Homework #6 (due on 4/27/2017 at the beginning of class)
[25 POINTS IN TOTAL]

PART A (RECEIVABLES): CNL Company uses the aging of account receivable approach to estimate bad debt expense. The balance of each account receivable is grouped on the basis of three time periods: (1) not year due, $550,000, (2) up to 120 days past due, $100,000, and (3) more than 120 days past due, $40,000. Experience has shown that for each age group, the average loss rate on the amount of the receivables at year-end due to uncollectability is (1) 3.5 percent, (2) 10 percent, and (3) 30 percent, respectively. At December 31, 2013, the Allowance for Doubtful Accounts balance is $800 (debit) before the end-of-period adjusting entry is made.

1. What is the ending balance for account receivable (gross)? [3 POINTS]

2. What is the ending balance for Allowance for Doubtful Accounts after the adjusting entry? [5 POINTS]

3. Prepare the appropriate bad debt expense adjusting entry for the year 2013. [3 POINTS]

PART B (FORD): Extract the most recent 10-K form (filed 02/09/17) for Ford Motor Company via EDGAR or Ford Motor's website (http://corporate.ford.com/investors/reports-and-filings/sec-filings.html?releaseId=1244753690043). Answer the following questions:

1. What amount of ending inventory would have been reported in the most recent year if Ford had used only FIFO? [3 POINTS]

2. What is the COGS reported by Ford for the most recent year? [3 POINTS]

3. Calculate the COGS that would have been reported, if Ford had used only FIFO for both the most recent year and the previous year. [5 POINTS]

4. Provide one reason why Ford management chose to use LIFO for certain of its inventories. [3 POINTS]

PART C (DIRECTIONS FOR GROUP REPORT, A HARDCOPY REPORT IS DUE ON MAY 2ND, 2017 AT THE BEGINNING OF CLASS):
There is no additional requirement from this homework. Below you will see a complete list of the requirements for the group report. Please include a cover page that lists all group members' names, N-numbers, email addresses, and the industry and company names you have selected. The report should be no more than 10 pages. Please organize your report clearly in the order of the requirements. Please type your report with Font 12, 1.5 spaced between lines, and 1 inch margin on all four sides.

Requirement 1 (from HW1): Please form a group of two or three students for your group report. Discuss with your team members to decide on an industry that you would like to focus on for your group report. A few suggested industries (example firms) include: RETAIL (Walmart), AIRLINE (Delta), TECH (Facebook), MANUFACTURE (GE), AUTO (GM), and so on. I do NOT recommend industries with special rules such as the financial or utility industry. Once you decide on a given industry, please pick three U.S. public companies you think are the most important in the industry and explain why you choose this industry and these firms. What do you think are the most important ASSETS for these firms and why? This part should not exceed 2 pages.

Requirement 2 (from HW2): For the top three companies that you have chosen in your interested industry, please pull up their latest 10-K reports (either SEC filings or press releases are OK). Take a look at their income statements and think about their business models. What is their most important source of revenues? What are their most important expenses? How do these three companies compare in terms of controlling their costs and explain why by showing relevant calculations? In order to compare income statements across companies, you may want to use the "common size" income statements (that is, dividing all the numbers on income statements by total revenues). This part should not exceed 2 pages.

Requirement 3 (from HW3): For the top three companies that you have chosen in your interested industry, please pull up their latest 10-K reports (either SEC filings or press releases are OK). Take a look at their statements of cash flows and think about their business models. Do they use the direct or indirect method to compute CFFO? What can you learn about their CFFI and CFFF? How do these three

companies compare in terms of cash conversion cycles and what are the implications on their management of working capital? Please explain why by showing relevant calculations. This part should not exceed 2 pages.

Requirement 4 (from HW4): For the top three companies that you have chosen in your interested industry, please pull up their latest 10-K reports (either SEC filings or press releases are OK). Please calculate the cash conversion cycle (and its three components) for each company and comment on their efficiency in managing working capital. Then please calculate the gross margin, operating margin, and net margin for each company and comment on their profitability. This part should not exceed 2 pages.

Requirement 5 (from HW5): For the top three companies that you have chosen in your interested industry, please pull up their latest 10-K reports (either SEC filings or press releases are OK). Take a look at the shareholders' equity section of their balance sheets, the EPS section of their income statements, their CFFF sections on their statements of cash flows, and think about their financing choices. Did they issue any equity or debt recently? Did they pay any dividend? Did they repurchase any stock? This part should not exceed 1 page.