

The purposes of the cash-flow statement are to:

- A. evaluate management decisions.
- B. determine ability to pay liabilities and dividends.
- C. predict future cash flows.
- D. All of the above

The main categories of cash-flow activities are

- A. direct and indirect.
- B. operating, investing, and financing.
- C. current and long-term.
- D. noncash investing and financing.

Operating activities are most closely related to

- A. long-term assets.
- B. long-term liabilities and owners' equity.
- C. current assets and current liabilities.
- D. dividends and treasury stock.

Which item does *not* appear on a Statement of Cash Flows prepared by the indirect method?

- A. Collections from customers
- B. Depreciation
- C. Net income
- D. Gain on sale of land

Hobby Gas Station earned net income of \$73,000 after deducting depreciation of \$7,000 and all other expenses. Current assets decreased by \$6,000, and current liabilities increased by \$9,000. How much was Hobby Gas Station's cash provided by operating activities (indirect method)?

- A. \$95,000
- B. \$51,000
- C. \$83,000
- D. \$63,000

The Plant assets account of **Vacation Club** shows the following:

Plant assets, net			
Beg.	99,000	Depr.	27,000
Purchase	437,000	Sale	54,000
End	455,000		

Vacation Club sold plant assets at a **\$16,000** loss. Where on the Statement of Cash Flows should **Vacation Club** report the sale of plant assets? How much should the business report for the sale?

- A. Investing cash flows—cash receipt of \$54,000
- B. Investing cash flows—cash receipt of \$38,000
- C. Financing cash flows—cash receipt of \$70,000
- D. Investing cash flows—cash receipt of \$70,000

Rock Music Corp. borrowed \$36,000, issued common stock of \$15,000, and paid dividends of \$21,000. What was Rock Music's net cash provided (used) by financing activities?

- A. \$0
- B. \$(21,000)
- C. \$30,000
- D. \$72,000

Which item appears on a Statement of Cash Flows prepared by the indirect method?

- A. Payments to suppliers
- B. Payments of income tax
- C. Depreciation
- D. Collections from customers

Sun Copy Center had accounts receivable of **\$23,000** at the beginning of the year and **\$51,000** at year-end. Revenue for the year totaled **\$103,000**. How much cash did the business collect from customers?

- A. \$75,000
- B. \$131,000
- C. \$177,000
- D. \$126,000

Cell Call Company had operating expense of \$44,000. At the beginning of the year, Cell Call owed \$7,000 on accrued liabilities. At year-end, accrued liabilities were \$3,500. How much cash did Cell Call pay for operating expenses?

- A. \$37,000
- B. \$47,500
- C. \$48,500
- D. \$40,500

Financial statements all have a goal. The cash flow statement does as well.

Requirement

1. Describe how the Statement of Cash Flows helps investors and creditors perform each of the following functions:

- a. Predict future cash flows
- b. Evaluate management decisions
- c. Predict the ability to make debt payments to lenders and pay dividends to stockholders

a. The Statement of Cash Flows helps predict future cash flows by reporting **past** cash **receipts and payments**, which are good predictors of future cash flows.

b. The Statement of Cash Flows helps evaluate management decisions by reporting on managers' **investments**.

c. The Statement of Cash Flows helps predict the ability to make debt payments to lenders and pay dividends to stockholders by reporting **where cash came from and how cash was spent**.

Cash-flow items must be categorized into one of four categories.

Requirement

1. Answer the following questions about the Statement of Cash Flows:

- a. List the categories of cash flows in order of presentation.
- b. What is the "key reconciling figure" for the Statement of Cash Flows? Where do you get this figure?
- c. What is the first dollar amount to report for the indirect method?

a. List the categories of cash flows in order of presentation.

1. Operating activities
2. Investing activities
3. Financing activities
4. Noncash investing and financing activities

b. The "key reconciling figure" for the Statement of Cash Flows is the increase or decrease in cash .

Where do you get this figure? the balance sheet

c. What is the first dollar amount to report for the indirect method? Net income

Triumph Corporation is preparing its Statement of Cash Flows by the *indirect* method. Triumph has the following items for you to consider in preparing the statement:

Requirement

1. Identify each item as an

- Operating activity—addition to net income (O+), or subtraction from net income (O –)
- Investing activity—addition to cash flow (I+), or subtraction from cash flow (I –)
- Financing activity—addition to cash flow (F+), or subtraction from cash flow (F –)
- Activity that is not used to prepare the indirect cash-flow statement (N)

- | | |
|----|------------------------------------|
| O+ | a. Increase in accounts payable |
| F– | b. Payment of dividends |
| O– | c. Decrease in accrued liabilities |
| F+ | d. Issuance of common stock |
| O– | e. Gain on sale of building |
| O+ | f. Loss on sale of land |
| O+ | g. Depreciation expense |
| O– | h. Increase in inventory |
| O+ | i. Decrease in accounts receivable |
| I– | j. Purchase of equipment |

DVR Equipment, Inc., reported data for 2011 as shown on the right.

Requirement

1. Compute DVR's net cash provided by operating activities—indirect method.

Income Statement

Net income	\$ 40,000
Depreciation	10,000

Balance Sheet

Increase in Accounts receivable	9,000
Decrease in Accounts payable	6,000

Requirement 1. Complete the following table. (Use parentheses or a minus sign for numbers to be subtracted.)

Cash flows from operating activities:		
Net income		\$ 40,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	\$ 10,000	
Increase in accounts receivable	(9,000)	
Decrease in accounts payable	(6,000)	(5,000)
Net cash provided by operating activities		\$ 35,000

Street Cellular accountants have assembled the following data for the year ended June 30, 2012.



(Click the icon to view the data.)

Requirement

1. Prepare the *operating* activities section using the indirect method for Street Cellular's Statement of Cash Flows for the year ended June 30, 2012. (Use parentheses or a minus sign for numbers to be subtracted.)

Street Cellular		
Statement of Cash Flows		
Year Ended June 30, 2012		
Cash flows from operating activities:		
Net income		\$ 64,000
Adjustments to reconcile net income to		
net cash provided by operating activities:		
Depreciation	\$ 19,000	
Increase in current assets other than cash	(13,000)	
Decrease in current liabilities	(7,000)	(1,000)
Net cash provided by (used for) operating activities		63,000

Data Table

Cash receipt from sale of land	\$ 29,000	Net income	\$ 64,000
Depreciation expense	19,000	Purchase of equipment	44,000
Payment of dividends	5,700	Decrease in current liabilities	7,000
Cash receipt from issuance of		Increase in current assets	
common stock	16,000	other than cash	13,000

Street Cellular accountants have assembled the following data for the year ended June 30, 2012.



(Click the icon to view the data.)

Requirement

1. Prepare Street Cellular's Statement of Cash Flows using the indirect method for the year ended June 30, 2012. Stop after determining the net increase (or decrease) in cash. (Use parentheses or a minus sign for numbers to be subtracted.)

Requirement 1. Begin by completing the cash flows from operating activities.

Street Cellular		
Statement of Cash Flows		
Year Ended June 30, 2012		
Cash flows from operating activities:		
Net income		\$ 64,000
Adjustments to reconcile net income to		
net cash provided by operating activities:		
Depreciation	\$ 19,000	
Increase in current assets other than cash	(13,000)	
Decrease in current liabilities	(7,000)	(1,000)
Net cash provided by (used for) operating activities		63,000

Now complete the cash flows from investing activities.

Cash flows from investing activities:		
Purchase of equipment	\$ (44,000)	
Cash receipt from sale of land	29,000	
Net cash provided by (used for) investing activities		(15,000)

Next, complete the cash flows from financing activities and calculate the net increase (or decrease) in cash.

Cash flows from financing activities:		
Cash receipt from issuance of common stock	\$ 16,000	
Payment of dividends	(5,700)	
Net cash provided by (used for) financing activities		10,300
Net increase (decrease) in cash		\$ 58,300

Data Table

Cash receipt from sale of land	\$ 29,000	Net income	\$ 64,000
Depreciation expense	19,000	Purchase of equipment	44,000
Payment of dividends	5,700	Decrease in current liabilities	7,000
Cash receipt from issuance of		Increase in current assets	
common stock	16,000	other than cash	13,000

White Media Corporation had the following Income Statement and Balance Sheet for 2011:



(Click the icon to view the Income Statement.)



(Click the icon to view the Balance Sheet.)

Requirement

1. Compute for White Media Corporation during 2011 the

- a. Acquisition of equipment. The business sold no equipment during the year.
- b. Payment of a long-term note payable. During the year the business issued a \$5,100 note payable.

Requirement 1.

- a. The acquisition of equipment is \$ 14,000.
- b. The payment of a long-term note payable is \$ 8,100.

Data Table

White Media Corporation	
Income Statement	
Year Ended December 31, 2011	
Service revenue	\$ 79,000
Depreciation expense	6,000
Other expenses	54,000
Net income	<u>\$ 19,000</u>

Data Table

White Media Corporation					
Comparative Balance Sheet					
December 31, 2011 and 2010					
Assets	2011	2010	Liabilities	2011	2010
Current:			Current:		
Cash	\$ 5,100	\$ 4,200	Accounts payable	\$ 6,500	\$ 4,500
Accounts receivable	10,100	8,100	Long-term notes payable	7,000	10,000
Equipment, net	76,000	68,000			
			Stockholders' Equity		
			Common stock	27,000	18,000
			Retained earnings	50,700	47,800
	<u>\$ 91,200</u>	<u>\$ 80,300</u>		<u>\$ 91,200</u>	<u>\$ 80,300</u>

White Media Corporation had the following Income Statement and Balance Sheet for 2011:



(Click the icon to view the Income Statement.)



(Click the icon to view the Balance Sheet.)

During the year White issued a \$5,100 note payable. White acquired of equipment of \$14,000, and made payments on the long-term note payable in the amount of \$8,100 during the year.

Requirement

1. Prepare White Media's Statement of Cash Flows—indirect method—for the year ended December 31, 2011. (Use parentheses or a minus sign for numbers to be subtracted.)

Requirement 1. Start by completing the cash flows from operating activities.

White Media Corporation Statement of Cash Flows Year Ended December 31, 2011		
Cash flows from operating activities:		
Net income		\$ 19,000
Adjustments to reconcile net income to		
net cash provided by operating activities:		
Depreciation	\$ 6,000	
Increase in accounts receivable	(2,000)	
Increase in accounts payable	2,000	6,000
Net cash provided by operating activities		25,000

Now complete the cash flows from investing activities.

Cash flows from investing activities:		
Acquisition of equipment	\$ (14,000)	
Net cash used for investing activities		(14,000)

Next, complete the cash flows from financing activities.

Cash flows from financing activities:		
Payment of dividends	\$ (16,100)	
Payment of note payable	(8,100)	
Cash receipt from issuance of note payable	5,100	
Cash receipt from issuance of common stock	9,000	
Net cash used in financing activities		<u>(10,100)</u>
Finally, complete the statement of cash flows.		
Net increase in cash		\$ 900
Cash balance, beginning		<u>4,200</u>
Cash balance, ending		<u><u>\$ 5,100</u></u>

Data Table

White Media Corporation		
Income Statement		
Year Ended December 31, 2011		
Service revenue	\$	79,000
Depreciation expense		6,000
Other expenses		54,000
Net income	\$	19,000

Data Table

White Media Corporation					
Comparative Balance Sheet					
December 31, 2011 and 2010					
Assets	2011	2010	Liabilities	2011	2010
Current:			Current:		
Cash	\$ 5,100	\$ 4,200	Accounts payable	\$ 6,500	\$ 4,500
Accounts receivable	10,100	8,100	Long-term notes payable	7,000	10,000
Equipment, net	76,000	68,000			
			Stockholders' Equity		
			Common stock	27,000	18,000
			Retained earnings	50,700	47,800
	<u>\$ 91,200</u>	<u>\$ 80,300</u>		<u>\$ 91,200</u>	<u>\$ 80,300</u>

Brianna's Wedding Shops earned net income of **\$76,000**, which included depreciation of **\$17,000**. Brianna's paid **\$122,000** for a building and borrowed **\$63,000** on a long-term note payable.

Requirement

1. How much did **Brianna's** cash balance increase or decrease during the year?

Requirement 1. Complete the following table to calculate **Brianna's** cash balance, and indicate whether this balance represents an increase or a decrease in cash. (Use parentheses or a minus sign for numbers to be subtracted, and to indicate a decrease in cash.)

