

3.5 Brandywine Homecare, a not-for-profit business, had revenues of \$12 million in 2011. Expenses other than depreciation totaled 75 percent of revenues, and depreciation expense was \$1.5 million. All revenues were collected in cash during the year and all expenses other than depreciation were paid in cash.

- a. Construct Brandywine's 2011 income statement.
- b. What were Brandywine's net income, total profit margin, and cash flow?
- c. Now, suppose the company changed its depreciation calculation procedures (still within GAAP) such that its depreciation expense doubled. How would this change affect Brandywine's net income, total profit margin, and cash flow?
- d. Suppose the change had halved, rather than doubled, the firm's depreciation expense. Now, what would be the impact on net income, total profit margin, and cash flow?

2.6 Brandywine Homecare, a for-profit corporation, had exactly the