Ending Balance Beginning Balance

Cash 18,000 17,000

Acts Receivable 59,000 44,000

Inventory 72,000 64,000

Property and Equip 64,000 50,000

Acts Payable 28,000 16,000

Bonds Payable 28,000 24,000

Common Stock 38,000 34,000

Additional Capital 54,000 50,000

Retained Earnings 65,000 51,000

Additional information:

* Net income was $18,000, which included sales of $300,000 and gross profit of $100,000
* Bing’s closest competitor had sales of $450,000 and net income of $18,000. It collected $414,000 in cash from its customers
* The company sold equipment for $14,000 that had a book value of $6000
* Bing recorded $8000 of depreciation expense
* The company issued bonds payable at book value

1. Compute the total amount of cash the company paid for its inventory purchases (if any)
2. Bing’s board of directors wants to invest the retained earnings in a lucrative venture that pays more than 12 percent ROI. How much could the company safely invest assuming that the level of assets it now holds is required for operations and no additional borrowing is possible? Explain.