Net income	\$	76,000
Depreciation		17,000
Purchase of building		(122,000)
Amount borrowed		63,000
Increase in cash	\$	<u>34,000</u>

Brianna McLeary Company expects the following for 2011:

- Net cash provided by operating activities of **\$156,000**
- Net cash provided by financing activities of **\$63,000**
- Net cash used for investing activities of **\$78,000** (no sales of long-term assets)

Requirement

1. How much free cash flow does **McLeary** expect for 2011?

Requirement 1.

McLeary expects free cash flow of \$ **78,000** for 2011.

Magnuson's Magnets reported net loss for the year of \$10,000; however they reported an increase in cash balance of \$20,000. The CFO states "Magnuson's Magnets would have shown a profit were it not for the depreciation expense recorded this year."

Requirements

1. Can the CFO be right? Why?
2. Based on the information provided, what would you predict future cash flows to be?

Requirement 1. Can the CFO be right? Why?

The CFO **is** right because depreciation **is a noncash expenditure.**

Requirement 2. Based on the information provided, what would you predict future cash flows to be?

Assuming all other things **are equal**, the cash flow should be **about the same as** the previous year.

Consider the following transactions:

 (Click the icon to view the transactions.)

Requirement

1. Identify the category of the Statement of Cash Flows in which each transaction would be reported.

(Assume the Statement of Cash Flow is prepared using the direct method.)

- a. Investing activities
- b. Financing activities
- c. Operating activities
- d. Operating activities
- e. Investing activities
- f. Financing activities
- g. Noncash investing and financing activity

More Info

- a. Purchased Building for \$200,000 cash
- b. Issued \$10 par preferred stock for cash
- c. Cash received from sales to customers of \$20,000
- d. Cash paid to vendors, \$10,000
- e. Sold Building for \$5,000 gain for cash
- f. Purchased common treasury shares for \$15,000
- g. Paid a notes payable with 1,000 of the company's common shares

The cash flow statement categorizes like transactions for optimal reporting.

Requirement

1. Identify each of the following transactions as an (a)

- Operating activity (O),
- Investing activity (I),
- Financing activity (F),
- Noncash investing and financing activity (NIF), or
- transaction that is not reported on the Statement of Cash Flows (N)

For each cash flow, indicate whether the item increases (+) or decreases (–) cash. The *indirect* method is used to report cash flows from operating activities.

O+	a. Loss on sale of land
NIF	b. Acquisition of equipment by issuance of note payable
F–	c. Payment of long-term debt
NIF	d. Acquisition of building by issuance of common stock
O+	e. Accrual of salary expense
O+	f. Decrease in inventory
O–	g. Increase in prepaid expenses
O–	h. Decrease in accrued liabilities
I+	i. Cash sale of land
F+	j. Issuance of long-term note payable to borrow cash
O+	k. Depreciation
F–	l. Purchase of treasury stock
F+	m. Issuance of common stock
O+	n. Increase in accounts payable

O+

o. Net income

F-

p. Payment of cash dividend

Consider the following transactions:

 (Click the icon to view the transactions.)

Requirement

1. Indicate whether each transaction would result in an operating activity, an investing activity, or a financing activity for an indirect method Statement of Cash Flows and the accompanying schedule of noncash investing and financing activities.

Requirement 1.

- a. Financing activity
- b. Financing activity
- c. Operating activity
- d. Investing activity
- e. Operating activity
- f. Financing activity
- g. Investing activity
- h. Investing activity
- i. Financing activity
- j. Noncash investing and financing activity
- k. Operating activity

More Info

a. Cash	81,000		g. Land	18,000	
Common stock		81,000	Cash		18,000
b. Treasury stock	13,000		h. Cash	7,200	
Cash		13,000	Equipment		7,200
c. Cash	60,000		i. Bonds payable	45,000	
Sales revenue		60,000	Cash		45,000
d. Land	87,700		j. Building	164,000	
Cash		87,700	Note payable, long-term		164,000
e. Depreciation expense	9,000		k. Loss on disposal of equipment	1,400	
Accumulated depreciation		9,000	Equipment, net		1,400
f. Dividends payable	16,500				
Cash		16,500			

The records of **Paramount Color Engraving** reveal the following:

Net income	\$ 42,000	Depreciation	\$ 11,000
Sales revenue	12,000	Decrease in current liabilities	20,000
Loss on sale of land	7,000	Increase in current assets	
Acquisition of land	36,000	other than cash	8,000

Requirements

1. Compute cash flows from operating activities by the indirect method.
2. Evaluate the operating cash flow of **Paramount Color Engraving**. Give the reason for your evaluation.

Requirement 1. Compute cash flows from operating activities by the indirect method. (Use parentheses or a minus sign for numbers to be subtracted and to show net cash used for operating activities.)

Cash flows from operating activities:		
Net income		\$ 42,000
Adjustments to reconcile net income to net cash		
provided by (used for) operating activities:		
Depreciation	\$ 11,000	
Loss on sale of land	7,000	
Increase in current assets other than cash	(8,000)	
Decrease in current liabilities	(20,000)	(10,000)
Net cash provided by (used for) operating activities		\$ 32,000

Requirement 2. Operating cash flow is **strong**, as shown by the **net cash provided by** the operating activities.

The accounting records of CD Sales, Inc., include the following accounts:



(Click the icon to view the accounts.)

Requirement

1. Compute CD's net cash provided by (used for) operating activities during March. Use the indirect method.

(Use parentheses or a minus sign for numbers to be subtracted.)

Cash flows from operating activities:		
Net income		\$ 81,000
Adjustments to reconcile net income to net cash		
provided by (used for) operating activities:		
Depreciation	\$ 4,000	
Decrease in accounts receivable	5,000	
Increase in inventory	(3,000)	
Increase in accounts payable	4,500	10,500
Net cash provided by (used for) operating activities		\$ 91,500

Data Table

Cash		Accounts receivable		Inventory	
Mar. 1	7,000	Mar. 1	19,000	Mar. 1	21,000
	????		????		????
Mar. 31	5,000	Mar. 31	14,000	Mar. 31	24,000

Accounts payable		Accumulated depr.—equipment		Retained earnings		
	Mar. 1	13,000	Mar. 1	50,000	Mar. 1	66,000
		????	Depr.	4,000	Dividend	16,000
	Mar. 31	17,500	Mar. 31	54,000	Net Inc.	81,000
					Mar. 31	131,000

The Income Statement and additional data of **Minerals Plus, Inc.**, follow:



(Click the icon to view the Income Statement.)



(Click the icon to view the additional data.)

Requirement

1. Prepare **Minerals Plus'** Statement of Cash Flows for the year ended June 30, 2010, using the indirect method. Include a separate section for noncash investing and financing activities. (Use parentheses or a minus sign for numbers to be subtracted.)

Requirement 1. Start by completing the cash flows from operating activities.

Minerals Plus, Inc.		
Statement of Cash Flows		
Year Ended June 30, 2010		
Cash flows from operating activities:		
Net income		\$ 50,000
Adjustments to reconcile net income to		
net cash provided by operating activities:		
Depreciation	\$ 27,000	
Decrease in accounts receivable	17,000	
Increase in inventory	(6,000)	
Increase in accounts payable	14,000	
Decrease in accrued liabilities	(10,000)	42,000
Net cash provided by operating activities		92,000

Now complete the cash flows from investing activities.

Cash flows from investing activities:		
Acquisition of plant assets	\$ (103,000)	
Cash receipt from sale of land	24,000	
Net cash used for investing activities		(79,000)

Next, complete the cash flows from financing activities.

Cash flows from financing activities:		
Cash receipt from issuance of common stock	\$ 32,000	
Payment of note payable	(17,000)	
Payment of dividends	(11,000)	
Net cash provided by financing activities		4,000

Finally, complete the statement of cash flows, including the separate section for noncash investing and financing activities.

Net increase in cash		\$ 17,000
Cash balance, June 30, 2009		15,000
Cash balance, June 30, 2010		<u>\$ 32,000</u>
Noncash investing and financing activities:		
Acquisition of plant assets by issuing note payable		<u>\$ 17,000</u>

Data Table

Minerals Plus, Inc.			
Income Statement			
Year Ended June 30, 2010			
Revenues:			
Service revenue			\$ 236,000
Expenses:			
Cost of goods sold	\$ 96,000		
Salary expense	54,000		
Depreciation expense	27,000		
Income tax expense	9,000		186,000
Net income			<u>\$ 50,000</u>

More Info

Additional data:

- a. Acquisition of plant assets is **\$120,000**. Of this amount, **\$103,000** is paid in cash and **\$17,000** by signing a note payable.
- b. Cash receipt from sale of land totals **\$24,000**. There was no gain or loss.
- c. Cash receipts from issuance of common stock total **\$32,000**.
- d. Payment of note payable is **\$17,000**.
- e. Payment of dividends is **\$11,000**.
- f. From the balance sheet:

	June 30,	
	2010	2009
Current Assets:		
Cash	\$ 32,000	\$ 15,000
Accounts receivable	38,000	55,000
Inventory	92,000	86,000
Current Liabilities:		
Accounts payable	\$ 36,000	\$ 22,000
Accrued liabilities	15,000	25,000

Consider the following facts for **Java Jolt**:

- a. Beginning and ending Retained earnings are \$48,000 and \$69,000, respectively. Net income for the period is \$64,000.
- b. Beginning and ending Plant assets, net, are \$102,000 and \$106,000, respectively. Depreciation for the period is \$19,000, and acquisitions of new plant assets total \$26,000. Plant assets were sold at a \$4,000 gain.

Requirements

1. How much are cash dividends?
2. What was the amount of the cash receipt from the sale of plant assets?

Requirement 1. Cash dividends are \$ 43,000.

Requirement 2. The cash receipt from the sale plant assets is \$ 7,000.

Cole Gymnastics Equipment, Inc., reported the following financial statements for 2011:



(Click the icon to view the income statement.)



(Click the icon to view the comparative balance sheet.)

Requirement

1. Compute the amount of Cole Gymnastics' acquisitions of plant assets. Cole Gymnastics sold no plant assets.

Requirement 1. The acquisitions of plant assets amounts to \$ 89 thousand.

Data Table

Cole Gymnastics Equipment, Inc. Income Statement Year Ended December 31, 2011		
<i>(In thousands)</i>		
Sales revenue		\$ 711
Cost of goods sold	\$ 343	
Depreciation expense	49	
Other expenses	<u>210</u>	
Total expenses		<u>602</u>
Net income		<u><u>\$ 109</u></u>

Data Table

Cole Gymnastics Equipment, Inc.					
Comparative Balance Sheet					
December 31, 2011 and 2010					
<i>(In thousands)</i>					
Assets	2011	2010	Liabilities	2011	2010
Current:			Current:		
Cash	\$ 20	\$ 16	Accounts payable	\$ 75	\$ 73
Accounts receivable	56	50	Salary payable	3	4
Inventory	80	87	Long-term notes payable	58	69
Long-term investments	91	74	Stockholders' Equity		
Plant assets, net	225	185	Common stock	45	32
			Retained earnings	291	234
Total	\$ 472	\$ 412	Total	\$ 472	\$ 412

Cole Gymnastics Equipment, Inc., reported the following financial statements for 2011:



(Click the icon to view the income statement.)



(Click the icon to view the comparative balance sheet.)

Requirement

1. Compute the following:

- a. New borrowing or payment of long-term notes payable, with Cole Gymnastics having only one long-term note payable transaction during the year.
- b. Issuance of common stock, with Cole Gymnastics having only one common stock transaction during the year.
- c. Payment of cash dividends.

Requirement 1.

- a. Net **payment** of long-term notes payable is \$ **11** thousand.
- b. Issuance of common stock is \$ **13** thousand.
- c. Payment of cash dividends is \$ **52** thousand.

Data Table

Cole Gymnastics Equipment, Inc. Income Statement Year Ended December 31, 2011		
<i>(In thousands)</i>		
Sales revenue		\$ 711
Cost of goods sold	\$ 343	
Depreciation expense	49	
Other expenses	<u>210</u>	
Total expenses		<u>602</u>
Net income		<u><u>\$ 109</u></u>

Data Table

Cole Gymnastics Equipment, Inc.					
Comparative Balance Sheet					
December 31, 2011 and 2010					
<i>(In thousands)</i>					
Assets	2011	2010	Liabilities	2011	2010
Current:			Current:		
Cash	\$ 20	\$ 16	Accounts payable	\$ 75	\$ 73
Accounts receivable	56	50	Salary payable	3	4
Inventory	80	87	Long-term notes payable	58	69
Long-term investments	91	74	Stockholders' Equity		
Plant assets, net	225	185	Common stock	45	32
			Retained earnings	291	234
Total	\$ 472	\$ 412	Total	\$ 472	\$ 412

Cole Gymnastics Equipment, Inc., reported the following financial statements for 2011:

 (Click the icon to view the income statement.)

