

**FINANCE MODULE**  
**Problem Set #3**  
**December 2011**

Before beginning this problem set, you should make a copy of the “Case Farm” spreadsheet (i.e., Financial Analysis Spreadsheet). The “Case Farm” spreadsheet represents the farm referred to below.

The attached data assumes that 160 acres are added to the Case Farm. Land is purchased for \$1,300 per acre or a total amount of \$208,000. The attached data assumes that \$100,000 of the land purchase was paid for with borrowed funds. The remaining \$108,000 will need to be paid for with additional profits, cash, liquidation of crop and market livestock inventories; and outside equity.

Before making adjustments to cash and inventories, assume that outside equity capital is \$19,985. After this adjustment to outside equity is made *and* before making changes to cash and inventories, the unlocated funds should be zero. The cash inflow and outflow information should be added to the income and expenses in the “farm cash items” sheet. The ending inventory changes should be added to the “inventories” sheet.

Problem #1

What is the value of unlocated funds in the sources and uses statement after you have made the adjustments to income, expenses, and inventories? If this value is negative, additional funds will need to be generated to make the land purchase. Print out the sources and uses of funds statement.

Problem #2

The value for the first problem should be negative. Thus, additional funds will need to be generated to make the land purchase. Assume that ending cash is reduced by \$25,000. Assume the remainder of the funds will be generated using outside equity capital. Make these changes to the appropriate sheets. You should make sure that unlocated funds are zero after you have made the changes. Print out the “new” sources and uses of funds statement.

**Farm Cash Inflow Changes**

Wheat	56,063
Government Payments	2,266
Total	58,329

**Farm Cash Outflow Changes**

Seed	2,160
Fertilizer	6,602
Herbicide and Insecticide	5,470
Fuel and Utilities	2,626
Miscellaneous	4,144
Interest	5,322
Land Purchase	208,000
Total	234,324

**Ending Inventory Changes**

Land	208,000
Current Portion of Term Debt	2,834
Real Estate Debt	97,166