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An Example of Innovative Teaching: How to Start and Run a Financial Investment Company from a Finance and Accounting Perspective?

Raj K. Kohli
Professor of Finance
Judd Leighton School of Business and Economics
Indiana University South Bend South Bend, IN 46634

Anurag Pant
Associate Professor of Marketing
Judd Leighton School of Business and Economics
Indiana University South Bend, South Bend, IN 46634

ABSTRACT

An example of an account of practice is presented in this paper. Such action learning methods are highly desired in the attempts to make our courses experiential. Specifically, this project is a new idea for applying and enhancing an undergraduate Capstone Finance course (F444) as well as for a Graduate Financial Management Course (F542). This project guides students to start a new investment company in the State of Indiana and then run it during the semester. As part of an advanced financial course, students maintain and grow an actual portfolio of securities, called Student Managed Investment Fund (SMIF). Hands-on training of this kind is expected to lead to stronger learning of concepts, better application of theories, and significantly more student satisfaction.

Learning has taken many different forms over the generations. One method of learning is Action Learning which focuses on insight, self-reflection, testing and correction of practical problems (Coghlan and Rigg 2021). It is a process of experiential learning that comes from applying and questioning established practices. Action problems lead students to investigate how they know what they know. One tool of action learning can be reporting an "Account of Practice". Giving a full account of an experiential project constitutes one specific example of an Account of Practice. It not only educates the students involved in such a project but also contributes to a theorizing that enhances knowledge in the field. When one evaluates many courses of action and decides on one of the many options, such actions can be codified into an account of practice that creates new knowledge, which then educates and informs others.

Action learning methods of delivery have been popular in many fields including marketing. Simulations used in marketing and strategy classes are another example of action learning wherein decisions are made on the basis of real-life simulated business situations. Students compete with each other to make business decisions to maximize profitability or achieve other learning outcomes by applying their course knowledge practically. Enhanced engagement due to the competitiveness of the simulations and higher-level learning outcomes in understanding and applying marketing concepts have made this action learning pedagogy a popular one for

many marketing faculty (Laverie, Hass, and Mitchell 2022). Similar positive results on student learning and their class satisfaction were reported in an investments class that used simulation as well (Chulkov and Wang 2020). However, simulations are a simplified version of the business world and only some traditional learning exercises can be replaced by them.

In the entrepreneurship area, experiential learning has been a preferred pedagogical tool. In a study of students participating in an Exploring New Ventures course (wherein they were placed in startups), it was found that students developed diverse skills, learned to deal with ambiguity, enhanced their planning and creativity, became goal-directed, and acquired a very realistic appreciation for what entrepreneurship entails (Einstein, Goh, and Istrate 2021). However, it has been difficult to find such real-life entrepreneurship environments easily for students as there is considerable stress in identifying a suitable opportunity and in starting your own businesses while in college. Consequently, it was reported that some students reevaluated their decision to go into business for themselves even though they recognized the utility of the course and planned to recommend the course to others.

In the area of financial education and especially financial entrepreneurship classes, such accounts of practice have been lacking. This paper seeks to fill this gap by providing an account of an experiential project on financial entrepreneurship in senior and graduate level classes. By using a hands-on approach to the realistic task of forming, launching, and managing an investments firm, students are exposed to a myriad number of real-life complexities that result from real investments of their student managed investment fund (SMIF).

As per this project's policies, students run the SMIF fund through their newly created company. In F444 class of spring 2022, there were 36 students resulting in six companies each with six partners (students). F542 class of summer 2022 had 15 student which resulted in 5 companies of 3 partners each. Students were given the same SMIF portfolio to run their companies in both classes. Students' main responsibility is to run their company for the semester. On average, they make biweekly decisions (undergraduate class) and weekly decisions (graduate class) due to extensive time involvement.

Students are required to compete four basic financial statements; namely-

1. Balance Sheet (hereafter- B.S.)
2. Income Statement (hereafter- I.S.)
3. Statement of Cash Flows Balance Sheet (hereafter- S.C.F.)
4. Statement of Stockholders' Equity (hereafter- S.S.E.)