 (Click the icon to view the comparative balance sheet.)

 (Click the icon to view additional information.)

Requirement

1. Prepare the company's Statement of Cash Flows—indirect method—for the year ended December 31, 2011. Show all amounts in thousands. Cole Gymnastics sold no plant assets. (Use parentheses or a minus sign for numbers to be subtracted.)

Start by completing the cash flows from operating activities.

Cole Gymnastics Equipment Statement of Cash Flows Year Ended December 31, 2011		
Cash flows from operating activities:		
Net income		\$ 109
Adjustments to reconcile net income to		
net cash provided by operating activities:		
Depreciation	\$ 49	
Increase in accounts receivable	(6)	
Decrease in inventory	7	
Increase in accounts payable	2	
Decrease in salary payable	(1)	51
Net cash provided by operating activities		160

Now complete the cash flows from investing activities.

Cash flows from investing activities:		
Acquisition of plant assets	\$ (89)	
Purchase of investments	(17)	
Net cash used for investing activities		(106)

Next, complete the cash flows from financing activities.

Cash flows from financing activities:		
Payment of dividends	\$ (52)	
Payment of note payable	(11)	
Cash receipt from issuance of common stock	13	
Net cash used in financing activities		(50)

Finally, complete the statement of cash flows.

Net increase in cash		\$ 4
Cash balance, beginning		16
Cash balance, ending		<u>\$ 20</u>

Data Table

Cole Gymnastics Equipment, Inc. Income Statement Year Ended December 31, 2011		
<i>(In thousands)</i>		
Sales revenue		\$ 711
Cost of goods sold	\$ 343	
Depreciation expense	49	
Other expenses	<u>210</u>	
Total expenses		<u>602</u>
Net income		<u><u>\$ 109</u></u>

Data Table

Cole Gymnastics Equipment, Inc.					
Comparative Balance Sheet					
December 31, 2011 and 2010					
<i>(In thousands)</i>					
Assets	2011	2010	Liabilities	2011	2010
Current:			Current:		
Cash	\$ 20	\$ 16	Accounts payable	\$ 75	\$ 73
Accounts receivable	56	50	Salary payable	3	4
Inventory	80	87	Long-term notes payable	58	69
Long-term investments	91	74	Stockholders' Equity		
Plant assets, net	225	185	Common stock	45	32
			Retained earnings	291	234
Total	\$ 472	\$ 412	Total	\$ 472	\$ 412

More Info

Cole had calculated the following amounts (*in thousands*):

- Acquisition value of plant assets as \$89.
- Payment of dividends totaled \$52.
- Paid a note payable in the amount of \$11.
- Cash receipt from issuance of common stock as \$13.

North American Reserve Rare Coins (NARRC) was formed on January 1, 2010. Additional data for the year follows:



(Click the icon to view the data.)



(Click the icon to view the requirements.)

Requirement 1.

The purpose of the cash flow statement is to show where cash came from and how cash was spent during the period.

Requirement 2. Prepare NARRC's Income Statement for the year ended December 31, 2010.

North American Reserve Rare Coins		
Income Statement		
Year Ended December 31, 2010		
Revenue:		
Sales revenue		\$ 870,000
Expenses:		
Cost of goods sold		310,000
Salary expense		96,000
Depreciation expense		9,200
Rent expense		11,000
Income tax expense		16,000
Net income		\$ 427,800

Requirement 3. Prepare NARRC's Balance Sheet at December 31, 2010.

North American Reserve Rare Coins			
Balance Sheet			
December 31, 2010			
Assets		Liabilities	
Current assets:		Current liabilities:	
Cash	\$ 542,500	Accounts payable	\$ 100,000
Accounts receivable	130,500	Salary payable	5,000
Inventory	255,000	Total current liabilities	105,000
Total current assets	928,000		
		Stockholders' equity	
Property, plant, and equipment:		Common stock	475,000
Store fixtures	\$ 46,000	Retained earnings	384,800
Less: Accum. depr.	(9,200)	Total stockholders' equity	859,800
	36,800		
Total assets	\$ 964,800	Total liabilities and stockholders' equity	\$ 964,800

Requirement 4. Prepare NARRC's Statement of Cash Flows for the year ended December 31, 2010. (Use parentheses or a minus sign for amounts to be subtracted.)

North American Reserve Rare Coins		
Statement of Cash Flows		
Year Ended December 31, 2010		
Cash flows from operating activities:		
Net income		\$ 427,800
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation	\$ 9,200	
Increase in accounts receivable	(130,500)	
Increase in inventory	(255,000)	
Increase in accounts payable	100,000	
Increase in salary payable	5,000	(271,300)
Net cash provided by (used for) operating activities		156,500

Now complete the cash flows from investing activities.

Cash flows from investing activities:		
Purchase of store fixtures	\$ (46,000)	
Net cash used for investing activities		(46,000)

Next complete the cash flows from financing activities.

Cash flows from financing activities:		
Issuance of common stock	\$ 475,000	
Payment of dividend	(43,000)	
Net cash provided by financing activities		432,000

Finally complete the statement of cash flows.

Net increase in cash		\$ 542,500
Cash balance, beginning		0
Cash balance, ending		<u>\$ 542,500</u>

Data Table

- a. On January 1, 2010, NARRC issued common stock for \$475,000.
- b. Early in January, NARRC made the following cash payments:
 1. For store fixtures, \$46,000
 2. For inventory, \$330,000
 3. For rent expense on a store building, \$11,000
- c. Later in the year, NARRC purchased inventory on account for \$235,000. Before year-end, NARRC paid \$135,000 of this account payable.
- d. During 2010, NARRC sold 2,900 units of inventory for \$300 each. Before year end, the company collected 85% of this amount. Cost of goods sold for the year was \$310,000, and ending inventory totaled \$255,000.
- e. The store employs three people. The combined annual payroll is \$96,000, of which NARRC still owes \$5,000 at year-end.
- f. At the end of the year, NARRC paid income tax of \$16,000.
- g. Late in 2010, NARRC paid cash dividends of \$43,000.
- h. For equipment, NARRC uses the straight-line depreciation method, over five years, with zero residual value.

More Info

Requirements

1. What is the purpose of the cash flow statement?
2. Prepare NARRC's Income Statement for the year ended December 31, 2010. Use the single-step format, with all revenues listed together and all expenses together.
3. Prepare NARRC's Balance Sheet at December 31, 2010.
4. Prepare NARRC's Statement of Cash Flows using the indirect method for the year ended December 31, 2010.

Accountants for **Smithson, Inc.**, have assembled the following data for the year ended December 31, 2011:



(Click the icon to view the current accounts.)



(Click the icon to view the transaction data.)

Requirement

1. Prepare **Smithson's** Statement of Cash Flows using the *indirect* method. Include an accompanying schedule of noncash investing and financing activities. (Use parentheses or a minus sign for numbers to be subtracted.)

Requirement 1. Start by completing the cash flows from operating activities.

Smithson, Inc.		
Statement of Cash Flows		
Year Ended December 31, 2011		
Cash flows from operating activities:		
Net income		\$ 72,500
Adjustments to reconcile net income to		
net cash provided by operating activities:		
Depreciation	\$ 18,000	
Gain on sale of building	(4,500)	
Decrease in accounts receivable	5,100	
Increase in inventories	(2,000)	
Increase in accounts payable	1,800	
Decrease in income tax payable	(1,700)	16,700
Net cash provided by operating activities		89,200

Now complete the cash flows from investing activities.

Cash flows from investing activities:		
Purchase of equipment	\$ (71,000)	
Proceeds from sale of building	60,500	
Net cash used for investing activities		(10,500)

Next, complete the cash flows from financing activities.

Cash flows from financing activities:		
Issuance of common stock	\$ 37,000	
Issuance of note payable	60,000	
Payment of cash dividends	(51,000)	
Payment of note payable	(45,100)	
Net cash provided by (used in) financing activities		900

Finally complete the statement of cash flows, including the separate section for noncash investing and financing activities.

Net increase (decrease) in cash		\$ 79,600
Cash balance, December 31, 2010		26,000
Cash balance, December 31, 2011		<u>\$ 105,600</u>
Noncash investing and financing activities:		
Acquisition of land by issuing long-term note payable		\$ 118,000
Total noncash investing and financing activities		<u>\$ 118,000</u>


Data Table

	December 31,	
	2011	2010
Current Accounts:		
Current assets:		
Cash and cash equivalents.	\$ 105,600	\$ 26,000
Accounts receivable	64,200	69,300
Inventories	85,000	83,000
Current liabilities:		
Accounts payable	57,800	56,000
Income tax payable	15,000	16,700

More Info

Transaction Data for 2011:			
Issuance of common stock		Payment of note payable	\$45,100
for cash	\$ 37,000	Payment of cash dividends	51,000
Depreciation expense	18,000	Issuance of note payable	
Purchase of equipment	71,000	to borrow cash	60,000
Acquisition of land by issuing		Gain on sale of building.	4,500
long-term note payable.	118,000	Net income	72,500
Cost basis of building sold.	56,000		

The comparative Balance Sheet of **Morston** Medical Supply at December 31, 2012, reported the following:

 (Click the icon to view the comparative Balance Sheet.)

Morston's transactions during 2012 included the following:

 (Click the icon to view the transactions.)

Requirements

1. Prepare the Statement of Cash Flows of **Morston** Medical Supply for the year ended December 31, 2012. Use the *indirect* method to report cash flows from operating activities. (Use parentheses or a minus sign for numbers to be subtracted.)
2. Evaluate **Morston's** cash flows for the year. Mention all three categories of cash flows and give the reason for your evaluation.

Requirement 1. Start by completing the cash flows from operating activities.

Morston Medical Supply		
Statement of Cash Flows		
Year Ended December 31, 2012		
Cash flows from operating activities:		
Net income		\$ 60,600
Adjustments to reconcile net income to		
net cash provided by operating activities:		
Depreciation	\$ 16,800	
Decrease in accounts receivable	6,500	
Increase in inventories	(3,200)	
Increase in accounts payable	0	
Decrease in accrued liabilities	(600)	19,500
Net cash provided by operating activities		80,100

Now complete the cash flows from investing activities.

Cash flows from investing activities:		
Purchase of equipment	\$ (54,600)	
Purchase of building	(105,000)	
Net cash used for investing activities		(159,600)

Next, complete the cash flows from financing activities.

Cash flows from financing activities:		
Issuance of long-term note payable	\$ 49,000	
Issuance of common stock	109,000	
Payment of cash dividend	(14,200)	
Net cash provided by financing activities		143,800

Finally, complete the statement of cash flows.

Net increase in cash		\$ 64,300
Cash balance, December 31, 2011		23,500
Cash balance, December 31, 2012		\$ 87,800

Requirement 2. Complete the following statements to evaluate Morston's cash flows.

Operations are **generating** cash.

The company is **investing in new** plant assets.

There is more financing by **issuing stock** than by **borrowing**.

Cash **increased** during the year.

For the reasons given above, Morston's cash flows look **strong**.

Data Table

	December 31,	
	2012	2011
Current assets:		
Cash and cash equivalents	\$ 87,800	\$ 23,500
Accounts receivable	14,800	21,300
Inventories	63,200	60,000
Current liabilities:		
Accounts payable	30,100	30,100
Accrued liabilities	10,500	11,100

More Info

Payment of cash dividend	\$ 14,200	Depreciation expense	\$ 16,800
Purchase of equipment	54,600	Purchase of building	105,000
Issuance of long-term note payable		Net income	60,600
to borrow cash	49,000	Issuance of common stock for cash	109,000

The 2012 comparative Balance Sheet and Income Statement of **Cobbs Hill, Inc.**, follow:



(Click the icon to view the comparative Balance Sheet.)



(Click the icon to view the Income Statement.)

Cobbs Hill had no noncash investing and financing transactions during 2012. During the year, there were no sales of land or equipment, no issuances of notes payable, no retirements of stock, and no treasury stock transactions.

Requirements

1. Prepare the 2012 Statement of Cash Flows, formatting the operating activities by the *indirect* method. (Use parentheses or a minus sign for numbers to be subtracted.)
2. How will what you learned in this problem help you evaluate an investment?

Requirement 1.

Start by completing the cash flows from operating activities.

Cobbs Hill, Inc.		
Statement of Cash Flows		
Year Ended December 31, 2012		
Cash flows from operating activities:		
Net income		\$ 112,400
Adjustments to reconcile net income to		
net cash provided by operating activities:		
Depreciation	\$ 14,200	
Increase in accounts receivable	(1,700)	
Decrease in inventory	12,800	
Increase in accounts payable	4,900	
Decrease in accrued liabilities	(1,800)	28,400
Net cash provided by operating activities		140,800

Now complete the cash flows from investing activities.

