

Calculation of WACC (20%)	—
Indication of how these might be useful to determine the feasibility of the capital project. (15%)	
Recommendation and argument to support the recommendation (20%)	
Definition of marginal cost of capital (10%)	
Writing Mechanics (10%)	

- make sure correct
- Applies to Apex
- must provide
- must be correct

Apex Printing

Balance Sheet Assets

Assets	2013	2012
Cash	6,000	5,700
Accounts Receivable	2,350	2,300
Inventory	<u>12,100</u>	<u>6,500</u>
Total Current Assets	20,450	14,500
Land	25,000	20,000
Building & Equipment	300,000	300,000
Less: Accumulated Depreciation - Building & Equipment	<u>-187,850</u>	<u>-160,000</u>
Total Long Term Assets	137,150	160,000
Total Assets	157,600	174,500
Liabilities and Stockholders' Equity		
Accounts Payable	4,600	3,500
Salaries Payable	0	2,100
Interest Payable	1,500	0
Short Term Notes Payable	12,000	0
Taxes Payable	0	5,600
Total Current Liabilities	18,100	11,200
Mortgage Payable	54,950	100,000
Total Long Term Liabilities	54,950	100,000
Common Stock	60,000	60,000
Retained Earnings	24,550	3,300
Total Stockholders' Equity	84,550	63,300
Total Liabilities and Stockholders' Equity	157,600	174,500

Income Statement

	2013	2012
Revenue:	450,000	475,000
Less: Cost of Goods Sold	<u>-324,300</u>	<u>-374,500</u>
Less: Depreciation Expense	<u>-27,850</u>	<u>-26,000</u>
Gross Profit	97,850	74,500
Gross margin	28%	21%
Selling, General & Administrative Expenses	<u>-29,100</u>	<u>-32,000</u>
Income Before Interest & Taxes	68,750	42,500
Interest Expense	<u>-7,500</u>	<u>-6,000</u>
Income Before Taxes	61,250	36,500
Income Taxes	<u>-35,000</u>	<u>-30,000</u>
Net Income	26,250	6,500

Statement of Cash Flows

Net Income		26,250
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation Expense	27,850	
Increase in accounts receivable	-50	
Increase in inventory	-5,600	
Decrease in salaries payable	-2,100	
Increase in interest payable	1,500	
Decrease in taxes payable	-5,600	
Increase in Short Term notes Payable	12,000	
Increase in accounts payable	1,100	
Net Cash Flow from Operating Activities	55,350	
Cash Flows from Investing Activities:		
Cash paid to purchase land	-5,000	
Net Cash Flow from Investing Activities	-5,000	
Cash Flows From Financing Activities:		
Cash paid for mortgage	-45,050	
Cash paid for dividends	-5,000	
Net Cash Flow from Financing Activities	-50,050	

Commercial Printing Financial Ratios

Quick Ratio	1.47
Current Ratio	2.13
Current Liabilities to Net Worth	65.80%
Current Liabilities to Inventory	x1.92
Total Debt to Net Worth	x1.51
Fixed Assets to Net Worth	x0.51
Days Accounts Receivable	52
Inventory Turnover	x9.27
Total Assets to Sales	56.30%
Working Capital to Sales	16.70%
Accounts Payable to Sales	7.00%
Pre-Tax Return on Sales	2.90%
Pre-Tax Return on Assets	5.10%
Pre-Tax Return on Net Worth	12.90%
Interest Coverage	x3.73
EBITDA to Sales	6.80%
Capital Expenditures to Sales	3.40%

Commercial printing Income Statement

Net Sales	100%
Gross Margin	30.00%
Officer Compensation	2.10%
Advertising & Sales	0.40%
Other Operating Expenses	23.90%
Operating Expenses	26.40%
Operating Income	3.70%
Net Income	1.80%

Commercial Printing Balance Sheet

Cash	10.30%
Accounts Receivable	25.90%
Inventory	13.70%
Total Current Assets	55.90%
Property, Plant & Equipment	20.20%
Other Non-Current Assets	23.90%
Total Assets	100.00%
Accounts Payable	12.60%
Total Current Liabilities	26.20%
Total Long Term Liabilities	34.10%
Net Worth	39.80%