**Excel Project Assignment Instructions**

**Overview**

Assume ABC Company has asked you to not only prepare their 2017 year-end Balance Sheet but to also provide pro-forma financial statements for 2018. In addition, they have asked you to evaluate their company based on the pro-forma statements with regard to ratios. They also want you to evaluate 3 projects they are considering. Their information is as follows:

End of the year information:

|  |  |
| --- | --- |
| **Account** | **12/31/17**  **Ending Balance** |
| Cash | 50,000 |
| Accounts Receivable | 175,000 |
| Inventory | 126,000 |
| Equipment | 480,000 |
| Accumulated Depreciation | 90,000 |
| Accounts Payable | 156,000 |
| Short-term Notes Payable | 12,000 |
| Long-term Notes Payable | 200,000 |
| Common Stock | 235,000 |
| Retained Earnings | solve |

Additional Information:

* Sales for December total 10,000 units. Each month’s sales are expected to exceed the prior month’s results by 5%. The product’s selling price is $25 per unit.
* Company policy calls for a given month’s ending inventory to equal 80% of the next month’s expected unit sales. The December 31 2017 inventory is 8,400 units, which complies with the policy. The purchase price is $15 per unit.
* Sales representatives’ commissions are 12.5% of sales and are paid in the month of the sales. The sales manager’s monthly salary will be $3,500 in January and $4,000 per month thereafter.
* Monthly general and administrative expenses include $8,000 administrative salaries, $5,000 depreciation, and 0.9% monthly interest on the long-term note payable.
* The company expects 30% of sales to be for cash and the remaining 70% on credit. Receivables are collected in full in the month following the sale (none is collected in the month of sale).
* All merchandise purchases are on credit, and no payables arise from any other transactions. One month’s purchases are fully paid in the next month.
* The minimum ending cash balance for all months is $50,000. If necessary, the company borrows enough cash using a short-term note to reach the minimum. Short-term notes require an interest payment of 1% at each month-end (before any repayment). If the ending cash balance exceeds the minimum, the excess will be applied to repaying the short-term notes payable balance.
* Dividends of $100,000 are to be declared and paid in February.
* No cash payments for income taxes are to be made during the first calendar quarter. Income taxes will be assessed at 35% in the quarter.
* Equipment purchases of $55,000 are scheduled for March.

ABC Company’s management is also considering 3 new projects consisting of the purchase of new equipment. The company has limited resources, and may not be able to complete make all 3 purchases. The information is as follows for the purchases below:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Project 1** | **Project 2** | **Project 3** |
| Purchase Price | $80,000 | $175,000 | $22,700 |
| Required Rate of Return | 6% | 8% | 12% |
| Time Period | 3 years | 5 years | 2 years |
| Cash Flows – Year 1 | $48,000 | $85,000 | $13,000 |
| Cash Flows – Year 2 | $36,000 | $74,000 | $13,000 |
| Cash Flows – Year 3 | $22,000 | $38,000 | N/A |
| Cash Flows – Year 4 | N/A | $26,800 | N/A |
| Cash Flows – Year 5 | N/A | $19,000 | N/A |

**Instructions**

**Part A:**

* Prepare the year-end balance sheet for 2017. Be sure to use proper headings.
* Prepare budgets such that the pro-forma financial statements for the first quarter of 2018 may be prepared.
* Sales budget, including budgeted sales for April.
* Purchases budget, the budgeted cost of goods sold for each month and quarter, and the cost of the March 31 budgeted inventory.
* Selling expense budget.
* General and administrative expense budget.
* Expected cash receipts from customers and the expected March 31 balance of accounts receivable.
* Expected cash payments for purchases and the expected March 31 balance of accounts payable.
* Cash budget.
* Budgeted income statement.
* Budgeted statement of retained earnings.
* Budgeted balance sheet.

**Part B:**

* Calculate using Excel formulas, the NPV of each of the 3 projects.
* It is possible that ABC Company may not be able to complete all 3 projects. Therefore, advise ABC Company as to the order in which they should pursue the projects (i.e., which project should ABC Company attempt to do first, second, and last).
* Provide justification and analysis as to why you chose the order you did. The analysis must also be done in Excel, not in a separate document.

This assignment must be submitted as one Excel document.

Note: Your assignment will be checked for originality via the Turnitin plagiarism tool.