LEARNING OBJECTIVES AND ASSIGNMENTS ARE AS DETAILED BELOW

Task # 1: Start a New Company from Scratch. Follow instructions of Box-1

Box-1	
Name of Company	F542 summer-I, 2022, Company-X (X is an arbitrarily assigned number). There are a total of five companies with three partners (students) in each company
Partners	Add Partner's name in separate rows of the financial statements tab.
Inception Date	May 17, 2022
Time Horizon	Long-term
Due Date	5/22/2022

Add a tab to excel sheet provided and explain the following two items in detail. Name this tab, company-X Profile.

1. Explore how to get EIN from IRS? Do not actually do it.
2. Explore how to register with the Secretary of State Indiana. Do not actually do it. You must mention if the company is registered as LLC or partnership etc.

Purpose of Starting a new Company:

1. Preparing financial statements (B.S, I.S., and S.C.F. and S.S.E.).
2. Treatment of excess paid in capital
3. Trading in stock markets.
4. Creating an industry from all five companies.
5. Performing and comparing ratio analysis of company with industry.
6. Tax treatments.
7. Depreciation schedule and book value. (to be done in a later semester)
8. Credit policy treatment (2/10 net 30 etc. - to be done in a later semester)
9. Other – TBA

This project attempts to complete a class project treating students as real-life professionals. They are provided detailed instructions to start and run a company from the beginning. We guide them regularly (weekly or biweekly) to update their investment actions in excel. Sample excel files with the following financial statements are given to each company:

a. Completed original Balance Sheet (B.S.) See, Table 1 of Appendix
b. Format of Income Statement (I.S.) See, Table 2 of Appendix
c. Completed Statement of Stockholders' Equity (S.S.E.) See, Table 3 of Appendix
d. Format of Statement of Cash Flows (S.C.F.) See, Table 4 of Appendix

Each company enters its actual investment decision (biweekly/weekly as needed) in tables 1 through 4. Towards the semester end, they are required to complete all tables. As an example, Box-1 shows the initial learning step for starting a company.

Task #2 Understanding financial statement from the tables provided (Please keep all records with time and date)

Company's initial files of the financial statements (balance sheet-B.S., income statement- I.S., and statement of cash flows-S.C.F, statement of stockholders' equity-S.S.E.) are given to you. To be fair, initially, all financial statements given are the same for each company.

Each company is supposed to make decisions and submit modified financial statements weekly/biweekly. The submitted file must be comprehensive and up to date from inception of term. Each submission will be considered for a year even if it is submitted weekly or biweekly. All financial statements must be on the same worksheet (with various tabs) as shown in the sample template and dated as 12/31/20Xn; where n stands for a year.

B.S. and S.S.E. are always as of a specific date., e.g., (12/31/20X1, 12/31/20X2), while I.S. and S.C.F. are always for a period, e.g., (1/1/20X1 through 12/31/20X1, 1/1/20X2 through 12/31/20X2). There will be penalty for submitting incorrectly "titled" financial statements. Also, send your excel files as an attachment to email (no google downloading/sharing on my part without penalty). We may be adding more tabs in the excel file if needed. Professor is providing you a sample excel file to work on.

IMPORTANT- Always enter formulas in excel cells because entering numbers (and not formulas) will create problems in future financial statements.

Task #3- Selling new shares of your company and treatment of excess-paid-in-capital (Please keep all records with time and date).

Box -2

Due latest by 5/22/2022

Learning objectives – How to treat excess paid in capital on the balance sheet? Excess paid in capital is difference between market price and book price.

Sell 1,000 common shares of your company at market price of $10 cash with a par value of $1. This transaction does not affect the income statement but affects only balance sheet as follows:
-Cash (assets) increases by $10,000.
-Common shares (equity) increases by $1,000 (1,000 shares *$1 par value)
-Excess paid in capital (equity) increases by $9,000 (1,000 shares * $9 per share).

This is an automatic nullification. Please make sure the balance sheet balances after completing instructions of this Box.