Cash flows from investing activities:		
Purchase of land	\$ (24,700)	
Purchase of equipment	(22,400)	
Net cash used for investing activities		(47,100)

Next, complete the cash flows from financing activities.

Cash flows from financing activities:		
Payment of dividends	\$ (79,800)	
Payment of note payable	(27,000)	
Issuance of common stock	23,800	
Net cash used for financing activities		(83,000)

Finally, complete the statement of cash flows.

Net increase in cash		\$ 10,700
Cash balance, December 31, 2011		15,300
Cash balance, December 31, 2012		\$ 26,000

Requirement 2.

How will what you learned in this problem help you evaluate an investment?

- A. Learn how operating activities, investing activities, and financing activities generate cash receipts and cash payments
- B. Learn how companies prepare the statement of cash flows
- C. Both A and B
- D. None of the above

Data Table

Cobbs Hill, Inc.			
Comparative Balance Sheet			
December 31, 2012 and 2011			
	2012	2011	Increase (Decrease)
Current assets:			
Cash and cash equivalents	\$ 26,000	\$ 15,300	\$ 10,700
Accounts receivable	26,700	25,000	1,700
Inventories	79,000	91,800	(12,800)
Plant assets:			
Land	34,700	10,000	24,700
Equipment, net	100,900	92,700	8,200
Total assets	<u>\$ 267,300</u>	<u>\$ 234,800</u>	<u>\$ 32,500</u>
Current liabilities:			
Accounts payable	\$ 35,600	\$ 30,700	\$ 4,900
Accrued liabilities	28,200	30,000	(1,800)
Long-term liabilities:			
Notes payable	77,000	104,000	(27,000)
Stockholders' equity:			
Common stock	88,200	64,400	23,800
Retained earnings	38,300	5,700	32,600
Total liabilities and stockholders' equity	<u>\$ 267,300</u>	<u>\$ 234,800</u>	<u>\$ 32,500</u>

Data Table

Cobbs Hill, Inc.		
Income Statement		
Year Ended December 31, 2012		
Revenues:		
Sales revenue		\$ 443,000
Interest revenue		8,700
Total revenues		451,700
Expenses:		
Cost of goods sold	\$ 200,200	
Salary expense	73,400	
Depreciation expense	14,200	
Other operating expense	10,000	
Interest expense	21,800	
Income tax expense	19,700	
Total expenses		339,300
Net income		<u>\$ 112,400</u>

Official Reserve Rare Coins (ORRC) was formed on January 1, 2010. Additional data for the year follows:



(Click the icon to view the data.)



(Click the icon to view the requirements.)

Requirement 1.

The purpose of the cash flow statement is to show where cash came from and how cash was spent during the period.

Requirement 2. Prepare ORRC's Income Statement for the year ended December 31, 2010.

Official Reserve Rare Coins		
Income Statement		
Year Ended December 31, 2010		
Revenue:		
Sales revenue		\$ 630,000
Expenses:		
Cost of goods sold		340,000
Salary expense		94,000
Depreciation expense		9,200
Rent expense		10,000
Income tax expense		22,000
Net income		<u>\$ 154,800</u>

Requirement 3. Prepare ORRC's Balance Sheet at December 31, 2010.

Official Reserve Rare Coins			
Balance Sheet			
December 31, 2010			
Assets		Liabilities	
Current assets:		Current liabilities:	
Cash	\$ 318,000	Accounts payable	\$ 100,000
Accounts receivable	126,000	Salary payable	2,000
Inventory	207,000	Total current liabilities	102,000
Total current assets	651,000		
		Stockholders' equity	
Property, plant, and equipment:		Common stock	475,000
Store fixtures	\$ 46,000	Retained earnings	110,800
Less: Accum. depr.	(9,200)	Total stockholders' equity	585,800
	36,800		
Total assets	\$ 687,800	Total liabilities and stockholders' equity	\$ 687,800

Requirement 4. Prepare ORRC's Statement of Cash Flows for the year ended December 31, 2010. (Use parentheses or a minus sign for amounts to be subtracted.)

Official Reserve Rare Coins Statement of Cash Flows Year Ended December 31, 2010		
Cash flows from operating activities:		
Net income		\$ 154,800
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation	\$ 9,200	
Increase in accounts receivable	(126,000)	
Increase in inventory	(207,000)	
Increase in accounts payable	100,000	
Increase in salary payable	2,000	(221,800)
Net cash provided by (used for) operating activities		(67,000)

Now complete the cash flows from investing activities.

Cash flows from investing activities:		
Purchase of store fixtures	\$ (46,000)	
Net cash used for investing activities		(46,000)

Next complete the cash flows from financing activities.

Cash flows from financing activities:		
Issuance of common stock	\$ 475,000	
Payment of dividend	(44,000)	
Net cash provided by financing activities		431,000

Finally complete the statement of cash flows.

Net increase in cash		\$ 318,000
Cash balance, beginning		0
Cash balance, ending		<u>\$ 318,000</u>

Data Table

- a. On January 1, 2010, ORRC issued common stock for \$475,000.
- b. Early in January, ORRC made the following cash payments:
 1. For store fixtures, \$46,000
 2. For inventory, \$310,000
 3. For rent expense on a store building, \$10,000
- c. Later in the year, ORRC purchased inventory on account for \$237,000. Before year-end, ORRC paid \$137,000 of this account payable.
- d. During 2010, ORRC sold 2,800 units of inventory for \$225 each. Before year end, the company collected 80% of this amount. Cost of goods sold for the year was \$340,000, and ending inventory totaled \$207,000.
- e. The store employs three people. The combined annual payroll is \$94,000, of which ORRC still owes \$2,000 at year-end.
- f. At the end of the year, ORRC paid income tax of \$22,000.
- g. Late in 2010, ORRC paid cash dividends of \$44,000.
- h. For equipment, ORRC uses the straight-line depreciation method, over five years, with zero residual value.

More Info

Requirements

1. What is the purpose of the cash flow statement?
2. Prepare ORRC's Income Statement for the year ended December 31, 2010. Use the single-step format, with all revenues listed together and all expenses together.
3. Prepare ORRC's Balance Sheet at December 31, 2010.
4. Prepare ORRC's Statement of Cash Flows using the *indirect* method for the year ended December 31, 2010.

Accountants for **Carlson, Inc.**, have assembled the following data for the year ended December 31, 2011:



(Click the icon to view the current accounts.)



(Click the icon to view the transaction data.)

Requirement

1. Prepare **Carlson's** Statement of Cash Flows using the *indirect* method. Include an accompanying schedule of noncash investing and financing activities. (Use parentheses or a minus sign for numbers to be subtracted.)

Requirement 1. Start by completing the cash flows from operating activities.

Carlson, Inc.		
Statement of Cash Flows		
Year Ended December 31, 2011		
Cash flows from operating activities:		
Net income		\$ 69,500
Adjustments to reconcile net income to		
net cash provided by operating activities:		
Depreciation	\$ 21,000	
Gain on sale of building	(4,500)	
Decrease in accounts receivable	4,500	
Increase in inventories	(2,000)	
Increase in accounts payable	1,400	
Decrease in income tax payable	(1,700)	18,700
Net cash provided by operating activities		88,200

Now complete the cash flows from investing activities.

Cash flows from investing activities:		
Purchase of equipment	\$ (66,000)	
Proceeds from sale of building	10,000	
Net cash used for investing activities		(56,000)

Next, complete the cash flows from financing activities.

Cash flows from financing activities:		
Issuance of common stock	\$ 42,000	
Issuance of note payable	59,000	
Payment of cash dividends	(48,000)	
Payment of note payable	(44,100)	
Net cash provided by (used in) financing activities		8,900

Finally complete the statement of cash flows, including the separate section for noncash investing and financing activities.

Net increase (decrease) in cash		\$ 41,100
Cash balance, December 31, 2010		19,000
Cash balance, December 31, 2011		<u>\$ 60,100</u>
Noncash investing and financing activities:		
Acquisition of land by issuing long-term note payable		\$ 118,000
Total noncash investing and financing activities		<u>\$ 118,000</u>

Data Table

	December 31,	
	2011	2010
Current Accounts:		
Current assets:		
Cash and cash equivalents.	\$ 60,100	\$ 19,000
Accounts receivable	64,500	69,000
Inventories	86,000	84,000
Current liabilities:		
Accounts payable	57,600	56,200
Income tax payable	14,700	16,400

More Info

Transaction Data for 2011:			
Issuance of common stock		Payment of note payable	\$44,100
for cash	\$ 42,000	Payment of cash dividends	48,000
Depreciation expense	21,000	Issuance of note payable	
Purchase of equipment	66,000	to borrow cash	59,000
Acquisition of land by issuing		Gain on sale of building.	4,500
long-term note payable.	118,000	Net income	69,500
Cost basis of building sold.	5,500		

The comparative Balance Sheet of **Smithson** Medical Supply at December 31, 2012, reported the following:

 (Click the icon to view the comparative Balance Sheet.)

Smithson's transactions during 2012 included the following:

 (Click the icon to view the transactions.)

Requirements

1. Prepare the Statement of Cash Flows of **Smithson** Medical Supply for the year ended December 31, 2012. Use the *indirect* method to report cash flows from operating activities. (Use parentheses or a minus sign for numbers to be subtracted.)
2. Evaluate **Smithson's** cash flows for the year. Mention all three categories of cash flows and give the reason for your evaluation.

Requirement 1. Start by completing the cash flows from operating activities.

Smithson Medical Supply Statement of Cash Flows Year Ended December 31, 2012		
Cash flows from operating activities:		
Net income		\$ 61,600
Adjustments to reconcile net income to		
net cash provided by operating activities:		
Depreciation	\$ 16,800	
Decrease in accounts receivable	6,700	
Increase in inventories	(2,200)	
Increase in accounts payable	1,000	
Decrease in accrued liabilities	(1,000)	21,300
Net cash provided by operating activities		82,900

Now complete the cash flows from investing activities.

Cash flows from investing activities:		
Purchase of equipment	\$ (54,600)	
Purchase of building	(109,000)	
Net cash used for investing activities		(163,600)

Next, complete the cash flows from financing activities.

Cash flows from financing activities:		
Issuance of long-term note payable	\$ 50,000	
Issuance of common stock	112,000	
Payment of cash dividend	(22,200)	
Net cash provided by financing activities		139,800

Finally, complete the statement of cash flows.

Net increase in cash		\$ 59,100
Cash balance, December 31, 2011		19,500
Cash balance, December 31, 2012		\$ 78,600

Requirement 2. Complete the following statements to evaluate Smithson's cash flows.

Operations are **generating** cash.

The company is **investing in new** plant assets.

There is more financing by **issuing stock** than by **borrowing**.

Cash **increased** during the year.

For the reasons given above, Smithson's cash flows look **strong**.

Data Table

	December 31,	
	2012	2011
Current assets:		
Cash and cash equivalents	\$ 78,600	\$ 19,500
Accounts receivable	14,700	21,400
Inventories	62,600	60,400
Current liabilities:		
Accounts payable	28,100	27,100
Accrued liabilities	10,300	11,300

More Info

Payment of cash dividend	\$ 22,200	Depreciation expense	\$ 16,800
Purchase of equipment	54,600	Purchase of building	109,000
Issuance of long-term note payable		Net income	61,600
to borrow cash	50,000	Issuance of common stock for cash	112,000

The 2012 comparative Balance Sheet and Income Statement of **Digital Subscriptions, Inc.**, follow:



(Click the icon to view the comparative Balance Sheet.)



(Click the icon to view the Income Statement.)

Digital Subscriptions had no noncash investing and financing transactions during 2012. During the year, there were no sales of land or equipment, no issuances of notes payable, no retirements of stock, and no treasury stock transactions.

Requirements

1. Prepare the 2012 Statement of Cash Flows, formatting the operating activities by the *indirect* method. (Use parentheses or a minus sign for numbers to be subtracted.)
2. How will what you learned in this problem help you evaluate an investment?

Requirement 1.

Start by completing the cash flows from operating activities.

Digital Subscriptions, Inc. Statement of Cash Flows Year Ended December 31, 2012		
Cash flows from operating activities:		
Net income		\$ 97,600
Adjustments to reconcile net income to		
net cash provided by operating activities:		
Depreciation	\$ 14,800	
Increase in accounts receivable	(1,500)	
Decrease in inventory	11,600	
Increase in accounts payable	5,500	
Decrease in accrued liabilities	(1,600)	28,800
Net cash provided by operating activities		126,400

Now complete the cash flows from investing activities.

