

Finance 360: Principles of Financial Management (Joseph Farizo)
Problem Set 1

Version: 100

Name: _____ Key: Version 100

Due: _____ 0

Write your answers in the boxes below each question. On separate paper, neatly show your work for each question. No credit will be awarded if you provide an answer but show no work. When completed, use the Adobe Scan app to take a picture and save as a single PDF file with this as the first page. Save the file as V# where the # is your version number from the top right of this page. Example: "V101.pdf" if you have Version 101. Upload to josephfarizo.com/assignments.html. Correct answers are important, only minimal partial credit is awarded.

	<u>Kobuk Valley Inc.</u>	
	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 524	\$ 552
Accounts receivable	167	165
Inventories	407	403
Total current assets	<u>1,098</u>	<u>1,120</u>
Fixed Assets		
Gross property and equipment	2,560	2,651
Accumulated Depreciation	<u>(305)</u>	<u>(157)</u>
Net plant and equipment	<u>2,255</u>	<u>2,494</u>
Total Assets	<u>\$ 3,353</u>	<u>\$ 3,614</u>
LIABILITIES AND EQUITY	<u>2022</u>	<u>2021</u>
Current liabilities		
Accounts payable	\$ 340	\$ 316
Notes payable	214	204
Total current liabilities	<u>554</u>	<u>520</u>
Long term debt	<u>523</u>	<u>563</u>
Total liabilities	<u>1,077</u>	<u>1,083</u>
Owners Equity		
Common stock and paid-in surplus	75	453
Retained earnings	<u>2,201</u>	<u>2,078</u>
Total Equity	<u>2,276</u>	<u>2,531</u>
Total Liabilities and Equity	<u>\$ 3,353</u>	<u>\$ 3,614</u>

	<u>2022</u>
Net sales	\$ 2,287
Cost of goods sold	1,288
Gross Profit	<u>999</u>
SG&A	101
Depreciation	148
EBIT	<u>750</u>
Interest expense	125
Earnings before taxes	<u>625</u>
Tax Expense	<u>131</u>
Net Income	<u><u>\$ 494</u></u>

Question 1 Find operating cash flow for 2022. There are two ways to compute OCF. Show both methods in your work, and indicate that they result in the same answer. Be very clear about whether the OCF is positive or negative.

$$767$$

$$\text{EBIT} + \text{DEP} - \text{TAX} \text{ or } \text{NI} + \text{DEP} + \text{Int}$$

Question 2 Find the net capital spending from 2021 to 2022. Be very clear about whether the net capital spending is positive or negative.

$$-91.0000$$

$$\text{ENFA} - \text{BNFA} + \text{DEP}$$

Question 3 Find the change in net working capital from 2021 to 2022. Be very clear about whether the change in net working capital is positive or negative.

$$-56$$

$$(\text{CA} - \text{CL})_n - (\text{CA} - \text{CL})_o$$

Question 4 Find the cash flow to creditors from 2021 to 2022. Be very clear about whether this cash flow to creditors is positive or negative.

$$165.0000$$

$$\text{INT} - (\text{New LTD} - \text{Old LTD})$$

Question 5 Find the cash flow to stockholders from 2021 to 2022, assuming dividends paid in 2022 were \$370.31. Be very clear about whether the cash flow to stockholders is positive or negative.

748.3125

Div - (New Eq - Old Eq)

Question 6 Find the cash flow from assets for 2022. In your work, show both methods that you can use to arrive at CFFA, and show that both are equal (Note: it's fine if you are off by a few cents due to rounding).

913.3125

OCF-NCS-dNWC or CFTC+CFTS

Question 7 In the answer box below, write whether this firm's change from 2021 to 2022 for each of these accounts was a 'source' or 'use' of cash: (a) accounts receivable, (b) inventory, (c) gross fixed assets, (d) accounts payable, (e) current liabilities, and (f) common stock.

a=use b=use c=source d=source e=source f=use

N/A

Question 8 In your work, neatly create a Statement of Cash Flows. In the box below, write the net cash from (a) operating, (b) investment, (c) financing activities, and (d) total cash flow. Be clear about whether each is positive or negative. Dividends were \$370.31 in 2022.

A = 659.75 B = 91 C = -778.31 Total = -27.56

Rate this problem set from 1 to 5, with 1 being "very easy" and 5 being "very difficult." (circle one)

1 2 3 4 5

About how many minutes did you spend on this problem set? (circle one)

<45 45 60 75 >75