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Table 5 of the Appendix shows completed transaction entries

Task #4- Effect of selling existing inventory on B.S. and I.S. (Please keep all records with time and date)

Box-3

Due latest by 5/29/2022 –

Learning Objectives - How to change balance sheet and income statement after selling two items completely from the existing inventory?

Sell the first two rows of stocks (Alphabet and Amazon completely from available inventory) at Wednesday's closing stock price. Make all required entries in the respective inventory tab. Suppose total sales is $X. The effect on financial statements is as follows:

a. Income statement

Sales revenue =$X (selling price from inventory tab).

Complete the income statement as per the excel template provided in table 2

b. balance sheet –

(i) inventory decreases by $Y (COGS from inventory tab).

(ii) R.E. increase by addition to R.E. (I.S. completed above - Box 3, part a)

(iii) Cash entry =

Last year's cash

+ $X (I.S. completed above)

- Taxes paid (I. S. completed above)
- S&A expenses (I. S. completed above)
- Dividends paid (I. S. completed above)

Table 6 of the Appendix shows completed transaction entries. Modified B.S., new I.S., and modified S.S.E are shown in this table

Task #5- Preparing Statement of Cash Flows from the given financial statements of table 6. (Please keep all records with time and date)

Box-4

Due latest by 6/5/2022 – Task to do

Learning Objectives - How to prepare Statement of cash Flows from the last two years balance sheet data and the latest income statement?

Graded and corrected feedback for Box 3 will be provided by 6/1/2022.

Complete the statement of cash flows using two latest balance sheets and the last income statement.

Table 7 of the Appendix shows completed Statement of Cash Flows

Task #6- Effect of selling existing inventory on B.S. and I.S. (Repeat of task#3) (Please keep all records with time and date)

Box-5

Due latest by 6/12/2022 – Task to do

Learning Objectives - How to prepare new balance sheet, and income statement after buying and selling stock simultaneously?

Please work in steps to avoid errors, failing which you may not be able to figure errors and rectify them.

STEP-I: Sell first two rows of stocks (Apple and Boeing) completely from the available inventory at Wednesday's closing stock price. Suppose total sales is $X1. The effect on financial statements (identical to items a and b of Box 3) but as follows:

a. Income statement - Sales revenue =$X1 (selling price from sellable inventory tab). Complete the rest of income statement for the period 1/1/20X3 to 12/31/20X3.
b. balance sheet –
    (iv) inventory decreases by $Y1 (COGS from sellable inventory tab).
    (v) R.E. increase by addition to R.E. (I.S. completed above - Box 5, part a)
    (vi) Cash entry =

Last year's cash
+ $X1 (I.S. completed above)
- Taxes paid (I. S. completed above)
- S&A expenses (I. S. completed above)
- Dividends paid (I. S. completed above)

Make sure balance sheet balances before moving to step II

STEP-II: Buy for cash 100 shares each of IBM and Facebook at Wednesday's closing price. Make required entries in sellable inventory tab.

a. Income statement is not affected by this transaction.
b. Balance sheet – Decrease cash and increase inventories by the same amount from sellable inventory tab (automatic nullification).

Make sure balance sheet balances before moving to step III

STEP -III: Complete the statement of cash flows using two latest balance sheets and the last income statement. **As a reference, use excel file "CH02 P20" posted on canvas or Graded S.C.F. from Box-4. Additional effect on financial statements**

a. Inventories will automatically change in the SCF with properly entered formulas during completion of instructions in earlier boxes.

No analysis table here as the transactions are identical to those for Box-3

Task #7- Creating an Industry from the data given for six companies (Please keep all records with time and date)

Box-6

Due latest by 6/19/2022 – Task to do

Learning Objectives - How to create an industry from given companies?

Regardless of your work on this project till date, create an industry from the data given for six companies and then compute the required ratios for your company and industry.

Table 8 of the Appendix shows completed data for all companies and industry

Task #8- Creating an Industry from the data given for six companies (Please keep all records with time and date)

Box-7

Due latest by 6/26/2022 – Task to do

Learning Objectives - Compute and Compare ratios of your company with the industry?

