

Eight years ago Emily Regis invented a unique fiber optic coupling device used in the telecommunications industry. She began her own firm called OptiComm, and the business expanded rapidly. After three years, Regis took her company public and now is the majority stockholder. Regis is a hands-on company president who gets involved in every phase of the business. It has become increasingly apparent to Regis that a plant expansion will be necessary to keep up with the company's sales orders. She approached the Great Lakes National Bank about a loan. The bank requested a statement of cash flows.

OptiComm's comparative balance sheets as of December 31, 20x1 and 20x0, and a statement of income and retained earnings for the year ended December 31, 20x1, are as follows:

OptiComm, Inc.
Comparative Balance Sheets
December 31, 20x1 and 20x0
(in thousands)

Assets	20x1	20x0
Current assets:		
Cash	\$ 60	\$ 100
U.S. treasury bills	0	50
Accounts receivable	610	500
Inventory	720	600
Total current assets	1,390	1,250
Long-lived assets:		
Land	80	70
Buildings and equipment	710	600
Less: Accumulated depreciation	(180)	(120)
Patents (less amortization)	105	130
Total long-lived assets	715	680
Total assets	\$2,105	\$1,930

Liabilities and Stockholders' Equity	20x1	20x0
Current liabilities:		
Accounts payable	\$ 360	\$ 300
Income taxes payable	25	20
Notes payable	400	400
Total current liabilities	785	720
Notes payable	200	200
Total liabilities	985	920
Stockholders' equity:		
Common stock	830	700
Retained earnings	290	310
Total stockholders' equity	1,120	1,010
Total liabilities and stockholders' equity	\$2,105	\$1,930

OptiComm, Inc.
Income and Retained Earnings Statement
For the Year Ended December 31, 20x1
(in thousands)

Sales		\$2,408
Less: Expenses:		
Cost of goods sold	\$1,100	
Salaries and benefits	850	
Heat, light, and power	75	
Depreciation	60	
Property taxes	18	
Patent amortization	25	
Miscellaneous expenses	10	
Interest	55	2,193
Net income before income taxes		215
Income taxes		105
Net income		110
Retained earnings, January 1, 20x1		310
		420
Stock dividend*		130
Retained earnings, December 31, 20x1		\$ 290

*The stock dividend shown on the statement of income and retained earnings had no effect on the company's cash flows. The \$130,000 stock dividend reduced the Retained Earnings account by \$130,000 and increased the Common Stock account by \$130,000.