Excel Problems

At the end of each module, you will apply the module's concepts by completing comprehensive assignments from the textbook.

Complete problems P9-28A (p. 517), P10-A-9B (p. 586), and P11-29A (p. 631).

Present your analysis of the assigned problems in Excel format. Enter non-numerical responses in the same worksheet using textboxes.

P9-28A *(L.OBJ. 1, 2)* **Capitalized asset cost and first year depreciation, and identifying depreciation results that meet management objectives [30–40 min]**

On January 9, 2010, Swifty Delivery Service purchased a truck at a cost of $67,000. Before placing the truck in service, Swifty spent $2,200 painting it, $500 replacing tires, and $5,000 overhauling the engine. The truck should remain in service for 6 years and have a residual value of $14,700. The truck's annual mileage is expected to be 15,000 miles in each of the first 4 years and 10,000 miles in each of the next 2 years—80,000 miles in total. In deciding which depreciation method to use, Jerry Speers, the general manager, requests a depreciation schedule for each of the depreciation methods (straight-line, units-of-production, and double-declining-balance).

Requirements

1. Prepare a depreciation schedule for each depreciation method, showing asset cost, depreciation expense, accumulated depreciation, and asset book value.
2. Swifty prepares financial statements using the depreciation method that reports the highest net income in the early years of asset use. For income-tax purposes, the company uses the depreciation method that minimizes income taxes in the early years. Consider the first year that Swifty uses the truck. Identify the depreciation methods that meet the general manager's objectives, assuming the income tax authorities permit the use of any of the methods.

P10A-9B Calculating present value [15–25 min]

Axel needs new manufacturing equipment. Two companies can provide similar equipment but under different payment plans:

Plan A: MRE offers to let Axel pay $55,000 each year for five years. The payments include interest at 12% per year.

Plan B: Westernhome will let Axel make a single payment of $425,000 at the end of five years. This payment includes both principal and interest at 12%.

Requirements

1. Calculate the present value of Plan A.
2. Calculate the present value of Plan B.
3. Axel will purchase the equipment that costs the least, as measured by present value. Which equipment should Axel select? Why? (Challenge)

P11-29A *(L.OBJ. 2, 6)* **Analyzing the stockholders' equity section of the balance sheet [15–20 min]**

The balance sheet of Ballcraft, Inc., reported the following:

Preferred stock, $6 par, 6%,	
5,000 shares authorized and issued	$ 30,000
Common stock, $4.00 par value, 45,000 shares authorized;	
10,000 shares issued	40,000
Additional paid-in capital–common	219,000
Total paid-in capital	289,000
Retained earnings	90,000
Total stockholders' equity	$ 379,000

Preferred dividends are in arrears for two years, including the current year. On the balance sheet date, the market value of the Ballcraft common stock was $31 per share.

Requirements

1. Is the preferred stock cumulative or noncumulative? How can you tell?
2. What is the total paid-in capital of the company?
3. What was the total market value of the common stock?
4. Compute the book value per share of the common stock.