Compute and compare your company's ratio with industry and provide your inference (conclusion). A one-word inference is enough like good, bad, or average.

Table 9 of the Appendix shows required ratios for calculation and comparison

	Table -1 (Original Balance Sheet - same for all companies)					
	F542 - SummerI 2022					
	Partner's name		Telephone*			
	1					
	2					
	3					
	*Warning- Telephone will be posted on canvas, a public plateform.					
	Balance Sheet of F542 Summer-I, 2022, Company-X		12/31/20X1			
	Assets					
	Current Assets					
	Cash		$10,000.00			
	Marketable Securities		$2,500.00			
	Accounts Receivables		$5,000.00			
	Inventories**		$23,550.00			
	Prepaid expenses		$1,000.00			
	Total C.A.		$42,050.00			
	Fixed Assets (L.T.)		$100,000.00			
	Total Asssets		$142,050.00			
	Liabilities and Equity					
	Current Liabilities					
	Account payable		$20,000.00			
	Notes payble		$22,050.00			
	Total C.L.		$42,050.00			
	Long term Bonds		$40,000.00			
	Total Liabilities		$82,050.00			
	Common shares (50,000 @ $1 par value)		$50,000.00			
	Excess paid in capital		$0.00			
	Retained Earnings		$10,000.00			
	Total Common Equity		$60,000.00			
	Total Liabilities and Equity		$142,050.00			
	**Inventories (original) for F542-Summer-I; company-X					
	Name	Ticker Symbol	Qty	Asset type	***Purchase price per shares	Total cost
1	Alphabet	GOOGL	50	Equity	$200.00	10,000.00
2	Amazon	AMZN	10	Equity	$250.00	2,500.00
3	Apple	AAPL	30	Equity	$50.00	1,500.00
4	Boieng	BA	20	Equity	$50.00	1,000.00
5	Costco	COST	10	Equity	$30.00	300.00
6	Disney	DIS	50	Equity	$30.00	1,500.00
7	Draft King	DKNG	10	Equity	$5.00	50.00
8	Microsoft	MSFT	100	Fund	$25.00	2,500.00
9	Tesla	TSLA	50	Equity	$80.00	4,000.00
10	Walmart	WMT	10	Equity	$20.00	200.00
	Total Inventory					23,550.00
	***Purchase price per share (your cost) is undervalued so you can sell them at profit.					

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	Table -2 (Original Income Statement - same for all companies)		
	BLANK FORMAT AT THIS TIME		
Factor	Income Statement of F542 Summer-I, 2022, Company-X for the period		
	Yes, there are no income statements for years 20X1 and 20X2		
	All values in Dollars except common shares outstanding		
	(1) Sales Revenue (from sellable inventory tab - price sold)		
	(2) COGS = (from sellable inventory tab-COGS)		
0.50%	(1a) Interest income = to be decided		
	(3) Gross Profit =(1 - 2 +1a)		
5.00%	(4) S&A expenses (5% of sales revenue)		
	(5) Depriciation (to be decided)		
	(6) Operating profit (EBIT)=(3-4-5)		
0.00%	(7) interest expense = to be decided		
	(8) EBT =(6-7)		
25.00%	(9) Taxes (25% of EBT)		
	(10) EAT =(8-9)		
	(11) P. S. dividends (may not work at all)		
	(12) Earnings for common stoskcholders (10-11)		
	(13) Common shares outstanding		
	(14) EPS (12/13)		
$0.10	(15) C. S. dividends ($0.10 per share every time)		
	(16) Additions to Retained Earnings (12-15)		

	Table -3 (Statement of Stockholders' Equity - same for all companies)		
	Statement of Stockholders' Equity of F542 Summer-I, 2022, Company-X for the years ending		
	All values are in Dollars except for common shares which is a number		
	Balances, Dec., 31, 20X1	# of Shares	$ Value
	Changes during year:	50,000	$50,000.00
	Net Income		
	Cash Dividends		
	Issuance/repurchase of stock		
	Total	50,000	$50,000.00

