

$$\text{NOWC} = 450 - 50 - 30 = 370$$

$$\text{NCF} = 132 + 100 = 232$$

Finance 335  
Homework #1

Using the income statement and balance sheet on the next page answer the following.

1. Assuming there are 20 million shares outstanding, calculate EPS, Dividends per share, Book value per share, NOWC, and net cash flow for 2018.

$$\text{EPS} = \frac{132}{20} = 6.60 \quad \text{DPS} = \frac{12}{20} = .60 \quad \text{BVPS} = \frac{350}{20} = 17.50$$

2. Assuming a tax rate of 40%, calculate NOPAT and operating cash flows for 2018.

$$\text{NOPAT} = 400(1 - .4) = 240 \quad \text{OCF} = 240 + 100 = 340$$

3. If the price per share of common stock is \$35 (shares = 20 million), calculate the MVA for 2016.

$$\text{MVA} = 700 - 350 = 350$$

4. a. Find operating capital for 2016.

$$\text{OPER Cap} = 370 + 100 = 470$$

- b. If the after tax cost of capital is 9%, calculate the EVA for 2018.

$$\text{EVA} = 240 - .09(470) = 197.70$$

Taxable Income Rates	Marginal Tax
\$0 - 50,000	15%
50,000 - 75,000	25%
75,000 - 100,000	34%
100,000 - 335,000	39%
335,000 - 10,000,000	34%
10,000,000 - 15,000,000	35%
15,000,000 - 18,333,333	38%
18,333,333 +	35%

5. Using the above corporate tax table calculate the tax on \$18.0 million in taxable income.

$$\text{Tax} = 3.4 \text{ m} + (5 \text{ m} * .35) + (3 \text{ m} * .38) = 6.29 \text{ m}$$

6. What is the marginal tax rate and average tax rate for the corporate tax payer in #5.

$$\text{AUG TAX} = \frac{6.29}{18} = 34.94\% \quad \text{MTR} = 38\%$$

	<b>Income Statement</b>
(\$ millions)	<b>2017</b>
Revenues	800
Operating Costs	300
Depreciation	100
Amortization	<u>0</u>
EBIT	400
Interest Expense	<u>180</u>
EBT	220
Taxes (40%)	<u>80</u>
Net Income	\$ 132
Dividends	12
Add to RE	120
 <b>Balance Sheet</b>	
Cash	\$ 100
Receivables	200
Inventories	<u>150</u>
Current Assets	450
Net Fixed Assets	<u>100</u>
Total Assets	550
Accounts Payable	50
Notes Payable	10
Accruals	<u>30</u>
Current Liabilities	90
Bonds	110
Common Stock	150
Retained Earnings	<u>200</u>
Total Liab & Eq	\$ 550