

Vance Corporation
 Analysis of Cash Flows
 As of December 31, 2005
 In Thousands
 Debits positive; Credits negative

<u>Account</u>		<u>Beginning Balance</u>	<u>Debit</u>	<u>Credit</u>	<u>Ending Balance</u>
<u>Cash</u>		\$ 11,700			\$ 29,090
	<u>Operations</u>				
Collection			\$ 177,650		
Rent paid				\$ (9,440)	
Lease payments			\$ 20,000		
	<u>Investing</u>				
	<u>Financing</u>				
<u>Revenue/Expense</u>					
Sales				\$ (186,230)	
Cost of goods sold		\$ 73,350			
Rent expense		\$ 4,350			
Sales from leases				\$ (17,227)	
Revenue from lease interest				\$ (13,412)	

Vance Corporation
 Analysis of Cash Flows
 As of December 31, 2005
 In Thousands
 Debits positive; Credits negative

Assets Other than Cash	Beginning			Ending
<u>Account</u>	<u>Balance</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
<u>Accounts Receivable</u>	\$ 13,850			\$ 22,430
Sales		\$ 186,230		
Collections			\$ (177,650)	
<u>Inventory</u>	\$ 44,450			\$ 43,500
Purchases		\$ 72,400		
Cost of Goods sold			\$ (73,350)	
<u>Prepaid Rent</u>	\$ 15,870			\$ 20,960
Rent paid		\$ 9,440		
Rent expense			\$ (4,350)	
<u>Lease Payments Receivable</u>	\$ 101,692			\$ 118,316
New lease		\$ 36,624		
Lease paymnet			\$ (20,000)	
<u>Unearned Interest Revenue</u>	\$ (36,609)			\$ (42,594)
New lease			\$ (19,397)	
Interest revenue		\$ 13,412		
<u>Buildings and Equipment</u>	\$ 314,570			\$ 368,070
Equipment purchased		\$ 150,000		
Cost basis of building sold			\$ (96,500)	
<u>Accumulated Depreciation</u>	\$ (96,210)			\$ (105,860)
Depreciation expense			\$ (19,360)	
Write off from sale		\$ 9,710		
<u>Land</u>	\$ 80,000			\$ 68,810
Purchased land		\$ -		
Cost basis of land			\$ (11,190)	

Vance Corporation
Analysis of Cash Flows
As of December 31, 2005
In Thousands
Debits positive; Credits negative

<u>Liabilities and Owners' Equity</u> <u>Account</u>	<u>Beginning</u> <u>Balance</u>
<u>Accounts Payable</u> Purchases	\$ (22,630)
<u>Wages Payable</u>	\$ (5,510)
<u>Interest Payable</u>	\$ (22,240)
<u>Taxes Payable</u>	\$ (7,195)
<u>Notes Payable</u>	\$ (171,150)
<u>Accrued Pension Cost</u>	\$ (43,606)
<u>Deferred Tax Liability</u>	\$ (14,282)
<u>Common Stock, no par</u>	\$ (100,000)
<u>Retained Earnings</u>	\$ (62,700)

<u>Debit</u>	<u>Credit</u>	<u>Ending Balance</u>
	\$ (72,400)	\$ (24,790)
		\$ (4,100)
		\$ (28,050)
		\$ (13,776)
		\$ (177,600)
		\$ (49,143)
		\$ (19,552)
		\$ (125,000)
		\$ (80,711)

Vance Corporation
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<u>Account</u>	<u>Beginning Balance</u>	<u>Debit</u>	<u>Credit</u>	<u>Ending Balance</u>
<u>Cash</u>	\$ 11,700			\$ 29,090
				<u>Operations</u>
Collections of receivables		\$ 177,650		
Rent payments			\$ (9,440)	
Lease payments received		\$ 20,000		
Payments for inventory			\$ (70,240)	
Payments for wages			\$ (44,110)	
Payment of interest			\$ (8,490)	
Taxes paid			\$ (4,235)	
Contributions to pensions			\$ (1,498)	
				<u>Investing</u>
Cash used to purchase machinery			\$ (150,000)	
Cash received for real estate		\$ 87,680		
				<u>Financing</u>
Cash from issuing debt		\$ 6,450		
Cash from issuing stock		\$ 25,000		
Payment of dividends			\$ (11,377)	
				<u>Revenue/Expense</u>
Sales			\$ (186,230)	
Cost of Goods Sold		\$ 73,350		
Rent Expense		\$ 4,350		
Sales from leases			\$ (17,227)	
Interest Revenue on Leases			\$ (13,412)	
Depreciation Expense		\$ 19,360		
Loss on sale of real estate		\$ 10,300		
Wages Expense		\$ 42,700		
Interest Expense		\$ 14,300		
Provision for income tax		\$ 16,086		
Pension Expense		\$ 7,035		
Net Income (To Balance)		\$ 29,388		
Check Balance		\$ 216,869	\$ (216,869)	

