## SOLUTIONS TO ANALYZE, THINK, COMMUNICATE – CHAPTER 1

**ATC 1 – 1 (All dollar amounts are in millions.)**

**a. $ 2,937**

**b. Net income increased by $23**

**STOCKHOLDERS’**

**c. ASSETS = LIABILITIES + EQUITY**

**$41,290 = $29,993\* + $11,297**

**\* Liabilities must be computed by subtracting equity from assets.**

**d. Sales increased by 3.7% from 2017 to 2018.**

**($74,443− $71,786) ÷ $71,786 = 3.7%**

## Cost of sales increased by 4.3% from 2017 to 2018.

**($53,299− $51,125) ÷ $51,125 = 4.3%**

## Selling, general and administrative expenses increased by 3.9% from 2017 to 2018. ($15,723− $ 15,140) ÷ $ 15,140 = 3.9%

**The largest percentage increase was for cost of sales expenses.**

**ATC 1-2**

**a.**

**Income Statements (amounts given are in millions)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
|  | **Year 6** | **Year 5** | **Year 4** | **Year 3** |
|  |  |  |  |  |
| **Revenue** | $ 860 | **$1,520** | (a) $2,720 | $1,200 |
| **Cost and Expenses** | **(a) (840)** | **(a) (1,070)** | **(2,400)** | **(860)** |
| **Income from Cont. Op.** | **(b) 20** | **450** | **320** | **(a) 340** |
| **Unusual Items** | **-0-** | **175** | **(b) (145)** | **(b) ( 40)** |
| **Net Income** | **$ 20** | **(b) $ 625** | **$ 175** | $ 300 |
|  |  |  |  |  |
| **Balance Sheets** |  |  |  |  |
| **Cash and Marketable Sec.** | **$ 350** | **$1,720** | (c) $ 750 | $ 940 |
| **Other Assets** | **1,900** | **(c) 1,180** | **2,500** | **(c) 2,560** |
| **Total Assets** | **$2,250** | **$2,900** | **(d) $3,250** | $3,500 |
|  |  |  |  |  |
| **Liabilities** | (c) $ 730 | **(d) $1,555** | $1,001 | **(d) $1,300** |
|  |  |  |  |  |
| **Stockholders’ Equity** |  |  |  |  |
| **Common Stock** | **$ 880** | $ 720 | (e) $1,449 | $ 800 |
| **Retained Earnings** | **(d) 640** | **(e) 625** | **800** | **(e) 1,400** |
| **Total Stockholders’ Equity** | **1,520** | **1,345** | **(f) 2,249** | 2,200 |
|  |  |  |  |  |
| **Total Liab. and Stk. Equity** | **$2,250** | **(f) $2,900** | $3,250 | **$3,500** |
|  |  |  |  |  |

**ATC 1-3**

**This solution is based on McDonald’s 2017 financial report.**

**a. McDonald’s net income for 2017, 2016, and 2015 were as follows:**

**2017: $5,192.3 million**

**2016: 4,686.5**

**2015: 4,529.3**

**b. The company had $33,803.7 million of assets at the end of 2017.**

**c. The company had $48,325.8 million of retained earnings at the end of 2017.**

**d. For 2017, the company’s:**

**net cash flow from *operating* activities were $5,551.2 million**

**net cash flow from *investing* activities were $562.0 million.**

**net cash flow from *financing* activities were ($5,310.8) million.**

**ATC 1-4**

**This problem is designed to test written communication skills. The memo should describe the balance sheet and the income statement. It should explain that the balance sheet is a statement of assets, liabilities, and stockholders’ equity at the date of the financial statement. The income statement gives the amount of revenues and expenses for the designated period. The memo should also define each of the following terms:**

**Assets**

**Liabilities**

**Stockholders’ Equity**

**Revenue**

**Expense**

**Net Income**