

Cash flow exercise

<b>Cormier Ltd.</b>		
<b>Comparative Balance Sheet Information</b>		
	<b>June 30</b>	
<b>Assets</b>	<b>2002</b>	<b>2001</b>
Cash.....	\$ 75,800	\$ 35,000
Accounts receivable (net).....	80,000	62,000
Inventory.....	66,800	96,800
Prepaid expenses.....	5,400	5,200
Equipment.....	130,000	120,000
Accumulated amortization.....	<u>(28,000)</u>	<u>(10,000)</u>
Total assets.....	<u>\$330,000</u>	<u>\$309,000</u>
<b>Liabilities and Shareholders' Equity</b>		
Accounts payable.....	\$ 26,000	\$ 32,000
Wages payable.....	7,000	16,000
Income taxes payable.....	2,400	3,600
Notes payable (long-term).....	40,000	70,000
Common shares.....	230,000	180,000
Retained earnings.....	<u>24,600</u>	<u>7,400</u>
Total liabilities and shareholders' equity.....	<u>\$330,000</u>	<u>\$309,000</u>

<b>Cormier Ltd.</b>	
<b>Income Statement</b>	
<b>For Year Ended June 30, 2002</b>	
Sales.....	\$655,000
Cost of goods sold.....	<u>399,000</u>
Gross profit.....	\$256,000
Operating expenses:	
Amortization expense.....	\$58,600
Other expenses.....	<u>67,000</u>
Total operating expenses.....	<u>125,600</u>
Income from operations.....	\$130,400
Gain on sale of equipment.....	<u>2,000</u>
Income before taxes.....	\$132,400
Income taxes.....	<u>45,640</u>
Net income.....	<u>\$ 86,760</u>

Use the following information in QS 19-6 through QS 19-10.

<b>Chan Co., Inc</b>		
<b>Comparative Balance Sheet Information</b>		
	<b>June 30</b>	
<b>Assets</b>	<b>2002</b>	<b>2001</b>
Cash.....	\$ 42,900	\$ 17,500
Accounts receivable (net).....	26,000	21,000
Inventory.....	43,400	48,400
Prepaid expenses.....	3,200	2,600
Furniture.....	55,000	60,000
Accumulated amortization.....	(9,000)	(5,000)
Total assets.....	<u>\$161,500</u>	<u>\$144,500</u>
<b>Liabilities and Shareholders' Equity</b>		
Accounts payable.....	\$ 8,000	\$ 11,000
Wages payable.....	5,000	3,000
Income taxes payable.....	1,200	1,800
Notes payable (long-term).....	15,000	35,000
Common shares.....	115,000	90,000
Retained earnings.....	<u>17,300</u>	<u>3,700</u>
Total liabilities and shareholders' equity.....	<u>\$161,500</u>	<u>\$144,500</u>

<b>Chan Co., Inc</b>	
<b>Income Statement</b>	
<b>For Year Ended June 30, 2002</b>	
Sales.....	\$234,000
Cost of goods sold.....	<u>156,000</u>
Gross profit.....	\$ 78,000
Operating expenses:	
Amortization expense.....	\$19,300
Other expenses.....	<u>28,500</u>
Total operating expense.....	<u>47,800</u>
Income from operations.....	\$ 30,200
Income taxes.....	<u>12,300</u>
Net income.....	<u>\$ 17,900</u>