	Table -4 (Original Statement of Cash Flows - same for all companies)					
	BLANK FORMAT AT THIS TIME					
	Statement of Cash Flows of F542 Summer-I, 2022, Company-X for the period from					
	Cash Flow statement cannot be completed until balance sheets for two consecutive years are completed					
	Operating Activities					
	Net Income					
	Adjustments:					
	Noncash adjustment:					
	Depreciation					
	Due to changes in working capital:					
	Due to change in accounts receivable					
	Due to change in inventories					
	Due to change in accounts payable					
	Due to change in accruals					
	Net cash provided (used) by operating activities					
	Investing Activities					
	Cash used to acquire gross fixed assets					
	Due to change in short-term investments					
	Net cash provided (used) by investing activities					
	Financing Activities					
	Due to change in notes payable					
	Due to change in long-term debt					
	Due to change in common stock					
	Payment of common dividends					
	Net cash provided (used) by financing activities					
	Net increase/decrease in cash					
	Add: Cash balance at the beginning of the year					
	Cash balance at the end of the year					
	Check: cash balance in statement of cash flows should equal the cash on balance sheets; this value should be zero:					

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Table -5 (Modified B.S. and S.S.E. after Box-2 instructions are compalted)					
F542 - Summerl 2022					
Partner's name		Telephone*			
1					
2					
3					
*Warning- Telephone will be posted on canvas, a public plateform.					
Balance Sheet of F542 Summer-I, 2022, Company-X		December 31, 20X1	December 31, 20X2 Box-2 instructions		
Assets					
Current Assets					
Cash		$10,000.00	$20,000.00	increases by $10,000	
Marketable Securities		$2,500.00	$2,500.00		
Accounts Receivables		$5,000.00	$5,000.00		
Inventories		$23,550.00	$23,550.00		
Prepaid expenses		$1,000.00	$1,000.00		
Total C.A.		$42,050.00	$52,050.00		
Fixed Assets (L.T.)		$100,000.00	$100,000.00		
Total Asssets		$142,050.00	$152,050.00	increases by $10,000	
Liabilities and Equity					
Current Liabilities					
Account payable		$20,000.00	$20,000.00		
Notes payble		$22,050.00	$22,050.00		
Total C.L.		$42,050.00	$42,050.00		
Long term Bonds		$40,000.00	$40,000.00		
Total Liabilities		$82,050.00	$82,050.00		
Common shares (50,000 original 51,000 shares now @ $1 par value)		$50,000.00	$51,000.00	increases by $1,000	
Excess paid in capital		$0.00	$9,000.00	increase by $9,000	
Retained Earnings		$10,000.00	$10,000.00		
Total Common Equity		$60,000.00	$70,000.00		
Total Liabilities and Equity		$142,050.00	$152,050.00	increases by $10,000	
Statement of Stockholders' Equity of F542 Summer-I, 2022, Company-X for the years ending					
All values are in Dollars except for common shares which is a number					
Balances, Dec., 31, 20X1	Common Shares	Common Stock value	Capital paid in excess		
Changes during year:	50,000	$50,000.00	$0.00		
Net Income					
Cash Dividends					
Issuance/repurchase of stock					
Total	50,000	$50,000.00	$0.00		
Balances, Dec., 31, 20X2					
Changes during year:					
Net Income					
Cash Dividends					
Issuance/repurchase of stock	1,000	$1,000.00	$9,000.00		
Total	51,000	$51,000.00	$9,000.00	increase by $10,000	

