

NOTES:

For future reference, split up assets into current and fixed and liabilities into current and long - term

Make sure proper headings are used. This is essential to keep the financial statements organized.

Many of you forgot to put certain assets, liabilities, revenues, or expenses into these financial statements

Cost of Good sold is a cost not a revenue, but is subtracted in the revenue section

Accumulated depreciation is over the life of the asset. Therefore only yearly depreciation is included in the income statement since this statement is for 1 time period.

Any other questions feel free to see me!

PS. Your Machine and AUM excel homework grades are on the back of your NAIS opinion paper.

Averages:

HW 1 = 25/40

NAIS opinion = 19.67/20

Excel spreadsheets = 15.7/20

**MBN Cattle Co.
Balance Sheet
Dec. 31, 2009**

ASSETS

Current Assets:

Checking Account Balance		15000
Savings Account Balance		25000
Cattle Inventory		300000
Hay Inventory		30000
Accounts Receivable		10000
Prepaid 2010 Expenses		42000
Total Current Assets		<u><u>422000</u></u>

Fixed Assets:

Land Value		1000000
Buildings and Improvements	900500	
Less Accumulated Building Depreciation	-185000	715500
Machinery Value	450000	
Less Accumulated Mach. Depreciation	-90000	360000
Total Fixed Assets		<u><u>2075500</u></u>

Total Assets 2497500

LIABILITIES

Current Liabilities:

Accrued Expenses		33000
Accounts Payable		235000
Notes Payable		150000
2009 Corporate Income Taxes Payable		150000
Total Current Liabilities		<u><u>568000</u></u>

Long - Term Liabilities:

Machinery Loan Balance		89000
Real Estate Loan Balance		350000
Total Long - Term Liabilities		<u><u>439000</u></u>

Total Liabilities 1007000

STOCKHOLDERS EQUITY 1490500

Total Liabilities and Stockholder's Equity 2497500

Net Worth 1490500

Net worth and S.E. should be equal

MBN Cattle Co.
Income Statement
For Year ended Dec. 31, 2009

REVENUES

Calf Sales	515000
Cull Cow Sales	45000
Hay Sales	75000
COGS	<u>-375000</u>
Gross Profit	<u>260000</u>

OPERATING EXPENSES

Salaries and Benefits	255000
Utility Expense	34000
Gas, Fuel, Oil	40000
Machinery Depreciation	25000
Building Depreciation	49000
Repairs and Maintenance	19000
Property Taxes	57000
Insurance and Licenses	30000
Purchased Feed	30000
Chemicals	2000
Storage	23000
Veterinary Expenses	50000
Total Operating Expenses	<u>614000</u>

NET OPERATING PROFIT **-354000**

Interest Payment on Machinery Loan	25000
Interest Payment on Real-Estate Loan	59000

NET PROFIT BEFORE TAXES **-438000**

Corporate Income Taxes	150000
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NET PROFIT AFTER TAXES **-588000**

Price of pellet: \$.25/lb.

This example is for

Price of feeder calves: \$1.25/lb.

Pellets (lbs. fed/day)	Calf weight produced (lbs./day)	TFC (\$/day)	TVC (\$/day)	TC (\$/day)	TR (\$/day)	MC (\$)	MR(\$)
0	0.5	1	0	1	0.63	--	--
1	0.9	1	0.25	1.25	1.13	0.63	1.25
2	1.25	1	0.5	1.5	1.56	0.71	1.25
3	1.45	1	0.75	1.75	1.81	1.25	1.25
4	1.63	1	1	2	2.04	1.39	1.25
5	1.33	1	1.25	2.25	1.66	-0.83	1.25

- a. How many pounds of pellets should each backgrounded calf receive to maximize profits? Why is this the profit maximizing level?

3 lbs. MR = MC feed amount of pellets above MR=MC (i.e. 4), lose money
feed amount of pellets below MR=MC (i.e 2), aren't using
all your resources

- b. How much profit/day is realized if the profit maximizing level of pellets is fed?

$$TR - TC = 1.81 - 1.75 = \$0.06/\text{day}/\text{calf}$$

- c. How much profit/day is realized if the output maximizing level of pellets is fed?

$$TR - TC = 2.04 - 2 = \$0.04/\text{day}/\text{calf}$$

MC = change in TC / change in output

MR = change in TR / change in output, or simply the price of the output

So for 3 lbs. of pellets MR = 1.25

$$MC = (1.75 - 1.5) / (1.45 - 1.25) = 1.25$$