Vance Corporation
 Analysis of Cash Flows
 As of December 31, 2005
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 Debits positive; Credits negative

Assets Other than Cash Account	Beginning Balance	Debit	Credit	Ending Balance
<u>Accounts Receivable</u>	\$ 13,850			\$ 22,430
Sales		\$ 186,230		
Collections			\$ (177,650)	
<u>Inventory</u>	\$ 44,450			\$ 43,500
Purchases		\$ 72,400		
Cost of Goods Sold			\$ (73,350)	
<u>Prepaid Rent</u>	\$ 15,870			\$ 20,960
Rent Paid		\$ 9,440		
Rent Expense			\$ (4,350)	
<u>Lease Payments Receivable</u>	\$ 101,692			\$ 118,316
New Leases		\$ 36,624		
Reduction from payments			\$ (20,000)	
<u>Unearned Interest Revenue</u>	\$ (36,609)			\$ (42,594)
Interest Revenue on Leases		\$ 13,412		
New leases			\$ (19,397)	
<u>Buildings and Equipment</u>	\$ 314,570			\$ 368,070
Equipment Purchased		\$ 150,000		
Cost Basis of Building Sold			\$ (96,500)	
<u>Accumulated Depreciation</u>	\$ (96,210)			\$ (105,860)
Depreciation expense			\$ (19,360)	
Write-off		\$ 9,710		
<u>Land</u>	\$ 80,000			\$ 68,810
No real estate acquired		\$ -		
Cost Basis of Land Sold			\$ (11,190)	

Vance Corporation
 Analysis of Cash Flows
 As of December 31, 2005
 In Thousands
 Debits positive; Credits negative

	<u>Liabilities and Owners' Equity</u> <u>Account</u>	<u>Beginning</u> <u>Balance</u>
	<u>Accounts Payable</u>	\$ (22,630)
Note sales via leases removed Input/output formula	Purchases Payments	
	<u>Wages Payable</u>	\$ (5,510)
Input/output formula	Wage expense Payments	
	<u>Interest Payable</u>	\$ (22,240)
Input/output formula	Interest Expense Payments	
	<u>Taxes Payable</u>	\$ (7,195)
Minimum lease payments Input/output formula Analyse concurrently w/ Unearned interest	Tax journal entry Taxes paid	
	<u>Notes Payable</u>	\$ (171,150)
Input/output formula See lease journal entry	New debt Debt retired	
	<u>Accrued Pension Cost</u>	\$ (43,606)
Input/output formula On sale analyse three accounts See journal entry	Pension Expense Contributions	
	<u>Deferred Tax Liability</u>	\$ (14,282)
Input/output formula On sale analyse three accounts See journal entry	Increase in deferred taxes	
	<u>Common Stock, No par</u>	\$ (100,000)
Input/output formula On sale analyse three accounts See journal entry	New issue of stock	
	<u>Retained Earnings</u>	\$ (62,700)
Input/output formula On sale analyse three accounts See journal entry	Net income Dividends paid	

<u>Debit</u>	<u>Credit</u>	<u>Ending Balance</u>	
		\$ (24,790)	
\$ 70,240	\$ (72,400)		From Inventory Input/output formula
		\$ (4,100)	
\$ 44,110	\$ (42,700)		Input/output formula
		\$ (28,050)	
\$ 8,490	\$ (14,300)		Input/output formula
		\$ (13,776)	
\$ 4,235	\$ (10,816)		Must analyse deferred taxes first. Input/output formula
		\$ (177,600)	
\$ -	\$ (6,450)		Input/output formula
		\$ (49,143)	
\$ 1,498	\$ (7,035)		Input/output formula
		\$ (19,552)	
	\$ (5,270)		See tax journal entry
		\$ (125,000)	
	\$ (25,000)		Retired stock is rare
		\$ (80,711)	
\$ 11,377	\$ (29,388)		Input/output formula

