

Problem Set #2: Chemalite Case

1. Record the effects of Chemalite's 1991 events on the BSE worksheet

Cash Flow type (O, I, F)

Event	Cash	A/R	Inventory	Patent	Cap. Exp.	PPE	Notes Pay	Paid in Capital	RE	RE Explanation
P1	375,000			125,000				500,000		
P2	(7,500)				7,500					
P3	(62,500)					62,500				
P4	(75,000)		75,000							
	230,000	-	75,000	125,000	7,500	62,500	-	500,000	-	Balance Sheet
T1	(23,750)								(23,750)	R&D Expense
T2	685,000	69,500							754,500	Revenue
T3	(175,000)		175,000							
T4	(22,500)								(22,500)	Adv. Expense
T5.1	(350,000)		350,000							
T5.2	(80,000)								(80,000)	Admin Expenses
T6	(150,000)					150,000				
T7.1	50,000						50,000			
T7.2	(50,750)						F (50,000)		O (750)	Interest Expense
O1			(545,000)						(545,000)	Inv. Adjustment
O2				(25,000)					(25,000)	Amort. Expense
O3						(10,625)			(10,625)	Depr. Expense
O4										
O5										
Total	113,000	69,500	55,000	100,000	7,500	201,875	-	500,000	46,875	Balance Sheet

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3. Balance Sheet (6/31/91):

Assets		
Cash	230,000	
Accounts Receivable	-	
Inventories	75,000	
Total Current Assets		305,000
Property, Plant, & Equipment		62,500
Other (Capitalized Start-up Expenses)		7,500
Patent		125,000
Total Assets		500,000
Liabilities and Stockholders' Equity		
Common Stock		500,000
Retained earnings		-
Total Liabilities and SE		500,000

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3. Income Statement (For 6 months June 30, 1991):

Revenue		-
Costs and Expenses		
Advertising	-	
Administration	-	
Manufacturing costs	-	
Raw materials	-	
R&D	-	
Interest	-	
Depreciation	-	
Amortization of patent	-	
	<hr/>	-
Net Income		<hr/> <hr/>

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3. Direct Statement of Cash Flows (6 months ended June 30, 1991):

Cash provided (used) by operating activities		
Received from customers		
Paid for inventory	(75,000)	
Paid for advertising	-	
Paid for manufacturing costs	-	
Paid for administration	-	
Paid for interest	-	
Paid for R&D expenses	-	
	<hr/>	(75,000)
Cash provided (used) by investing activities		
Start-up expenses	(7,500)	
Purchase of PP&E	(62,500)	
	<hr/>	(70,000)
Cash provided (used) by financing activities		
Cash from stock issuance	375,000	
	<hr/>	375,000
		<hr/>
Increase (decrease) in cash balance		230,000
Beginning cash balance		-
Ending cash balance		<hr/> <hr/> 230,000

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3. Balance Sheet (December 31, 1991):

Assets		
Cash	113,000	
Accounts Receivable	69,500	
Inventories	55,000	
Total Current Assets		237,500
Property, Plant, & Equipment		201,875
Other (Capitalized Start-up Expenses)		7,500
Patent		100,000
Total Assets		<u>546,875</u>
Liabilities and Stockholders' Equity		
Common Stock		500,000
Retained earnings		46,875
Total Liabilities and SE		<u>546,875</u>

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3. Income Statement (Six months ended December 31, 1991):

Revenue		754,500
Costs and Expenses		
Advertising	22,500	
Administration	80,000	
Manufacturing costs	350,000	
Raw materials	195,000	
R&D	23,750	
Interest	750	
Depreciation	10,625	
Amortization of patent	25,000	
		<u>707,625</u>
Net Income		<u><u>46,875</u></u>

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3. Direct Statement of Cash Flows (For 6 months ended Dec. 31, 1991):

Cash provided (used) by operating activities		
Received from customers	685,000	
Paid for inventory	(175,000)	
Paid for advertising	(22,500)	
Paid for manufacturing costs	(350,000)	
Paid for administration	(80,000)	
Paid for interest	(750)	
Paid for R&D expenses	<u>(23,750)</u>	
		33,000
Cash provided (used) by investing activities		
Start-up expenses	-	
Purchase of PP&E	<u>(150,000)</u>	
		(150,000)
Cash provided (used) by financing activities		
Cash from stock issuance	<u>-</u>	
		-
Increase (decrease) in cash balance		(117,000)
Beginning cash balance		<u>230,000</u>
Ending cash balance		<u>113,000</u>