

Sands air – college essay

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3. Depreciation percentage = $\frac{\$1,640,200}{\$15,411,620} = 10.64\%$ New Fixed Assets = $\$15,411,620 + \$30,000,000 = \$45,411,620$ $\$45,411,620 \times 10.64 = \$4,831,796$ new depreciation Pro forma Income Statement
 Sales ($\$36,599,300 \times 1.12$) $\$40,991,216$ Cost of Goods Sold ($\$26,669,496 \times 1.12$) $29,869,836$ Other Expenses ($\$4,641,000 \times 1.12$) $5,197,920$
 Depreciation $4,831,796$ EBIT $1,091,664$ Interest $573,200$ Taxable Income $518,464$ Taxes (40%) $207,386$ Net Income $\$311,078$ Dividends ($\$311,078 \times 0.30$) $\$93,323$

Add to Retained Earnings $\$217,755$ Pro forma Balance Sheet

Assets Liabilities and Stockholder's Equity
 Current Assets Current Liabilities
 Cash ($\$396,900 \times 1.12$) $\$444,528$ Accounts Payable ($\$844,550 \times 1.12$) $\$945,896$
 Accounts Receivable ($\$637,560 \times 1.12$) $714,067$ Notes Payable $1,928,500$
 Inventory ($\$933,400 \times 1.12$) $1,045,408$ Total Current Liabilities $2,874,396$
 Total Current Assets $\$2,204,003$ Long-term Debt $\$5,050,000$ Fixed Assets Net Plant and Stockholder's Equity

Equipment $\$45,411,620$ Common Stock $\$322,500$ Retained Earnings $9,451,685$ Total Equity $\$9,774,185$ Total Assets $\$47,615,623$ Total Liabilities and Stockholder's Equity $\$17,698,581$ EFN = $\$47,615,623 - \$17,698,581 = \$29,917,042$ Since the fixed assets have increased at a faster percentage than sales, capacity utilization for next year will decrease because the addition of the new line would expand capacity much more than would normally be required.