Cash flows from investing activities:		
Purchase of land	\$ (24,700)	
Purchase of equipment	(23,000)	
Net cash used for investing activities		(47,700)

Next, complete the cash flows from financing activities.

Cash flows from financing activities:		
Payment of dividends	\$ (63,100)	
Payment of note payable	(29,000)	
Issuance of common stock	24,400	
Net cash used for financing activities		(67,700)

Finally, complete the statement of cash flows.

Net increase in cash		\$ 11,000
Cash balance, December 31, 2011		15,800
Cash balance, December 31, 2012		\$ 26,800

Requirement 2.

How will what you learned in this problem help you evaluate an investment?

- A. Learn how operating activities, investing activities, and financing activities generate cash receipts and cash payments
- B. Learn how companies prepare the statement of cash flows
- C. Both A and B
- D. None of the above

Data Table

Digital Subscriptions, Inc.			
Comparative Balance Sheet			
December 31, 2012 and 2011			
	2012	2011	Increase (Decrease)
Current assets:			
Cash and cash equivalents	\$ 26,800	\$ 15,800	\$ 11,000
Accounts receivable	26,500	25,000	1,500
Inventories	79,500	91,100	(11,600)
Plant assets:			
Land	34,700	10,000	24,700
Equipment, net	96,900	88,700	8,200
Total assets	<u>\$ 264,400</u>	<u>\$ 230,600</u>	<u>\$ 33,800</u>
Current liabilities:			
Accounts payable	\$ 35,500	\$ 30,000	\$ 5,500
Accrued liabilities	28,500	30,100	(1,600)
Long-term liabilities:			
Notes payable	73,000	102,000	(29,000)
Stockholders' equity:			
Common stock	88,700	64,300	24,400
Retained earnings	38,700	4,200	34,500
Total liabilities and stockholders' equity	<u>\$ 264,400</u>	<u>\$ 230,600</u>	<u>\$ 33,800</u>

Data Table

Digital Subscriptions, Inc.		
Income Statement		
Year Ended December 31, 2012		
Revenues:		
Sales revenue		\$ 441,000
Interest revenue		8,100
Total revenues		449,100
Expenses:		
Cost of goods sold	\$ 205,200	
Salary expense	79,400	
Depreciation expense	14,800	
Other operating expense	10,300	
Interest expense	21,900	
Income tax expense	19,900	
Total expenses		351,500
Net income		<u>\$ 97,600</u>

Refer to the Comparative Balance Sheet for **Sherman** Lawn Service.



(Click the icon to view the Comparative Balance Sheet.)

Requirement

1. Prepare the Statement of Cash Flows using the indirect method. Assume no dividends were declared or paid during the year. (Use parentheses or a minus sign for numbers to be subtracted.)

Start by completing the cash flows from operating activities.

Sherman Lawn Service, Inc.		
Statement of Cash Flows		
Year Ended December 31, 2010		
Cash flows from operating activities:		
Net income		\$ 5,350
Adjustments to reconcile net income to		
net cash provided by operating activities:		
Depreciation	\$ 350	
Increase in accounts receivable	(2,050)	
Increase in lawn supplies	(80)	
Decrease in accounts payable	(1,050)	(2,830)
Net cash provided by (used for) operating activities		2,520

Next, complete the cash flows from financing activities.

Cash flows from financing activities:		
Issuance of common stock	1,000	
Net cash provided by financing activities		1,000

Finally, complete the Statement of Cash Flows.

Net increase in cash		\$ 3,520
Cash balance, December 31, 2009		1,480
Cash balance, December 31, 2010		<u>\$ 5,000</u>

Data Table

Sherman Lawn Service, Inc.			
Comparative Balance Sheet			
As of December 31, 2010 and 2009			
Assets	2010	2009	
Cash	\$ 5,000	\$	1,480
Accounts receivable	2,200		150
Lawn supplies	150		70
Equipment	1,400		1,400
(Less: Accumulated depreciation)	(496)		(146)
Total assets	<u>\$ 8,254</u>	<u>\$</u>	<u>2,954</u>
Liabilities			
Accounts payable	\$ 350	\$	1,400
Stockholders' equity			
Common stock	2,000		1,000
Retained earnings	5,904		554
Total liabilities and stockholders' equity	<u>\$ 8,254</u>	<u>\$</u>	<u>2,954</u>

White Chocolate, Inc., began 2011 with cash of \$52,000. During the year White Chocolate earned revenue of \$591,000 and collected \$624,000 from customers. Expenses for the year totaled \$423,000, of which White Chocolate paid \$413,000 in cash to suppliers and employees. White Chocolate also paid \$143,000 to purchase equipment and a cash dividend of \$49,000 to its stockholders during 2011.

Requirement

1. Prepare the company's Statement of Cash Flows for the year ended December 31, 2011. Format operating activities by the direct method. (Use parentheses or a minus sign for numbers to be subtracted.)

Requirement 1. Start by completing the cash flows from operating activities.

White Chocolate Inc. Statement of Cash Flows Year Ended December 31, 2011		
Cash flows from operating activities:		
Collections from customers	\$ 624,000	
Payments to suppliers and employees	(413,000)	
Net cash provided by operating activities		\$ 211,000

Now complete the cash flows from investing activities.

Cash flows from investing activities:		
Purchase of equipment	(143,000)	
Net cash used for investing activities		(143,000)

Next, complete the cash flows from financing activities.

Cash flows from financing activities:		
Payment of dividends	(49,000)	
Net cash used for financing activities		(49,000)

Finally complete the statement of cash flows. (Use a minus sign or parentheses to show a decrease in cash.)

Net increase in cash		\$ 19,000
Cash balance, beginning		52,000
Cash balance, ending		<u>\$ 71,000</u>

Stella's Learning Center has assembled the following data for the year ended June 30, 2011:



(Click the icon to view the data.)

Requirement

1. Prepare the *operating* activities section of the business's Statement of Cash Flows for the year ended June 30, 2011, using the direct method for operating cash flows. (Use parentheses or a minus sign for numbers to be subtracted.)

Stella's Learning Center		
Statement of Cash Flows (partial)		
Year Ended June 30, 2011		
Cash flows from operating activities:		
Collections from customers	\$ 196,000	
Payments to suppliers	(110,000)	
Payments to employees	(68,000)	
Net cash provided by (used for) operating activities		\$ 18,000

Data Table

Payments to suppliers	\$ 110,000
Purchase of equipment	37,000
Payments to employees	68,000
Payment of note payable	34,000
Payment of dividends	4,000
Cash receipt from issuance of stock	20,000
Collections from customers	196,000
Cash receipt from sale of land	61,000

Stella's Learning Center has assembled the following data for the year ended June 30, 2011:



(Click the icon to view the data.)

Requirement

1. Prepare the business's complete Statement of Cash Flows for the year ended June 30, 2011, using the *direct* method for operating activities. Stop after determining the net increase (or decrease) in cash. (Use parentheses or a minus sign for numbers to be subtracted.)

Requirement 1. Start by completing the cash flows from operating activities.

Stella's Learning Center Statement of Cash Flows Year Ended June 30, 2011		
Cash flows from operating activities:		
Receipts:		
Collections from customers		\$ 196,000
Total cash receipts		196,000
Payments		
To suppliers	\$ (110,000)	
To employees	(68,000)	
Total cash payments		(178,000)
Net cash provided by (used for) operating activities		18,000

Now complete the cash flows from investing activities.

Cash flows from investing activities:		
Cash receipt from sale of land	\$ 61,000	
Purchase of equipment	(37,000)	
Net cash provided by investing activities		24,000

Next, complete the cash flows from financing activities.

Cash flows from financing activities:		
Payment of note payable	\$ (34,000)	
Cash receipt from issuance of stock	20,000	
Payment of dividends	(4,000)	
Net cash used for financing activities		(18,000)

Finally, determine the change in cash and whether this amount represents an increase or a decrease in net cash for the year.

Net increase in cash		\$ 24,000
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Data Table

Payments to suppliers	\$ 110,000
Purchase of equipment	37,000
Payments to employees	68,000
Payment of note payable	34,000
Payment of dividends	4,000
Cash receipt from issuance of stock	20,000
Collections from customers	196,000
Cash receipt from sale of land	61,000

White Toy Company reported the following comparative Balance Sheet:



(Click on the icon to view the comparative Balance Sheet.)

Requirement

1. Compute the following for White Toy Company:
 - a. Collections from customers during 2011. Sales totaled \$142,000.
 - b. Payments for inventory during 2011. Cost of goods sold was \$79,000.

Requirement 1.

- a. Collections from customers were \$ 136,000 .
- b. Payments for inventory were \$ 68,000 .

Data Table

White Toy Company Comparative Balance Sheet December 31, 2011 and 2010					
Assets	2011	2010	Liabilities	2011	2010
Current:			Current:		
Cash	\$ 20,000	\$ 16,000	Accounts payable	\$ 46,000	\$ 42,000
Accounts receivable	50,000	44,000	Salary payable	21,000	18,000
Inventory	75,000	82,000	Accrued liabilities	4,000	13,000
Prepaid expenses	2,500	1,500	Long-term notes payable	61,000	69,000
Long-term investments	72,000	88,000	Stockholders' Equity		
Plant assets, net	228,000	187,000	Common stock	36,000	30,000
			Retained earnings	279,500	246,500
Total	\$447,500	\$418,500	Total	\$447,500	\$418,500

Consider the transactions below.

Requirement

1. Identify each of the transactions as

- Operating activity (O),
- Investing activity (I),
- Financing activity (F),
- Noncash investing and financing activity (NIF), or
- transaction that is not reported on the Statement of Cash Flows (N)

For each cash flow, indicate whether the item increases (+) or decreases (-) cash. The *direct* method is used for cash flows from operating activities.

O +	a. Collection of account receivable
F +	b. Issuance of note payable to borrow cash
N	c. Depreciation
F +	d. Issuance of preferred stock for cash
F -	e. Payment of cash dividend
I +	f. Sale of land
NIF	g. Acquisition of equipment by issuance of note payable
F -	h. Payment of note payable
F -	i. Purchase of treasury stock
F +	j. Issuance of common stock for cash
O -	k. Payment of account payable
NIF	l. Acquisition of building by issuance of common stock
I -	m. Purchase of equipment
O -	n. Payment of wages to employees

- o. Collection of cash interest
- p. Sale of building

Consider the following transactions:

 (Click the icon to view the transactions.)

Requirement

1. Indicate where, if at all, each of the transactions would be reported on a Statement of Cash Flows prepared by the *direct* method and the accompanying schedule of noncash investing and financing activities.

Requirement 1.

- a. Investing activities
- b. Investing activities
- c. Financing activities
- d. Noncash investing and financing activity
- e. Operating activities
- f. Financing activities
- g. Operating activities
- h. Financing activities
- i. Financing activities
- j. Operating activities
- k. Investing activities
- l. Operating activities

More Info

a. Land	18,000		g. Salary expense	4,300	
Cash		18,000	Cash		4,300
b. Cash	7,200		h. Cash	81,000	
Equipment		7,200	Common stock		81,000
c. Bonds payable	45,000		i. Treasury stock	13,000	
Cash		45,000	Cash		13,000
d. Building	164,000		j. Cash	2,000	
Note payable		164,000	Interest revenue		2,000
e. Cash	1,400		k. Land	87,700	
Accounts receivable		1,400	Cash		87,700
f. Dividends payable	16,500		l. Accounts payable	8,300	
Cash		16,500	Cash		8,300

The accounting records of **Value** Auto Parts reveal the following:

 (Click the icon to view the accounting records.)

Requirement

1. Compute cash flows from operating activities by the *direct* method. (Use parentheses or a minus sign for numbers to be subtracted.)

Begin by identifying whether each item in the accounting records will or will not be included in the cash flows from operating activities by the *direct* method.

Payments of salaries and wages	Included
Depreciation	Not included
Payment of interest	Included
Payment of dividends	Not included
Collections from customers	Included
Net income	Not included
Payment of income tax	Included
Collection of dividend revenue	Included
Payment to suppliers	Included

Now compute cash flows from operating activities by the *direct* method.

Cash flows from operating activities		
Receipts:		
Collections from customers		\$ 118,000
Collection of dividend revenue		5,000
Total cash receipts		123,000
Payments:		
To suppliers	\$ (56,000)	
To employees	(36,000)	
For interest	(15,000)	
For income tax	(13,000)	
Total cash payments		(120,000)
Net cash provided by (used for) operating activities		\$ 3,000

Data Table

Payment of salaries and wages	\$ 36,000	Net income	\$ 23,000
Depreciation	12,000	Payment of income tax	13,000
Payment of interest	15,000	Collection of dividend revenue	5,000
Payment of dividends	5,000	Payment to suppliers	56,000
Collections from customers	118,000		

Selected accounts of Routing Networks, Inc., show the following:



(Click the icon to view the accounts.)

