

**Blue Sky  
Cash Flow Statement  
1998 - 2001**

Description	Ended First Quarter in 1998	Ended Second Quarter in 1998	Ended Third Quarter in 1998	Ended Fourth Quarter in 1998	Ended in 1999	Ended in 2000	Ended in 2001
Beginning Cash Balance	\$100,000	\$43,830	\$47,398	\$114,102	\$34,017	\$25,430	\$699,628
<b>Receipts</b>							
Cash on Sales	\$0	\$65,600	\$131,200	\$196,800	\$2,040,000	\$24,480,000	\$25,727,008
Cash on Credit <sup>1</sup>	\$0	\$0	\$16,400	\$32,800	\$49,200	\$510,000	\$6,120,000
Interest Income <sup>2</sup>	\$1,000	\$438	\$474	\$1,141	\$1,361	\$254	\$6,996
<b>Total Receipts</b>	<b>\$1,000</b>	<b>\$66,038</b>	<b>\$148,074</b>	<b>\$230,741</b>	<b>\$2,090,561</b>	<b>\$24,990,254</b>	<b>\$31,854,004</b>
<b>Cash Disbursement</b>							
Note Payable <sup>3</sup>	\$0	\$0	\$0	\$3,000	\$3,000	\$10,000	\$4,000
Direct Materials <sup>4</sup>	\$0	\$18,900	\$37,800	\$56,700	\$600,000	\$7,200,000	\$9,114,535
Research & Development	\$0	\$0	\$0	\$0	\$78,375	\$1,881,000	\$911,021
Office Supply <sup>5</sup>	\$50	\$50	\$50	\$50	\$200	\$200	\$200
Furniture and Fixtures <sup>6</sup>	\$300	\$0	\$0	\$0	\$0	\$0	\$0
Software License	\$1,500	\$0	\$0	\$0	\$0	\$1,500	\$0
Business License	\$500	\$0	\$0	\$0	\$500	\$500	\$500
Rent <sup>7</sup>	\$2,400	\$1,800	\$1,800	\$1,800	\$7,200	\$7,200	\$7,200
Salaries	\$40,500	\$30,000	\$30,000	\$30,000	\$162,000	\$264,000	\$264,000
Insurance Expense	\$120	\$120	\$120	\$120	\$480	\$480	\$480
Telephone Expense	\$200	\$0	\$0	\$0	\$200	\$200	\$200
Advertising & Selling Expense	\$11,000	\$11,000	\$11,000	\$11,000	\$235,125	\$2,821,500	\$911,021
Utility	\$600	\$600	\$600	\$600	\$2,400	\$2,400	\$2,400
Dividend	\$0	\$0	\$0	\$0	\$0	\$40,000	\$60,000
Sales Taxes	\$0	\$0	\$0	\$73,800	\$382,500	\$4,590,000	\$4,823,814
Income Taxes	\$0	\$0	\$0	\$133,756	\$627,168	\$7,497,076	\$9,556,201
<b>Total Income Disbursement</b>	<b>\$57,170</b>	<b>\$62,470</b>	<b>\$81,370</b>	<b>\$310,826</b>	<b>\$2,099,148</b>	<b>\$24,316,056</b>	<b>\$25,655,571</b>
<b>Total Cash Flow</b>	<b>(\$56,170)</b>	<b>\$3,568</b>	<b>\$66,704</b>	<b>(\$80,085)</b>	<b>(\$8,588)</b>	<b>\$674,198</b>	<b>\$6,198,433</b>
<b>Total Cash Balance</b>	<b>\$43,830</b>	<b>\$47,398</b>	<b>\$114,102</b>	<b>\$34,017</b>	<b>\$25,430</b>	<b>\$699,628</b>	<b>\$6,898,061</b>

1 We assume 80% of sales in cash, and 20% of sales in credits

2 The annual Interest rate are 4%. The quarter interest rate is 1%

3 We will payoff the computer payment in 3 years. Each year we have to pay \$3000.

In year 2000, we will buy a new computer, this will increase the note payable

- 4 Cost of direct material is \$20 per unit  
 5 Office supplies include pen, paper, and other stationary.  
 6 \$3000 in furniture and \$300 in fixtures. The furniture fee will be paid until 2000.  
 So, we put the payment in Note payable account.  
 7 the rent is \$600/mth, but we have to pay two months in the first month

