Closed Book Part
1. D. maximize Shareholder’s wealth.
2. Agency problem is when goals and objectives of the principal do not match the goals and objectives of the agent. Agency relationship is when principal delegates authority and responsibility to an agent.
3. Balance Sheet
   CASH 14,000
   SHORT-TERM INVESTMENTS 71,632
   ACCOUNTS RECEIVABLE $878,000 (Cash + ST Invest + AR+Inv=Total Current Assets)
   INVENTORIES 1,716,480
   TOTAL CURRENT ASSETS $2,680,112 (Total Current + Net Fixed =Total Assets)
   GROSS FIXED ASSETS $1,197,160 (Gross Fixed – Acc Dep = Net Fixed)
   LESS ACCUMULATED DEPRECIATION 380,120
   NET FIXED ASSETS $ 817,040
   TOTAL ASSETS $3,497,152 (from Total Liabilities and Equity __
   ACCOUNTS PAYABLE 436,800
   NOTES PAYABLE 600,000
   ACCRUALS __$408,000 (AP + Notes Pay + Accruals =Total Current Liab)__
   TOTAL CURRENT LIABILITIES $1,444,800
   LONG-TERM DEBT _ $500,000 (Total Current Liab + LT Debt + Total Equity =Total Liab + Equity)_
   COMMON STOCK 1,680,936
   RETAINED EARNINGS _ $128,584 (Retain Earn + Common = Total Equity)_
   TOTAL EQUITY $1,552,352
   TOTAL LIABILITIES AND EQUITY $3,497,152

Income Statement
SALES $7,035,600
COST OF GOODS SOLD 5,728,000
RENTAL EXPENSE 300,000
ADMINISTRATIVE EXPENSES 340,000
DEPRECIATION _ $159,960 (Sales – COGS – Rent – Admin – Deprec = EBIT)__
EBIT __$510,640 (EBIT – Interest = EBT)__
INTEREST EXPENSE 88,000
EARNINGS BEFORE TAXES $ 422,640
TAXES 169,056
NET INCOME __ $253,584 (EBT – Tax =Net Income)__

Other/Footnote Information
SHARES OUTSTANDING 250,000
EPS $1.014
DPS $0.220
CAPITAL LEASE PAYMENTS 40,000
SINKING FUND PAYMENTS 0

Open Book Part
1a. Cash Flow from Investing activities
   Purchase of Fixed Assets = 17400-15000= 2400
1b. 2000 dso = 2000/(9200/360) = 78.3 days
   2001 dso =2500/(9650/360)= 93.3 days, getting worse
1c. roe = 1800/(10000+3400)=13.4%
1d. debt ratio = (4700+5000)/23100=42.0%
2.

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<th>November</th>
<th>December</th>
<th>January</th>
<th>February</th>
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<td>Cumulative Surplus Shortage</td>
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