Vance Corporation
 Balance Sheet
 As of December 31, 2005
 In Thousands

	<u>2005</u>
Assets	
<u>Current Assets</u>	
Cash	\$ 29,090
Accounts Receivable	\$ 22,430
Inventory	\$ 43,500
Prepaid Rent	<u>\$ 20,960</u>
Total Current Assets	\$ 115,980
<u>Long Term Assets</u>	
Lease Payments Receivable	\$ 118,316
Less: Unearned Interest Revenue	\$ (42,594)
Book Value of Lease Assets	\$ 75,722
Buildings and Machinery	\$ 368,070
Less: Accumulated Depreciation	<u>\$ (105,860)</u>
Book Value of Buildings and Equipment	\$ 262,210
Land	<u>\$ 68,810</u>
Total Long Term Assets	<u>\$ 406,742</u>
TOTAL ASSETS	<u>\$ 522,722</u>
Liabilities	
<u>Current Liabilities</u>	
Accounts Payable	\$ 24,790
Wages Payable	\$ 4,100
Interest Payable	\$ 28,050
Taxes Payable	<u>\$ 13,776</u>
Total Current Liabilities	\$ 70,716
<u>Long Term Liabilities</u>	
Notes Payable	\$ 177,600
Accrued Pension Cost	\$ 49,143
Deferred Tax Liability	<u>\$ 19,552</u>
Total Long Term Liabilities	<u>\$ 246,295</u>
TOTAL LIABILITIES	\$ 317,011
Stockholders' Equity	
Common Stock, No par	\$ 125,000
Retained Earnings	<u>\$ 80,711</u>
TOTAL STOCKHOLDERS' EQUITY	<u>\$ 205,711</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 522,722</u>

2004

\$ 11,700
\$ 13,850
\$ 44,450
\$ 15,870
\$ 85,870

\$ 101,692
\$ (36,609)
\$ 65,083
\$ 314,570
\$ (96,210)
\$ 218,360
\$ 80,000
\$ 363,443
\$ 449,313

\$ 22,630
\$ 5,510
\$ 22,240
\$ 7,195
\$ 57,575

\$ 171,150
\$ 43,606
\$ 14,282
\$ 229,038
\$ 286,613

\$ 100,000
\$ 62,700
\$ 162,700
\$ 449,313

Vance Corporation
Income Statement
For the Year Ended December 31, 2005
In Thousands

Sales Revenue		\$	203,457
Cost of Goods Sold		\$	<u>73,350</u>
Gross Margin		\$	130,107
<u>Operating Expenses</u>			
Wages Expense	\$	42,700	
Depreciation Expense	\$	19,360	
Rent Expense	\$	4,350	
Pension Expense	\$	<u>7,035</u>	
Total Operating Expenses		\$	<u>73,445</u>
Operating Income		\$	56,662
<u>Other Revenues and Expenses</u>			
Interest Revenue on Leases	\$	13,412	
Interest Expense	\$	(14,300)	
Loss on Sale of Real Estate	\$	<u>(10,300)</u>	
Net Other Expenses		\$	<u>(11,188)</u>
Income before Income Tax		\$	45,474
Provision for Income Tax		\$	<u>16,086</u>
Net Income		\$	29,388

Vance Corporation
 Supporting Entries for Cash Flows
 As of December 31, 2005
 In Thousands

Supporting Entries

Lease Payments Receivable		\$	36,624
	Unearned Interest Revenue		
	Sales		
Cash		\$	20,000
	Lease Payments Receivable		
Unearned interest Revenue		\$	13,412
	Interest Revenue		
Cash		\$	87,680
Loss on Sale of Real Estate		\$	10,300
Accumulated Depreciation		\$	9,710
	Building		
	Land		
See calculation of loss on next page			
Provision for income tax		\$	16,086
	DTL		
	Tax Payable		
Income Tax Payable		\$	4,235
	Cash		
Pension Expense		\$	7,035
	Prepaid/ Accrued Pension Cost		
Prepaid/ Accrued Pension Cost		\$	1,498
	Cash		

Vance Corporation
 Supporting Entries for Cash Flows
 As of December 31, 2005
 In Thousands

Cash Reconciliation

BB	\$	11,700
Lease	\$	20,000
Pension	\$	(1,498)
Tax	\$	(4,235)
Cash collected from customers	\$	177,650
Rent paid	\$	(9,440)
Inventory Purchased	\$	(70,240)
Wages	\$	(44,110)
Interest paid	\$	(8,490)
Real Estate	\$	87,680
Purchase Building	\$	(150,000)
New Debt	\$	6,450
New stock	\$	25,000
Dividend paid	\$	<u>(11,377)</u>
EB	\$	29,090
Cash on Balance Sheet	\$	<u>29,090</u>
	\$	-

Calculation of Loss on Sale of Building

Cash received			
Cost Basis of Building	\$	96,500	
Accumulated Deprecation	\$	<u>9,710</u>	
Book Value of Building			\$ 86,790
Cost Basis of Land			\$ <u>11,190</u>
Total Book Value			
Loss on Sale	X=	<u>\$ 87,680</u>	