	Table -6 (Financial Statements - Box-3 instructions are completed)				
	F542 - SummerI 2022				
	Partner's name	Telephone*			
	1				
	2				
	3				
	*Warning- Telephone will be posted on canvas, a public plateform.				
	Balance Sheet of F542 Summer-I, 2022, Company-X		December 31, 20X1	December 31, 20X2 Box-2 instructions	December 31, 20X3 Box-3 instructions
	Assets				
	Current Assets				
	Cash		$10,000.00	$20,000.00	$117,038.13
	Marketable Securities		$2,500.00	$2,500.00	$2,500.00
	Accounts Receivables		$5,000.00	$5,000.00	$5,000.00
	Inventories		$23,550.00	$23,550.00	$11,050.00
	Prepaid expenses		$1,000.00	$1,000.00	$1,000.00
	Total C.A.		$42,050.00	$52,050.00	$136,588.13
	Fixed Assets (L.T.)		$100,000.00	$100,000.00	$100,000.00
	Total Asssets		$142,050.00	$152,050.00	$236,588.13
	Liabilities and Equity				
	Current Liabilities				
	Account payable		$20,000.00	$20,000.00	$20,000.00
	Notes payble		$22,050.00	$22,050.00	$22,050.00
	Total C.L.		$42,050.00	$42,050.00	$42,050.00
	Long term Bonds		$40,000.00	$40,000.00	$40,000.00
	Total Liabilities		$82,050.00	$82,050.00	$82,050.00
	Common shares (50,000 original 51,000 shares now @ $1 par value)		$50,000.00	$51,000.00	$51,000.00
	Excess paid in capital		$0.00	$9,000.00	$9,000.00
	Retained Earnings		$10,000.00	$10,000.00	$94,538.13
	Total Common Equity		$60,000.00	$70,000.00	$154,538.13
	Total Liabilities and Equity		$142,050.00	$152,050.00	$236,588.13
Factor	**Income Statement of F542 Summer-I, 2022, Company-X for the period**				1/1/20X3 to 12/31/20X3
	All values in Dollars except common shares outstanding				Box-3 instructions
	(1) Sales Revenue (from sellable inventory tab - price sold)				$138,965.80
	(2) COGS = (from sellable inventory tab-COGS)				$12,500.00
0.50%	(1a) Interest income = to be decided				$0.00
	(3) Gross Profit =(1 - 2 +1a)				$126,465.80
5.00%	(4) S&A expenses (5% of sales revenue)				$6,948.29
	(5) Depriciation (to be decided)				$0.00
	(6) Operating profit (EBIT)=(3-4-5)				$119,517.51
0.00%	(7) interest expense = to be decided				$0.00
	(8) EBT =(6-7)				$119,517.51
25.00%	(9) Taxes (25% of EBT)				$29,879.38
	(10) EAT =(8-9)				$89,638.13
	(11) P. S. dividends (may not work at all)				$0.00
	(12) Earnings for common stoskcholders (10-11)				$89,638.13
	(13) Common shares outstanding				51,000
	(14) EPS (12/13)				$1.76
$0.10	(15) C. S. dividends ($0.10 per share every time)				$5,100.00
	(16) Additions to Retained Earnings (12-15)				$84,538.13
	Statement of Stockholders' Equity of F542 Summer-I, 2022, Company-X for the years ending				
	All values are in Dollars except for common shares which is a number				Box-3 instructions
	Balances, Dec., 31, 20X1	Common Shares	Common Stock value	Capital paid in exce	Retained earnings
	Changes during year:	50,000	$50,000.00	$0.00	
	Net Income				
	Cash Dividends				
	Issuance/repurchase of stock	1,000	$1,000.00	$9,000.00	$0.00
	Balances, Dec., 31, 20X2	51,000	$51,000.00	$9,000.00	
	Changes during year:				
	Net Income				$89,638.13
	Cash Dividends				-$5,100.00
	Issuance/repurchase of stock				
	Balances, Dec., 31, 20X3	51,000	$51,000.00	$9,000.00	$84,538.13