Requirement

1. For each account, identify the item or items that should appear on a Statement of Cash Flows prepared by the *direct* method. Also state each item's amount and where to report the item.

Requirement 1.

Accounts receivable: Report the **cash collections** as **an operating cash flow** in the amount of \$ **36,000**.

Land: Report the **acquisition** as **an investing cash flow** in the amount of \$ **16,000**.

Long-term notes payable: Report both the **issuance** of \$ **85,000** and the **payment** of long-term notes payable at \$ **69,000**, as **a financing cash flow**.

Data Table

Accounts receivable			
Beginning balance	9,300		
Service revenue	38,000	Cash collections	36,000
Ending balance	11,300		

Land			
Beginning balance	93,000		
Acquisition	16,000		
Ending balance	109,000		

Long-term notes payable			
		Beginning balance	277,000
Payments	69,000	Issuance for cash	85,000
		Ending balance	293,000

The Income Statement and additional data of **Rolling Hills** Corporation follow:



(Click the icon to view the Income Statement.)



(Click the icon to view the additional data.)

Requirement

1. Prepare **Rolling Hills** Corporation's Statement of Cash Flows for the year ended June 30, 2010. Use the *direct* method.
(Use parentheses or a minus sign for numbers to be subtracted.)

Requirement 1. Start by completing the cash flows from operating activities.

Rolling Hills Corporation		
Statement of Cash Flows		
Year Ended June 30, 2010		
Cash flows from operating activities		
Receipts:		
Collections from customers		\$ 242,500
Collection of dividend revenue		7,000
Total cash receipts		249,500
Payments:		
To suppliers	\$ (118,500)	
To employees	(43,500)	
For income tax	(9,500)	
For interest	(2,500)	
Total cash payments		(174,000)
Net cash provided by operating activities		75,500

Now complete the cash flows from investing activities.

Cash flows from investing activities:		
Acquisition of plant assets	\$ (100,000)	
Cash receipt from sale of land	21,000	
Net cash used for investing activities		(79,000)

Next, complete the cash flows from financing activities.

Cash flows from financing activities:		
Cash receipt from issuance of common stock	\$ 38,000	
Payment of note payable	(11,000)	
Payment of dividends	(10,500)	
Net cash provided by financing activities		16,500

Finally, complete the statement of cash flows.

Net increase (decrease) in cash		\$ 13,000
Cash balance, June 30, 2009		20,000
Cash balance, June 30, 2010		\$ 33,000

Data Table

Rolling Hills Corporation			
Income Statement			
Year Ended June 30, 2010			
Revenues:			
Sales revenue	\$ 228,000		
Dividend revenue	7,000		\$ 235,000
Expenses:			
Cost of goods sold	\$ 105,000		
Salary expense	42,000		
Depreciation expense	22,000		
Advertising expense	13,500		
Income tax expense	9,500		
Interest expense	2,500		194,500
Net income			<u>\$ 40,500</u>

More Info

Additional data:

- a. Collections from customers are **\$14,500** more than sales.
- b. Dividend revenue, interest expense, and income tax expense equal their cash amounts.
- c. Payments to suppliers are the sum of cost of goods sold plus advertising expense.
- d. Payments to employees are **\$1,500** more than salary expense.
- e. Acquisition of plant assets is **\$100,000**.
- f. Cash receipts from sale of land total **\$21,000**.

- g. Cash receipts from issuance of common stock total \$38,000.
- h. Payment of long-term note payable is \$11,000.
- i. Payment of dividends is \$10,500.
- j. Cash balance, June 30, 2009, was \$20,000; June 30, 2010, was \$33,000.

Consider the following facts:

- a. Beginning and ending Accounts receivable are \$22,000 and \$18,000, respectively. Credit sales for the period total \$60,000.
- b. Cost of goods sold is \$75,000. Beginning Inventory balance is \$25,000, and ending Inventory balance is \$21,000. Beginning and ending Accounts payable are \$11,000 and \$8,000, respectively.

Requirements

1. Compute cash collections from customers.
2. Compute cash payments for inventory.

Requirement 1.

- a. How much are cash collections from customers? \$ 64,000
- b. How much are cash payments for inventory? \$ 74,000

TipTop Mobile Homes reported the following in its financial statements for the year ended December 31, 2011 (adapted, in millions):

 (Click the icon to view the financial statements)

Requirement

1. Determine the following for **TipTop** Mobile Homes during 2011: (Enter all amounts in millions.)
 - a. Collections from customers
 - b. Payments for inventory
 - c. Payments of operating expenses
 - d. Acquisitions of property and equipment (no sales of property during 2011)
 - e. Borrowing, with **TipTop** paying no long-term liabilities
 - f. Cash receipt from issuance of common stock
 - g. Payment of cash dividends

Requirement 1.

- a. Collections from customers are \$ 24,682 .
- b. Payments for inventory are \$ 18,590 .
- c. Payments of operating expenses are \$ 4,342 .
- d. Acquisitions of property and equipment are \$ 1,184 .
- e. Borrowings, with **TipTop** paying no long-term liabilities are \$ 10 .
- f. Cash receipt from issuance of common stock is \$ 232 .
- g. Payment of cash dividends is \$ 275 .

Data Table

	2011	2010
Income Statement		
Net sales	\$ 24,859	\$ 21,674
Cost of sales	18,121	15,497
Depreciation	270	234
Other operating expenses	4,432	4,221
Income tax expense	532	486
Net income	<u>\$ 1,504</u>	<u>\$ 1,236</u>
Balance Sheet		
Cash and cash equivalents	\$ 17	\$ 16
Accounts receivable	798	621
Inventories	3,483	2,830
Property and equipment, net	4,342	3,428
Accounts payable	1,546	1,362
Accrued liabilities	938	848
Long-term liabilities	477	467
Common stock	678	446
Retained earnings	5,001	3,772

KTG, Inc., accountants have developed the following data from the company's accounting records for the year ended November 30, 2011:

 (Click the icon to view the data.)

Requirement

1. Prepare KTG's Statement of Cash Flows for the year ended November 30, 2011. Use the *direct* method for cash flows from operating activities. (Use parentheses or a minus sign to show cash outflows.)

Requirement 1. Start by completing the cash flows from operating activities.

KTG, Inc.		
Statement of Cash Flows		
Year Ended November 30, 2011		
Cash flows from operating activities:		
Receipts:		
Collections from customers	\$ 605,300	
Dividends received	4,200	
Total cash receipts		\$ 609,500
Payments:		
To suppliers	(371,300)	
To employees	(94,000)	
For interest	(13,500)	
For income tax	(39,000)	
Total cash payments		(517,800)
Net cash provided by operating activities		91,700

Now complete the cash flows from investing activities.

Cash flows from investing activities:		
Purchase of plant assets	\$ (58,400)	
Cash receipt from sale of plant assets	22,500	
Net cash used for investing activities		(35,900)

Now complete the cash flows from financing activities.

Cash flows from financing activities:		
Cash receipt from issuance of notes payable	\$ 48,100	
Cash receipt from issuance of common stock	68,900	
Payment of notes payable	(49,000)	
Payment of dividends	(50,400)	
Net cash provided by financing activities		17,600

Finally, complete the statement of cash flows.

Net increase (decrease) in cash		\$ 73,400
Cash balance, November 30, 2010		39,700
Cash balance, November 30, 2011		\$ 113,100

Data Table

- a. Purchase of plant assets, **\$58,400**
- b. Cash receipt from issuance of notes payable, **\$48,100**
- c. Payments of notes payable, **\$49,000**
- d. Cash receipt from sale of plant assets, **\$22,500**
- e. Cash receipt of dividends, **\$4,200**
- f. Payments to suppliers, **\$371,300**
- g. Interest expense and payments, **\$13,500**
- h. Payments of salaries, **\$94,000**
- i. Income tax expense and payments, **\$39,000**
- j. Depreciation expense, **\$57,000**
- k. Collections from customers, **\$605,300**
- l. Payment of cash dividends, **\$50,400**
- m. Cash receipt from issuance of common stock, **\$68,900**
- n. Cash balance: November 30, 2010, **\$39,700**;
November 30, 2011, **\$113,100**

North American Reserve Rare Coins (NARRC) was formed on January 1, 2010. Additional data for the year follows:



(Click the icon to view the transactions.)



(Click the icon to view the requirements.)

Requirement 1. Prepare North American Reserve's Income Statement for the year ended December 31, 2010.

North American Reserve Rare Coins			
Income Statement			
Year Ended December 31, 2010			
Revenue:			
	Sales revenue		\$ 870,000
Expenses:			
	Cost of goods sold		310,000
	Salary expense		96,000
	Depreciation expense		9,200
	Rent expense		11,000
	Income tax expense		16,000
	Net income		<u>\$ 427,800</u>

(After you hit continue the screen may take you below the beginning of the next step. If so, scroll back up to the top of the step.)

Requirement 2. Prepare North American Reserve's Balance Sheet at December 31, 2010.

North American Reserve Rare Coins			
Balance Sheet			
December 31, 2010			
Assets		Liabilities	
Current assets:		Current liabilities:	
Cash	\$ 542,500	Accounts payable	\$ 100,000
Accounts receivable	130,500	Salary payable	5,000
Inventory	255,000	Total current liabilities	105,000
Total current assets	928,000		
Property, plant, and equipment:		Stockholders' equity	
Fixtures	\$ 46,000	Common stock	475,000
Less: Accum. depr.	(9,200)	Retained earnings	384,800
	36,800	Total stockholders' equity	859,800
Total assets	\$ 964,800	Total liabilities and stockholders' equity	\$ 964,800

Requirement 3. Prepare North American Reserve's Statement of Cash Flows for the year ended December 31, 2010. Let's start with the cash flows from operating activities using the direct method.

North American Reserve Rare Coins		
Statement of Cash Flows		
Year Ended December 31, 2010		
Cash flows from operating activities:		
Collections from customers		\$ 739,500
Cash payments:		
To suppliers	(476,000)	
To employees	(91,000)	
For income tax	(16,000)	
Total cash payments		(583,000)
Net cash provided by (used for) operating activities		156,500

Now complete the cash flows from investing activities.

Cash flows from investing activities:		
Purchase of store fixtures	\$ (46,000)	
Net cash used for investing activities		(46,000)

Next complete the cash flows from financing activities.

Cash flows from financing activities:		
Issuance of common stock	\$ 475,000	
Payment of dividend	(43,000)	
Net cash provided by financing activities		432,000

Finally complete the Statement of Cash Flows.

Net increase in cash		\$ 542,500
Cash balance, beginning		0
Cash balance, ending		<u>\$ 542,500</u>

More Info

- a. On January 1, 2010, NARRC issued common stock for \$475,000.
- b. Early in January, NARRC made the following cash payments:
 1. For store fixtures, \$46,000
 2. For inventory, \$330,000
 3. For rent expense on a store building, \$11,000
- c. Later in the year, NARRC purchased inventory on account for \$235,000. Before year-end, NARRC paid \$135,000 of this account payable.
- d. During 2010, NARRC sold 2,900 units of inventory for \$300 each. Before year end, the company collected 85% of this amount. Cost of goods sold for the year was \$310,000, and ending inventory totaled \$255,000.
- e. The store employs three people. The combined annual payroll is \$96,000, of which NARRC still owes \$5,000 at year-end.
- f. At the end of the year, NARRC paid income tax of \$16,000.
- g. Late in 2010, NARRC paid cash dividends of \$43,000.
- h. For equipment, NARRC uses the straight-line depreciation method, over 5 years, with zero residual value.

More Info

Requirements

1. Prepare North American Reserve Rare Coins' Income Statement for the year ended December 31, 2010. Use the single-step format, with all revenues listed together and all expenses together.
2. Prepare North American Reserve's Balance Sheet at December 31, 2010.
3. Prepare North American Reserve's Statement of Cash Flows for the year ended December 31, 2010. Format cash flows from operating activities by the *direct* method.

The 2012 comparative Balance Sheet and Income Statement of **Cobbs Hill**, Inc., follow.



(Click the icon to view the comparative Balance Sheet.)



(Click the icon to view the Income Statement.)

Cobbs Hill had no noncash investing and financing transactions during 2012. During the year, there were no sales of land or equipment, no issuances of notes payable, no retirements of stock, and no treasury stock transactions.