\$ 19,397
\$ 17,227

\$ 20,000

\$ 13,412

\$ 96,500
\$ 11,190

\$ 5,270
\$ 10,816

\$ 4,325

\$ 7,035

\$ 1,498

X

\$ 97,980
\$ 10,300

Vance Corporation
Cash Flow Statement (Direct Method)
For the Year Ended December 31, 2005
In Thousands

Cash Flows from Operating Activities

Cash collected from customers

Net cash provided by operating activities

Cash Flows from Investing Activities

Net cash used for investing activities

Cash Flows from Financing Activities

Net cash provided by financing activities

Increase in cash

\$ -

Beginning balance of cash

\$ 11,700

Ending balance of cash

\$ 11,700

Reconciliation of net income to cash from operations

Net cash provided by operating activities

\$ -

Vance Corporation
Cash Flow Statement (Direct Method)
For the Year Ended December 31, 2005
In Thousands

Cash Flows from Operating Activities

Cash collected from customers	\$ 177,650
Lease payments received	\$ 20,000
Cash payments for rent	\$ (9,440)
Cash paid to suppliers	\$ (70,240)
Cash paid to employees	\$ (44,110)
Cash paid for interest	\$ (8,490)
Cash paid for taxes	\$ (4,235)
Cash contributed to pensions	\$ (1,498)
Net cash provided by operating activities	\$ 59,637

Cash Flows from Investing Activities

Cash received from sale of real estate	\$ 87,680
Cash used to purchase machinery	\$ (150,000)
Net cash used for investing activities	\$ (62,320)

Cash Flows from Financing Activities

Cash received from issuing debt	\$ 6,450
Cash received from issuing stock	\$ 25,000
Cash used to pay dividends	\$ (11,377)
Net cash provided by financing activities	\$ 20,073

Increase in cash	\$ 17,390
Beginning balance of cash	\$ 11,700
Ending balance of cash	\$ 29,090

Reconciliation of net income to cash from operations

Net income	\$ 29,388
Increase in Accounts Receivable	\$ (8,580)
Decrease in inventory	\$ 950
Increase in prepaid rent	\$ (5,090)
Increase in book value of leases	\$ (10,639)
Increase in accounts payable	\$ 2,160
Decrease in wages payable	\$ (1,410)
Increase in interest payable	\$ 5,810
Increase in taxes payable	\$ 6,581
Increase in accrued pension cost	\$ 5,537
Increase in deferred tax liability	\$ 5,270
Depreciation expense	\$ 19,360
Loss on sale of real estate	\$ 10,300
Net cash provided by operating activities	\$ 59,637

Vance Corporation
Cash Flow Statement (Direct Method)
For the Year Ended December 31, 2005
In Thousands

Cash Flows from Operating Activities

Net cash provided by operating activities

\$ -

Cash Flows from Investing Activities

Cash received from sale of real estate

\$ 87,680

Cash used to purchase machinery

\$ (150,000)

Net cash used for investing activities

\$ (62,320)

Cash Flows from Financing Activities

Cash received from issuing debt

\$ 6,450

Cash received from issuing stock

\$ 25,000

Cash used to pay dividends

\$ (11,377)

Net cash provided by financing activities

\$ 20,073

Increase in cash

\$ (42,247)

Beginning balance of cash

\$ 11,700

Ending balance of cash

\$ (30,547)

Vance Corporation
Cash Flow Statement (Indirect Method Method)
For the Year Ended December 31, 2005
In Thousands

Cash Flows from Operating Activities

Net income	\$ 29,388
Increase in Accounts Receivable	\$ (8,580)
Decrease in inventory	\$ 950
Increase in prepaid rent	\$ (5,090)
Increase in book value of leases	\$ (10,639)
Increase in accounts payable	\$ 2,160
Decrease in wages payable	\$ (1,410)
Increase in interest payable	\$ 5,810
Increase in taxes payable	\$ 6,581
Increase in accrued pension cost	\$ 5,537
Increase in deferred tax liability	\$ 5,270
Depreciation expense	\$ 19,360
Loss on sale of real estate	\$ 10,300
Net cash provided by operating activities	\$ 59,637

Cash Flows from Investing Activities

Cash received from sale of real estate	\$ 87,680
Cash used to purchase machinery	\$ (150,000)
Net cash used for investing activities	\$ (62,320)

Cash Flows from Financing Activities

Cash received from issuing debt	\$ 6,450
Cash received from issuing stock	\$ 25,000
Cash used to pay dividends	\$ (11,377)
Net cash provided by financing activities	\$ 20,073

Increase in cash	\$ 17,390
Beginning balance of cash	\$ 11,700
Ending balance of cash	\$ 29,090