

PeTrina Sistrunk
Chemalite, Inc. (#4, #5)
ACCT-510
08/31/05

4. Prepare a set of financial statements for the stockholders for the year 2003: a statement of financial position at December 31, 2003; an income statement and a statement of cash flows for the year ended December 31, 2003.

Chemalite, Inc.
Balance Sheet

Year ended December 31, 2003

Assets		
Current Assets		
Cash	\$113,000	
Accounts Receivable	\$69,500	
Inventory	\$55,000	
Total current assets		<u>\$237,500</u>
Property, Plant, and Equipment		
Equipment	\$212,500	
Total PP&E		<u>\$212,500</u>
Intangible Assets		
Patent	\$100,000	
Total Intangible Assets		<u>\$100,000</u>
Total assets		<u>\$550,000</u>
237,500 + 212,500 + 100,000		<u>\$550,000</u>
Liabilities and Shareholders Equity		
Liabilities		
Current Liabilities		
Accounts payable		\$0
Total Current Liabilities		\$0
Long-term liabilities		
Long-term loans		\$0

Total liabilities		\$0
Shareholders' Equity		
Common Stock	\$500,000	
Retained Earnings	\$50,000	
Total shareholders' equity		<u>\$550,000</u>
Total Liabilities and Shareholders' equity		<u>\$550,000</u>

Chemalite, Inc.
Income Statement
Year ended December 31, 2003

Sales		\$754,500
Materials	\$195,000	
Manufacturing	\$350,000	
Total COGS		<u>(\$545,000)</u>
Gross Profit		<u>\$209,500</u>
754,500 – 545,000		
Gross Margin	754,500/ 209,500 = 28%	
Depreciation Expense	\$25,000	
Operating Expense	\$133,750	
Operating Income		<u>\$50,750</u>
Interest Expense	\$750	
Income before income Taxes		\$50,000
Income Taxes		0
Net Income		<u>\$50,000</u>

Chemalite, Inc.
Cash Flows Statement
Year ended December 31, 2003

Cash flows from Operating Activities		
Cash collections		\$685,000
Cash payments for purchases	\$600,000	
Cash payments for operating expenses	\$133,750	
Interest	\$750	
Tax	\$0	
Total cash payments		<u>\$734,500</u>
Net cash provided by operating activities		<u>(\$49,500)</u>
Cash flows from Investing		
Purchase of Machinery	(\$212,500)	
Total Cash flows from investing activities		<u>(\$212,500)</u>
Cash flows from Financing		
Sale of stock	\$375,000	
Total cash flow from financing activities		<u>\$375,000</u>
Cash Summary		
Net increase (decrease) in Cash		
-49,500 + -212,500 + 375,000		\$113,000
Cash on January 1, 2003		\$0
Cash on June 30, 2003		\$113,000

5. How would you have reported to stockholders on the financial performance of Chemalite, Inc., for its first year, January 1, 2003 to December 31, 2003?

The financial performance of Chemalite, Inc., for its first year, January 1, 2003 to December 31, 2003 appears to be rather productive. As you can see from the Balance Sheet, there are no bills owed in Accounts payable pr the long-term loans account. The corporation seems to have enough assets to cover their bills in the

immediate or near future. The Income Statement shows that the income was greater than the expense paid out so the corporation has generated a surplus and not a deficit. The Cash Flow statement shows that the bulk of the cash is drained from the purchase of machinery for \$212,500. But the cash on hand on June 30, 2003 indicated a positive outflow.