Requirements

1. Prepare the 2012 Statement of Cash Flows by the *direct* method. (Use parentheses or a minus sign for numbers to be subtracted.)
2. How will what you learned in this problem help you evaluate an investment?

Requirement 1. Start by completing the cash flows from operating activities.

Cobbs Hill, Inc.		
Statement of Cash Flows		
Year Ended December 31, 2012		
Cash flows from operating activities:		
Cash receipts:		
Collections from customers	\$ 441,300	
Receipts of interest	8,700	
Total cash receipts		\$ 450,000
Cash payments:		
To suppliers:		
Inventory	(182,500)	
Operating expenses	(11,800)	
To employees	(73,400)	
For interest	(21,800)	
For income tax	(19,700)	
Total cash payments		(309,200)
Net cash provided by operating activities		140,800

Now complete the cash flows from investing activities.

Cash flows from investing activities:		
Purchase of land	\$ (24,700)	
Purchase of equipment	(22,400)	
Net cash used for investing activities		(47,100)

Next, complete the cash flows from financing activities.

Cash flows from financing activities:		
Payment of dividends	\$ (79,800)	
Payment of note payable	(27,000)	
Issuance of common stock	23,800	
Net cash used for financing activities		<u>(83,000)</u>

Finally, complete the statement of cash flows.

Net increase in cash	\$ 10,700
Cash balance, December 31, 2011	<u>15,300</u>
Cash balance, December 31, 2012	<u><u>\$ 26,000</u></u>

Requirement 2

How will what you learned in this problem help you evaluate an investment?

- A. Learn how operating activities, investing activities, and financing activities generate cash receipts and cash payments
- B. Learn how companies prepare the statement of cash flows
- C. Both A and B
- D. None of the above

Data Table

Cobbs Hill, Inc.			
Comparative Balance Sheet			
December 31, 2012 and 2011			
	2012	2011	Increase (Decrease)
Current assets:			
Cash and cash equivalents	\$ 26,000	\$ 15,300	\$ 10,700
Accounts receivable	26,700	25,000	1,700
Inventories	79,000	91,800	(12,800)
Plant assets:			
Land	34,700	10,000	24,700
Equipment, net	100,900	92,700	8,200
Total assets	<u>\$ 267,300</u>	<u>\$ 234,800</u>	<u>\$ 32,500</u>
Current liabilities:			
Accounts payable	\$ 35,600	\$ 30,700	\$ 4,900
Accrued liabilities	28,200	30,000	(1,800)
Long-term liabilities:			
Notes payable	77,000	104,000	(27,000)
Stockholders' equity:			
Common stock	88,200	64,400	23,800
Retained earnings	38,300	5,700	32,600
Total liabilities and stockholders' equity	<u>\$ 267,300</u>	<u>\$ 234,800</u>	<u>\$ 32,500</u>

Data Table

Cobbs Hill, Inc.		
Income Statement		
Year Ended December 31, 2012		
Revenues:		
Sales revenue		\$ 443,000
Interest revenue		8,700
Total revenues		451,700
Expenses:		
Cost of goods sold	\$ 200,200	
Salary expense	73,400	
Depreciation expense	14,200	
Other operating expense	10,000	
Interest expense	21,800	
Income tax expense	19,700	
Total expenses		339,300
Net income		<u>\$ 112,400</u>

To prepare the Statement of Cash Flows, accountants for **I – M – Mobile**, Inc., have summarized 2010 activity in the Cash account as follows:



(Click the icon to view the Cash account activity.)

Requirement

1. Prepare **I – M – Mobile**'s Statement of Cash Flows for the year ended December 31, 2010, using the *direct* method to report operating activities. (Use parentheses or a minus sign for amounts to be subtracted.)

Requirement 1. Start by completing the cash flows from operating activities.

I-M-Mobile, Inc.		
Statement of Cash Flows		
Year Ended December 31, 2010		
Cash flows from operating activities:		
Cash receipts:		
Collections from customers	\$ 308,600	
Receipts of interest	17,100	
Total cash receipts		\$ 325,700
Cash payments:		
To suppliers	\$ (147,300)	
To employees	(65,500)	
For interest	(21,100)	
For income tax	(6,000)	
Total cash payments		(239,900)
Net cash provided by operating activities		85,800

Now complete the cash flows from investing activities.

Cash flows from investing activities:		
Purchase of equipment	\$ (54,500)	
Net cash used for investing activities		(54,500)

Next, complete the cash flows from financing activities.

Cash flows from financing activities:		
Cash receipt from issuance of common stock	\$ 60,700	
Payment of note payable	(82,000)	
Payment of dividends	(1,500)	
Net cash used for financing activities		(22,800)

Finally, complete the Statement of Cash Flows. (Use a minus sign or parentheses for a decrease in cash.)

Net increase (decrease) in cash	\$ 8,500
Cash balance, December 31, 2009	87,300
Cash balance, December 31, 2010	\$ 95,800

Data Table

Cash			
Beginning balance	87,300	Payments of operating expenses	46,200
Issuance of common stock	60,700	Payments of salaries and wages	65,500
Receipts of interest revenue	17,100	Payment of note payable	82,000
Collections from customers	308,600	Payment of income tax	6,000
		Payments on accounts payable	101,100
		Payments of dividends	1,500
		Payments of interest	21,100
		Purchase of equipment	54,500
Ending balance	95,800		

SKG, Inc., accountants have developed the following data from the company's accounting records for the year ended November 30, 2011:

 (Click the icon to view the data.)

Requirement

1. Prepare SKG's Statement of Cash Flows for the year ended November 30, 2011. Use the *direct* method for cash flows from operating activities. (Use parentheses or a minus sign to show cash outflows.)

Requirement 1. Start by completing the cash flows from operating activities.

SKG, Inc.		
Statement of Cash Flows		
Year Ended November 30, 2011		
Cash flows from operating activities:		
Receipts:		
Collections from customers	\$ 605,500	
Dividends received	4,400	
Total cash receipts		\$ 609,900
Payments:		
To suppliers	(374,800)	
To employees	(95,000)	
For interest	(12,500)	
For income tax	(40,000)	
Total cash payments		(522,300)
Net cash provided by operating activities		87,600

Now complete the cash flows from investing activities.

Cash flows from investing activities:		
Purchase of plant assets	\$ (55,400)	
Cash receipt from sale of plant assets	25,500	
Net cash used for investing activities		(29,900)

Now complete the cash flows from financing activities.

Cash flows from financing activities:		
Cash receipt from issuance of notes payable	\$ 43,100	
Cash receipt from issuance of common stock	60,900	
Payment of notes payable	(48,000)	
Payment of dividends	(50,400)	
Net cash provided by financing activities		5,600

Finally, complete the statement of cash flows.

Net increase (decrease) in cash	\$ 63,300
Cash balance, November 30, 2010	40,000
Cash balance, November 30, 2011	\$ 103,300

Data Table

- a. Purchase of plant assets, \$55,400
- b. Cash receipt from issuance of notes payable, \$43,100
- c. Payments of notes payable, \$48,000
- d. Cash receipt from sale of plant assets, \$25,500
- e. Cash receipt of dividends, \$4,400
- f. Payments to suppliers, \$374,800
- g. Interest expense and payments, \$12,500
- h. Payments of salaries, \$95,000
- i. Income tax expense and payments, \$40,000
- j. Depreciation expense, \$56,500
- k. Collections from customers, \$605,500
- l. Payment of cash dividends, \$50,400
- m. Cash receipt from issuance of common stock, \$60,900
- n. Cash balance: November 30, 2010, \$40,000; November 30, 2011, \$103,300

Official Reserve Rare Coins (ORRC) was formed on January 1, 2010. Additional data for the year follows:

 (Click the icon to view the transactions.)

 (Click the icon to view the requirements.)

Requirement 1. Prepare Official Reserve's Income Statement for the year ended December 31, 2010.

Official Reserve Rare Coins Income Statement Year Ended December 31, 2010		
Revenue:		
Sales revenue		\$ 630,000
Expenses:		
Cost of goods sold		340,000
Salary expense		94,000
Depreciation expense		9,200
Rent expense		10,000
Income tax expense		22,000
Net income		\$ 154,800

(After you hit continue the screen may take you below the beginning of the next step. If so, scroll back up to the top of the step.)

Requirement 2. Prepare Official Reserve's Balance Sheet at December 31, 2010.

Official Reserve Rare Coins			
Balance Sheet			
December 31, 2010			
Assets		Liabilities	
Current assets:		Current liabilities:	
Cash	\$ 318,000	Accounts payable	\$ 100,000
Accounts receivable	126,000	Salary payable	2,000
Inventory	207,000	Total current liabilities	102,000
Total current assets	651,000		
		Stockholders' equity	
Property, plant, and equipment:		Common stock	475,000
Fixtures	\$ 46,000	Retained earnings	110,800
Less: Accum. depr.	(9,200)	Total stockholders' equity	585,800
	36,800		
Total assets	\$ 687,800	Total liabilities and stockholders' equity	\$ 687,800

Requirement 3. Prepare Official Reserve's Statement of Cash Flows for the year ended December 31, 2010. Let's start with the cash flows from operating activities using the direct method.

Official Reserve Rare Coins		
Statement of Cash Flows		
Year Ended December 31, 2010		
Cash flows from operating activities:		
Collections from customers		\$ 504,000
Cash payments:		
To suppliers	(457,000)	
To employees	(92,000)	
For income tax	(22,000)	
Total cash payments		<u>(571,000)</u>
Net cash provided by (used for) operating activities		<u>(67,000)</u>

Now complete the cash flows from investing activities.

Cash flows from investing activities:		
Purchase of store fixtures	\$ (46,000)	
Net cash used for investing activities		<u>(46,000)</u>

Next complete the cash flows from financing activities.

Cash flows from financing activities:		
Issuance of common stock	\$ 475,000	
Payment of dividend	<u>(44,000)</u>	
Net cash provided by financing activities		<u>431,000</u>

Finally complete the Statement of Cash Flows.

Net increase in cash		\$ 318,000
Cash balance, beginning		0
Cash balance, ending		<u>\$ 318,000</u>

More Info

- a. On January 1, 2010, ORRC issued common stock for \$475,000.
- b. Early in January, ORRC made the following cash payments:
 1. For store fixtures, \$46,000
 2. For inventory, \$310,000
 3. For rent expense on a store building, \$10,000
- c. Later in the year, ORRC purchased inventory on account for \$237,000. Before year-end, ORRC paid \$137,000 of this account payable.
- d. During 2010, ORRC sold 2,800 units of inventory for \$225 each. Before year end, the company collected 80% of this amount. Cost of goods sold for the year was \$340,000, and ending inventory totaled \$207,000.
- e. The store employs three people. The combined annual payroll is \$94,000, of which ORRC still owes \$2,000 at year-end.
- f. At the end of the year, ORRC paid income tax of \$22,000.
- g. Late in 2010, ORRC paid cash dividends of \$44,000.
- h. For equipment, ORRC uses the straight-line depreciation method, over 5 years, with zero residual value.

More Info

Requirements

1. Prepare Official Reserve Rare Coins' Income Statement for the year ended December 31, 2010. Use the single-step format, with all revenues listed together and all expenses together.
2. Prepare Official Reserve's Balance Sheet at December 31, 2010.
3. Prepare Official Reserve's Statement of Cash Flows for the year ended December 31, 2010. Format cash flows from operating activities by the *direct* method.

The 2012 comparative Balance Sheet and Income Statement of **Digital Subscriptions, Inc.**, follow.



(Click the icon to view the comparative Balance Sheet.)



(Click the icon to view the Income Statement.)

Digital Subscriptions had no noncash investing and financing transactions during 2012. During the year, there were no sales of land or equipment, no issuances of notes payable, no retirements of stock, and no treasury stock transactions.

Requirements

1. Prepare the 2012 Statement of Cash Flows by the *direct* method. (Use parentheses or a minus sign for numbers to be subtracted.)
2. How will what you learned in this problem help you evaluate an investment?

Requirement 1. Start by completing the cash flows from operating activities.

Digital Subscriptions, Inc.		
Statement of Cash Flows		
Year Ended December 31, 2012		
Cash flows from operating activities:		
Cash receipts:		
Collections from customers	\$ 439,500	
Receipts of interest	8,100	
Total cash receipts		\$ 447,600
Cash payments:		
To suppliers:		
Inventory	(188,100)	
Operating expenses	(11,900)	
To employees	(79,400)	
For interest	(21,900)	
For income tax	(19,900)	
Total cash payments		(321,200)
Net cash provided by operating activities		126,400

Now complete the cash flows from investing activities.

