

**Finance 5360 Quiz A: 7/20/15**

Name \_\_\_\_\_

Set up the calculations need to determine unlevered net income and free cash flow for the new facility both today and three years from today. Note: You only need to set up all the appropriate equations and fill in the correct numbers. You don't have to solve anything.

Wal-Mart is considering building a new store in the Waco area. According to a feasibility study commissioned by Wal-Mart, the new store will generate an estimated \$100 million of sales a year from today. However, since some of the customers shopping at the new store would have made identical purchases at other existing Wal-Mart stores, Wal-Mart's total sales will only increase by \$85 million a year from today. Sales are expected to increase by 3.5% per year through the store's closing 20 years from today. The \$5 million fee for the feasibility study is due today. The new store will have fixed selling and administrative costs of \$15 million per year and variable costs (including the cost of goods sold) will equal 75% of sales. Suitable land will cost \$2 million to acquire and the building itself will cost \$20 million. The building will be depreciated using the 15-year MACRS class starting a year from today. Wal-Mart's marginal tax rate equals 35%. Changes in Wal-Mart's short-term assets and liabilities (in millions) for the next five years if the new store is built vary by year as follows (Year 0 is today, Year 1 is a year from today, Year 2 is two years from today, etc.)

Year	0	1	2	3	4	5
Cash	0.00	1.29	1.32	1.33	1.31	1.36
AR	0.00	1.2	1.23	1.32	1.43	1.51
Inv	0.00	8.03	8.32	8.2	8.72	9.31
AP	0.00	6.69	6.82	7.02	7.6	7.49
Short-term Debt	1.35	1.38	1.37	1.37	1.47	1.47