27, 2008 was as follows:

**2008** **2007** **2006** **2005** **2004**

51x 72x 50x 169x 107x

Fixed charges consist of interest expense, capitalized interest, and the estimated interest component of rent expense.

**2. Use gross profit ratio to calculate inventory loss** On April 8, 2010, a flood destroyed the warehouse of Stuco Distributing Co. From the waterlogged records of the company, management was able to determine that the firm’s gross profit ratio had averaged 35% for the past several years and that the inventory at the beginning of the year was $209,600. It also was determined that during the year until the date of the flood, sales had totaled $427,200 and purchases totaled $242,920.

**Required:**

Calculate the amount of inventory loss from the flood.

**3. Using cash flow information- The Coca Cola Company** Following are comparative statements of cash flows, as reported by **The Coca-Cola Company** in its 2008 annual report:

**Required:**

1. Briefly review the consolidated statements of cash flow, and then provide an overall evaluation of the “big picture” during the three years presented for **Coca-Cola**. Have operating cash flows been sufficient to meet investing needs and to pay dividends?
2. Were there significant changes to any of the specific line-item details that you think would require further explanation or analysis?

**THE COCA-COLA COMPANY AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**Year Ended December 31 (in Millions)**

**2008 2007 2006**

**operating Activities** (details omitted)

Net cash provided by operating activities ……………………………… $ 7,571 $7,150 $5,957

**Investing Activities**

Acquisitions and investments, principally beverage

and bottling companies and trade marks……………………………… (759) (5,653) (901)

Purchases of other investments ……………………………………………… (240) (99) (82)

Proceeds from disposals of bottling companies

and other investments………………………………………………………… 479 448 640

Purchases of property, plant, and equipment…………………………… (1,968) (1,648) (1,407)

Proceeds from disposals of property, plants, and equipments....... 129 239 112

Other investing activities…………………………………………………………. (4) (6) (62)

Net Cash used in investing activities.……………………………………. (2,363 (6,719) (1,700)

**Financing activities**

Issuances of debt …………………………………………………………………….. 4,337 9,979 617

Payment of debt ……………………………………………………………………….. (4,308) (5,638) (2,021)

Issuance of stock………………………………………………………………………. 586 1,619 148

Purchases of stock for treasury ………………………………………………….. (1,079) (1,838) (2,416)

Dividends…………………………………………………………………………………. (3,521) (3,149) (2,911)

Net cash provided by (used in) financing activities ………………… (3,985) 973 $(6,583)

**Effect on Exchange Rate Changes On**

**Cash and Cash Equivalents**………………………………………………………. (615) 249 65

**Cash and Cash Equivalents**

Net increase (decrease) during the year ……………………………………... 608 1,653 (2,261)

Balance at beginning of the year ………………………………………………… 4,093 2,440 4,701

Balance and Cash Equivalents………………………………….................. $4,701 $4,093 $ 2,440

**4. Calculate EPS and dividends per share before stock split**  For several years Orbon, Inc., has followed a policy of paying a cash dividend of $1.20 per share and having a 10% stock dividend. In the 2011 annual report, Orbon reported restated earnings per share for 2009 of $2.70.

**Required:**

1. Calculate the originally reported earnings per share for 2009. Round your answer to two decimal places.
2. Calculate the restated cash dividend per share for 2009 reported I the 2011 annual report for comparative purpose. Round your answer to two decimal places.