Table -7 (Financial Statements - Box-4 instructions are completed)					
F542 - SummerI 2022					
Partner's name					
1					
2					
3					
*Warning- Telephone will be posted on canvas, a public plateform.					
Statement of Cash Flows of F542 Summer-I, 2022, Company-X for the period 1/1/20x3 to 12/31/20x3 after Box-4 instructions are completed					
(Changes in B.S. from 20X2 to 20X3 plus adjustments from I.S. for the year 20X3)					
				Box-4 instructions	
Operating Activities					
Net Income				$89,638.13	from IS
Adjustments:					
Noncash adjustment:					
Depreciation				$0.00	from IS
Due to changes in working capital:					
Due to change in accounts receivable				$0.00	from BS
Due to change in inventories				$12,500.00	from BS
Due to change in accounts payable				$0.00	from BS
Due to change in accruals				$0.00	from BS
Net cash provided (used) by operating activities				$12,500.00	
Investing Activities					
Cash used to acquire gross fixed assets				$0.00	from BS and IS
Due to change in short-term investments				$0.00	from BS
Net cash provided (used) by investing activities				$0.00	
Financing Activities					
Due to change in notes payable				$0.00	from BS
Due to change in long-term debt				$0.00	from BS
Due to change in common stock				$0.00	from BS
Payment of common dividends				-$5,100.00	from IS
Net cash provided (used) by financing activities				-$5,100.00	
Net increase/decrease in cash				$97,038.13	
Add: Cash balance at the beginning of the year				$20,000.00	
Cash balance at the end of the year				$117,038.13	
Important notes					
1. Increase (decrease) in asset category is cash outflow (Inflow)					
2. Increase (decrease) in liability category is cash inflow (outflow)					
3. Add cash from operating, investing and financing activities to find net change in cash for the period					

Table -8 (To Create Industry from Given Balance Sheets and Income Statement)							
F542 - Summerl 2022							
Partner's name		Telephone*					
1							
2							
3							
*Warning- Telephone will be posted on canvas, a public plateform.							
	Company 1	Company 2	Company 3	Company 4	Company 5	Company 6	Industry
Assets							
Current Assets							
Cash	$18,349.01	$18,807.74	$17,890.29	$20,183.91	$16,514.11	$17,431.56	$109,176.63
Marketable Securities	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Accounts Receivables (from company Gx&Gx)	$5,938.58	$6,087.04	$5,790.12	$6,532.44	$5,344.72	$5,641.65	$35,334.55
Inventory	$3,292.30	$3,374.61	$3,209.99	$3,621.53	$2,963.07	$3,127.69	$19,589.19
Prepaid expenses	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Total C.A.	$27,579.89	$28,269.39	$26,890.40	$30,337.88	$24,821.90	$26,200.90	$164,100.36
Investments							
L.T. Assets	$37,475.20	$38,412.08	$36,538.32	$41,222.72	$33,727.68	$35,601.44	$222,977.44
Total Assets	$65,055.09	$66,681.47	$63,428.72	$71,560.60	$58,549.58	$61,802.34	$387,077.80
Liabilities and Stockholders Equity							
Current Liabilities							
Account payable	$2,611.18	$2,676.46	$2,545.90	$2,872.30	$2,350.06	$2,480.62	$15,536.52
Notes payble	$7,312.70	$7,495.52	$7,129.88	$8,043.97	$6,581.43	$6,947.07	$43,510.57
Total C.L.	$9,923.88	$10,171.98	$9,675.78	$10,916.27	$8,931.49	$9,427.69	$59,047.09
L.T. Liabilities							
Total L.T. Liabilities	$43,413.78	$44,499.12	$42,328.44	$47,755.16	$39,072.40	$41,243.09	$258,311.99
Stockholders Equity							
Preferred stocks (X shares @ $Y par value)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Common stocks (1,000 shares @ $1 par value)	$1,000.00	$1,025.00	$975.00	$1,100.00	$900.00	$950.00	$5,950.00
Capital paid in excess of par	$9,000.00	$9,225.00	$8,775.00	$9,900.00	$8,100.00	$8,550.00	$53,550.00
Retained earnings	$1,717.43	$1,760.37	$1,674.50	$1,889.18	$1,545.69	$1,631.56	$10,218.73
Total Stockholders' Equity	$11,717.43	$12,010.37	$11,424.50	$12,889.18	$10,545.69	$11,131.56	$69,718.73
Total L&S.E.	$65,055.09	$66,681.47	$63,428.72	$71,560.60	$58,549.58	$61,802.34	$387,077.80
Income Statement of Company -X for the period 6/12/2022 through 6/19/2022							
The latest income statement after selling two existing securites from inventory							
Box5 Instructions completed							
	Company 1	Company 2	Company 3	Company 4	Company 5	Company 6	Industry
Sales Revenue (1)	$6,792.70	$6,962.52	$6,622.88	$7,471.97	$6,113.43	$6,453.07	$40,416.57
-COGS (2)	$7,312.70	$7,495.52	$7,129.88	$8,043.97	$6,581.43	$6,947.07	$43,510.57
Interest income (2a) = 0.5% of A.R.	$29.69	$30.44	$28.95	$32.66	$26.72	$28.21	$176.67
= Gross Profit (3)=(1-2+2a)	-$490.31	-$502.56	-$478.05	-$539.34	-$441.28	-$465.79	-$2,917.33
-S&A expenses (0.5% of COGS)(4)	$36.56	$37.48	$35.65	$40.22	$32.91	$34.74	$217.55
- Depriciation (to be decided)(5)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
=Operating profit (EBIT)(6)=(3-4-5)	-$526.87	-$540.04	-$513.70	-$579.56	-$474.18	-$500.53	-$3,134.88
interest expense (7) = 1% of N.P.	$73.13	$74.96	$71.30	$80.44	$65.81	$69.47	$435.11
=EBT (8)=(6-7)	-$600.00	-$615.00	-$585.00	-$660.00	-$540.00	-$570.00	-$3,569.99
-Taxes (5% of EBT)(9)	-$30.00	-$30.75	-$29.25	-$33.00	-$27.00	-$28.50	-$178.50
= EAT (10)=(8-9)	-$570.00	-$584.25	-$555.75	-$627.00	-$513.00	-$541.50	-$3,391.49
- P. S. dividends (11)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
= Earnings for common stoskcholders (12)	-$570.00	-$584.25	-$555.75	-$627.00	-$513.00	-$541.50	-$3,391.49
Common shares outstanding (13)=1,000 shares	$1,000.00	$1,025.00	$975.00	$1,100.00	$900.00	$950.00	$5,950.00
= EPS (12/13 =14)	-$0.57	-$0.58	-$0.56	-$0.63	-$0.51	-$0.54	-$3.39
- C. S. dividends (15)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
= Additions to Retained Earnings (12-15=16)	-$570.00	-$584.25	-$555.75	-$627.00	-$513.00	-$541.50	-$3,391.49

