**Print by: Khristine Jackson
FINANCIAL ACCT / Chapter 10 Graded**

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| http://edugen.wiley.com/edugen/art2/common/pixel.gif | \*AE10-9Northeast Airlines is considering two alternatives for the financing of a purchase of a fleet of airplanes. These two alternatives are: 1. Issue 66,000 shares of common stock at $49 per share. (Cash dividends have not been paid nor is the payment of any contemplated).
2. Issue 10%, 10-year bonds at par for $3,234,000.

It is estimated that the company will earn $877,000 before interest and taxes as a result of this purchase. The company has an estimated tax rate of 30% and has 86,900 shares of common stock outstanding prior to the new financing. Determine the effect on net income and earnings per share for these two methods of financing. ***(If answer is zero, please enter 0. Do not leave any fields blank. Round earnings per share to 2 decimal places, e.g. 10.50. Enter all amounts as positive amounts and subtract where necessary.)***

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|   | **Plan OneIssue Stock** | **Plan TwoIssue Bonds** |
| Income before interest and taxes | $ | $ |
| Interest  |  |  |
| Income before income taxes  |  |  |
| Income tax expense  |  |  |
| Net income | $ | $ |
|   |   |   |
| Outstanding shares  |  |  |
|   |   |   |
| Earnings per share | $ | $ |

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| **Question Attempts: 0 of 3 used**  |

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