**Blue Sky  
 Balance Sheet  
 1998 - 2001**

Description	Ended First Quarter in 1998	Ended Second Quarter in 1998	Ended Third Quarter in 1998	Ended Fourth Quarter in 1998	Ended in 1999	Ended in 2000	Ended in 2001
<b>Assets</b>							
<b>Current Assets</b>							
Cash	\$43,830	\$47,368	\$114,10 <sub>2</sub>	\$34,017	\$25,430	\$699,628	\$6,898,061
Account Receivable	\$0	\$16,400	\$32,800	\$49,200	\$510,000	\$6,120,000	\$6,431,752
<b>Total Current Assets</b>	<b>\$43,830</b>	<b>\$63,768</b>	<b>\$146,90<sub>2</sub></b>	<b>\$83,217</b>	<b>\$535,430</b>	<b>\$6,819,628</b>	<b>\$13,329,81<sub>3</sub></b>
<b>Fixed Assets</b>							
Computer Equipment	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000	\$17,000	\$17,000
Furniture and Fixtures	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300	\$3,300
Less: Accumulated Dep. <sup>1</sup>	(\$533)	(\$1,065)	(\$1,598)	(\$2,130)	(\$4,260)	(\$7,990)	(\$11,720)
<b>Total Fixed Assets</b>	<b>\$11,768</b>	<b>\$11,235</b>	<b>\$10,703</b>	<b>\$10,170</b>	<b>\$8,040</b>	<b>\$12,310</b>	<b>\$8,580</b>
<b>Total Assets</b>	<b>\$55,598</b>	<b>\$75,003</b>	<b>\$157,60<sub>5</sub></b>	<b>\$93,387</b>	<b>\$543,470</b>	<b>\$6,831,938</b>	<b>\$13,338,39<sub>3</sub></b>
<b>Liabilities and Shareholder's Equity</b>							
<b>Current Liabilities</b>							
Note Payable	\$12,000	\$12,000	\$12,000	\$9,000	\$6,000	\$4,000	\$0
Sales Taxes Payable	\$0	\$12,300	\$24,600	\$0	\$0	\$0	\$0
Income Tax Payable	\$300	\$19,802	\$44,413	\$0	\$0	\$0	\$0
<b>Total Current Liabilities</b>	<b>\$12,300</b>	<b>\$44,102</b>	<b>\$81,013</b>	<b>\$9,000</b>	<b>\$6,000</b>	<b>\$4,000</b>	<b>\$0</b>
<b>Shareholder's Equity</b>							
Dividend	\$0	\$0	\$0	\$0	\$0	\$40,000	\$60,000
Equity	\$43,298	\$30,901	\$76,592	\$84,387	\$537,470	\$6,787,938	\$13,278,39 <sub>3</sub>
<b>Total Shareholder's Equity</b>	<b>\$43,298</b>	<b>\$30,901</b>	<b>\$76,592</b>	<b>\$84,387</b>	<b>\$537,470</b>	<b>\$6,827,938</b>	<b>\$13,338,39<sub>3</sub></b>
<b>Total Liabilities &amp; Shareholder's Equity</b>	<b>\$55,598</b>	<b>\$75,003</b>	<b>\$157,60<sub>5</sub></b>	<b>\$93,387</b>	<b>\$543,470</b>	<b>\$6,831,938</b>	<b>\$13,338,39<sub>3</sub></b>

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1 We estimate 20% of depreciation each year on computer

**Blue Sky  
Income Statement  
1998 - 2001**

Description	Ended First Quarter in 1998	Ended Second Quarter in 1998	Ended Third Quarter in 1998	Ended Fourth Quarter in 1998	Ended in 1999	Ended in 2000	Ended in 2001
<b>Revenue</b>							
Sales	\$0	\$82,000	\$164,000	\$246,000	\$2,550,000	\$30,600,000	\$32,158,760
Less: Sales Taxes <sup>1</sup>	\$0	(\$12,300)	(\$24,600)	(\$36,900)	(\$382,500)	(\$4,590,000)	(\$4,823,814)
Net Sales	\$0	\$69,700	\$139,400	\$209,100	\$2,167,500	\$26,010,000	\$27,334,946
Less : Cost of Goods Sold <sup>2</sup>	\$0	(\$18,900)	(\$37,800)	(\$56,700)	(\$600,000)	(\$7,200,000)	(\$9,114,535)
Total Revenue	\$0	\$50,800	\$101,600	\$152,400	\$1,567,500	\$18,810,000	\$18,220,411
<b>Operating Expense</b>							
Selling & Advertising Expense	\$11,000	\$11,000	\$11,000	\$11,000	\$235,125	\$2,821,500	\$911,021
General Administrative <sup>3</sup>	\$3,320	\$2,520	\$2,520	\$2,520	\$10,280	\$10,280	\$10,280
Salaries	\$40,500	\$30,000	\$30,000	\$30,000	\$162,000	\$264,000	\$264,000
Research & Development	\$0	\$0	\$0	\$0	\$78,375	\$1,881,000	\$911,021
Total Operating Expense	\$54,820	\$43,520	\$43,520	\$43,520	\$485,780	\$4,976,780	\$2,096,321
Net (loss) Income before Taxes	(\$54,820)	\$7,280	\$58,080	\$108,880	\$1,081,720	\$13,833,220	\$16,124,090
Income Taxes <sup>4</sup>	\$0	\$0	\$0	\$133,729	\$627,167	\$7,497,076	\$9,553,380
Net (loss) Income After Taxes	(\$54,820)	\$7,280	\$58,080	(\$24,849)	\$454,553	\$6,336,144	\$6,570,710
Net Increase to Retained Earnings <sup>5</sup>	(\$54,820)	\$62,100	\$50,800	(\$82,929)	\$468,861	\$5,881,591	\$234,566

1 The sales taxes rate is 15% per year

2 Cost of good sold = direct material, which is \$20 per unit

3 The General Administrative expense includes Rent, Insurance Expense, Telephone Expense, and Utility

4 The income taxes rate is 30% per year

5 Retained Earning = Last year Net income after the taxes - This year Net income after the taxes