URL: http://dx.doi.org/10.14738/abr.1012.13563

Table -9 (To Compute and Compare Ratios of your company with industry)				
F542 - SummerI 2022				
Partner's name		Telephone*		
1				
2				
3				
*Warning- Telephone will be posted on canvas, a public plateform.				
		Company #	Industry	Conclusion[14]
A) PROFITABILITY RATIOS				
1. Profit Margin	Net Income/Sales			
2. Return on Assets	Net Income/Total Assets			
2. Return on Equity	Net Income/Stockholders' Equity			
B) ASSETS UTILIZATION RATIOS				
4. Receivable Turnover Ratio	Sales/ Receivables			
5. Average Collection Period[11]	AR/Average Daily Sales			
6. InventoryTurnover Ratio	Sales/ Inventory			
7. Fixed Assets Turnover Ratio[12]	Sales/Fixed Assets			
8. Total Assets Turnover Ratio	Sales/Total Assets			
C) LIQUIDITY RATIOS				
9. Current Ratio	Current assets/Current liabilities			
10. Quick Ratio	(Current assets-Inventories)/Current liabilities			
D) DEBT UTILIZATION RATIOS				
11. Debt to Assets Ratio	Debt/Assets			
12. Times Interest Earned Ratio	EBIT/Interest expense			
13. Fixed Charge Coverage Ratio	(EBIT+LP[13])/(Interest expense+LP)			
Notes				
[11]Use 7 days (as annual) decision period				
[12] All L.T. assets are fixed assets				
[13] Assume 50% of L.T. assets are on lease payment for every company and hence for indurty.				
[14] Interpretation in the conclusion shall show your company's performance with the industry				
(Please write only good or bad or average)				
What is another name for Average Collection Period Ratio?				
What is another name for Quick Ratio?				

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