

**Finance 5360 Quiz B: 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 \$300 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 \$255 million a year from today. Sales are expected to increase by 2.5% per year through the store's closing 20 years from today. The \$15 million fee for the feasibility study is due today. The new store will have fixed selling and administrative costs of \$45 million per year and variable costs (including the cost of goods sold) will equal 70% of sales. Suitable land will cost \$6 million to acquire and the building itself will cost \$60 million. The building will be depreciated using the 10-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	3.87	3.96	3.99	3.93	4.08
AR	0.00	3.60	3.69	3.96	4.29	4.53
Inv	0.00	24.09	24.96	24.60	26.16	27.93
AP	0.00	20.07	20.46	21.06	22.80	22.47
Short-term Debt	4.05	4.14	4.11	4.11	4.41	4.41