**Chapter 2 Problems**

1-Owners' Equity = $17,200

NWC = $800

2-Net income = $171,600

5- Book value assets = $5,180,000

Market value assets = $6,500,000

8- OCF = $10,435

9- Net capital spending = $1,185,000

10- Change in NWC = –$180

11- Cash flow to creditors = –$130,000

12- Cash flow to stockholders = $115,000

13- Operating cash flow = $840,000

14- *a.* OCF= $63,745

*b.* CF to Creditors = $22,100

*c.* CF to Stockholders = $4,700

*d.* The company increased its NWC by $845.

16- Total assets = $4,176,000

Total liabilities & owners’ equity=$4,176,000

19- *a.*Net income = –$165,000

*b.* OCF = $45,000

*c.* Net income was negative because of the tax deductibility of depreciation and interest expense. However, the actual cash flow from operations was positive because depreciation is a non-cash expense and interest is a financing expense, not an operating expense.