Cash flows from investing activities:		
Purchase of land	\$ (24,700)	
Purchase of equipment	(23,000)	
Net cash used for investing activities		(47,700)

Next, complete the cash flows from financing activities.

Cash flows from financing activities:		
Payment of dividends	\$ (63,100)	
Payment of note payable	(29,000)	
Issuance of common stock	24,400	
Net cash used for financing activities		<u>(67,700)</u>

Finally, complete the statement of cash flows.

Net increase in cash	\$ 11,000
Cash balance, December 31, 2011	<u>15,800</u>
Cash balance, December 31, 2012	<u><u>\$ 26,800</u></u>

Requirement 2

How will what you learned in this problem help you evaluate an investment?

- A. Learn how operating activities, investing activities, and financing activities generate cash receipts and cash payments
- B. Learn how companies prepare the statement of cash flows
- C. Both A and B
- D. None of the above

Data Table

Digital Subscriptions, Inc.			
Comparative Balance Sheet			
December 31, 2012 and 2011			
	2012	2011	Increase (Decrease)
Current assets:			
Cash and cash equivalents	\$ 26,800	\$ 15,800	\$ 11,000
Accounts receivable	26,500	25,000	1,500
Inventories	79,500	91,100	(11,600)
Plant assets:			
Land	34,700	10,000	24,700
Equipment, net	96,900	88,700	8,200
Total assets	<u>\$ 264,400</u>	<u>\$ 230,600</u>	<u>\$ 33,800</u>
Current liabilities:			
Accounts payable	\$ 35,500	\$ 30,000	\$ 5,500
Accrued liabilities	28,500	30,100	(1,600)
Long-term liabilities:			
Notes payable	73,000	102,000	(29,000)
Stockholders' equity:			
Common stock	88,700	64,300	24,400
Retained earnings	38,700	4,200	34,500
Total liabilities and stockholders' equity	<u>\$ 264,400</u>	<u>\$ 230,600</u>	<u>\$ 33,800</u>

Data Table

Digital Subscriptions, Inc.		
Income Statement		
Year Ended December 31, 2012		
Revenues:		
Sales revenue		\$ 441,000
Interest revenue		8,100
Total revenues		449,100
Expenses:		
Cost of goods sold	\$ 205,200	
Salary expense	79,400	
Depreciation expense	14,800	
Other operating expense	10,300	
Interest expense	21,900	
Income tax expense	19,900	
Total expenses		351,500
Net income		<u>\$ 97,600</u>

To prepare the Statement of Cash Flows, accountants for **B – Mobile**, Inc., have summarized 2010 activity in the Cash account as follows:



(Click the icon to view the Cash account activity.)

Requirement

1. Prepare **B – Mobile**'s Statement of Cash Flows for the year ended December 31, 2010, using the *direct* method to report operating activities. (Use parentheses or a minus sign for amounts to be subtracted.)

Requirement 1. Start by completing the cash flows from operating activities.

B-Mobile, Inc.		
Statement of Cash Flows		
Year Ended December 31, 2010		
Cash flows from operating activities:		
Cash receipts:		
Collections from customers	\$ 308,900	
Receipts of interest	14,600	
Total cash receipts		\$ 323,500
Cash payments:		
To suppliers	\$ (147,800)	
To employees	(69,500)	
For interest	(21,100)	
For income tax	(9,500)	
Total cash payments		(247,900)
Net cash provided by operating activities		75,600

Now complete the cash flows from investing activities.

Cash flows from investing activities:		
Purchase of equipment	\$ (49,500)	
Net cash used for investing activities		(49,500)

Next, complete the cash flows from financing activities.

Cash flows from financing activities:		
Cash receipt from issuance of common stock	\$ 60,100	
Payment of note payable	(75,000)	
Payment of dividends	(1,300)	
Net cash used for financing activities		(16,200)

Finally, complete the Statement of Cash Flows. (Use a minus sign or parentheses for a decrease in cash.)

Net increase (decrease) in cash		\$ 9,900
Cash balance, December 31, 2009		87,400
Cash balance, December 31, 2010		\$ 97,300

Data Table

Cash			
Beginning balance	87,400	Payments of operating expenses	46,700
Issuance of common stock	60,100	Payments of salaries and wages	69,500
Receipts of interest revenue	14,600	Payment of note payable	75,000
Collections from customers	308,900	Payment of income tax	9,500
		Payments on accounts payable	101,100
		Payments of dividends	1,300
		Payments of interest	21,100
		Purchase of equipment	49,500
Ending balance	97,300		

The 2012 comparative Balance Sheet and Income Statement of Alden Group, Inc., follow. Alden had no noncash investing and financing transactions during 2012.



(Click the icon to view the comparative Balance Sheet.)



(Click the icon to view the Income Statement.)

Requirement

1. Prepare the spreadsheet for the 2012 Statement of Cash Flows. Format cash flows from operating activities by the *indirect* method.

Requirement 1. Complete the cash flow worksheet. Use the transaction references in Panel B when selecting the transaction references in Panel A. (Only complete the necessary answer boxes, leave all others blank. Do not check your answer until both panel a and panel b have been completed. After you hit continue the screen may take you below the bottom of the step. If so, scroll back up to the top of the step.)

Alden Group, Inc.						
Work Sheet for Statement of Cash Flows (Indirect Method)						
Year Ended December 31, 2012						
PANEL A – ACCOUNT TITLES	BALANCES 12/31/11	TRANSACTION ANALYSIS			BALANCES 12/31/12	
			DEBIT	CREDIT		
Cash and cash equivalents	15,600			i.	1,900	13,700
Accounts receivable	43,100			c.	1,600	41,500
Inventories	93,000	d.	3,600			96,600
Land	10,000	g.	25,100			35,100
Equipment, net	93,700	h.	22,500	b.	15,300	100,900
Totals	<u>255,400</u>					<u>287,800</u>
Accounts payable	26,000	e.	1,200			24,800
Accrued liabilities	22,500			f.	1,900	24,400
Notes payable	65,000	j.	10,000			55,000
Common stock	122,300			k.	8,800	131,100
Retained earnings	19,600	i.	28,700	a.	61,600	52,500
Totals	<u>255,400</u>		<u>91,100</u>		<u>91,100</u>	<u>287,800</u>

PANEL B – STATEMENT OF CASH FLOWS	BALANCES 12/31/11	TRANSACTION ANALYSIS		BALANCES 12/31/12
		DEBIT	CREDIT	
Cash flows from operating activities:				
Net income		a. 61,600		
Adjustments to reconcile net income to cash flow from operations:				
Depreciation		b. 15,300		
Decrease in accounts receivable		c. 1,600		
Increase in inventory			d. 3,600	
Decrease in accounts payable			e. 1,200	
Increase in accrued liabilities		f. 1,900		
Cash flows from investing activities:				
Purchase of land			g. 25,100	
Purchase of equipment			h. 22,500	
Cash flows from financing activities:				
Payment of dividends			i. 28,700	
Payment of notes payable			j. 10,000	
Issuance of common stock		k. 8,800		
Subtotal		89,200	91,100	
Net decrease in cash and cash equivalents		l. 1,900		
Totals		91,100	91,100	

Data Table

ALDEN GROUP, INC.			
Comparative Balance Sheet			
December 31, 2012 and 2011			
	2012	2011	Increase (Decrease)
Current assets:			
Cash and cash equivalents	\$ 13,700	\$ 15,600	\$ (1,900)
Accounts receivable	41,500	43,100	(1,600)
Inventories	96,600	93,000	3,600
Plant assets:			
Land	35,100	10,000	25,100
Equipment, net	100,900	93,700	7,200
Total assets	<u>\$ 287,800</u>	<u>\$ 255,400</u>	<u>\$ 32,400</u>
Current liabilities:			
Accounts payable	\$ 24,800	\$ 26,000	\$ (1,200)
Accrued liabilities	24,400	22,500	1,900
Long-term liabilities:			
Notes payable	55,000	65,000	(10,000)
Stockholders' equity:			
Common stock	131,100	122,300	8,800
Retained earnings	52,500	19,600	32,900
Total liabilities and stockholders' equity	<u>\$ 287,800</u>	<u>\$ 255,400</u>	<u>\$ 32,400</u>

Data Table

ALDEN GROUP, INC.		
Income Statement		
Year Ended December 31, 2012		
Revenues:		
Sales revenue		\$ 438,000
Interest revenue		11,700
Total revenues		449,700
Expenses:		
Cost of goods sold	\$ 205,200	
Salary expense	76,400	
Depreciation expense	15,300	
Other operating expense	49,700	
Interest expense	24,600	
Income tax expense	16,900	
Total expenses		388,100
Net income		<u>\$ 61,600</u>

The 2012 comparative Balance Sheet and Income Statement of **Cobbs Hill**, Inc., follow.



(Click the icon to view the comparative Balance Sheet.)



(Click the icon to view the Income Statement.)

Cobbs Hill had no noncash investing and financing transactions during 2012. During the year, there were no sales of land or equipment, no issuance of notes payable, no retirements of stock, and no treasury stock transactions.

Requirement

1. Prepare the spreadsheet for the company's 2012 Statement of Cash Flows. Format cash flows from operating activities by the *indirect* method.

Requirement 1. Complete the cash flow worksheet. Use the transaction references in Panel B when selecting the transaction references in Panel A. (Only complete the necessary answer boxes, leave all others blank. Do not check your answer until both Panel A and Panel B have been completed. After you hit continue the screen may take you below the bottom of the step. If so, scroll back up to the top of the step.)

Cobbs Hill, Inc.						
Work Sheet for Statement of Cash Flows (Indirect Method)						
Year Ended December 31, 2012						
PANEL A – ACCOUNT TITLES	BALANCES 12/31/11	TRANSACTION ANALYSIS				BALANCES 12/31/12
		DEBIT		CREDIT		
Cash and cash equivalents	15,300	i.	10,700			26,000
Accounts receivable	25,000	c.	1,700			26,700
Inventories	91,800			d.	12,800	79,000
Land	10,000	g.	24,700			34,700
Equipment, net	92,700	h.	22,400	b.	14,200	100,900
Totals	<u>234,800</u>					<u>267,300</u>
Accounts payable	30,700			e.	4,900	35,600
Accrued liabilities	30,000	f.	1,800			28,200
Notes payable	104,000	j	27,000			77,000
Common stock	64,400			k.	23,800	88,200
Retained earnings	5,700	i.	79,800	a.	112,400	38,300
Totals	<u>234,800</u>		<u>168,100</u>		<u>168,100</u>	<u>267,300</u>

PANEL B – STATEMENT OF CASH FLOWS	BALANCES 12/31/11	TRANSACTION ANALYSIS		BALANCES 12/31/12
		DEBIT	CREDIT	
Cash flows from operating activities:				
Net income		a. 112,400		
Adjustments to reconcile net income to cash flow from operations:				
Depreciation		b. 14,200		
Increase in accounts receivable			c. 1,700	
Decrease in inventory		d. 12,800		
Increase in accounts payable		e. 4,900		
Decrease in accrued liabilities			f. 1,800	
Cash flows from investing activities:				
Purchase of land			g. 24,700	
Purchase of equipment			h. 22,400	
Cash flows from financing activities:				
Payment of dividends			i. 79,800	
Payment of notes payable			j. 27,000	
Issuance of common stock		k. 23,800		
Subtotal		168,100	157,400	
Net increase in cash and cash equivalents			l. 10,700	
Totals		168,100	168,100	

Data Table

Cobbs Hill, Inc.			
Comparative Balance Sheet			
December 31, 2012 and 2011			
	2012	2011	Increase (Decrease)
Current assets:			
Cash and cash equivalents	\$ 26,000	\$ 15,300	\$ 10,700
Accounts receivable	26,700	25,000	1,700
Inventories	79,000	91,800	(12,800)
Plant assets:			
Land	34,700	10,000	24,700
Equipment, net	100,900	92,700	8,200
Total assets	<u>\$ 267,300</u>	<u>\$ 234,800</u>	<u>\$ 32,500</u>
Current liabilities:			
Accounts payable	\$ 35,600	\$ 30,700	\$ 4,900
Accrued liabilities	28,200	30,000	(1,800)
Long-term liabilities:			
Notes payable	77,000	104,000	(27,000)
Stockholders' equity:			
Common stock	88,200	64,400	23,800
Retained earnings	38,300	5,700	32,600
Total liabilities and stockholders' equity	<u>\$ 267,300</u>	<u>\$ 234,800</u>	<u>\$ 32,500</u>

Data Table

Cobbs Hill, Inc.		
Income Statement		
Year Ended December 31, 2012		
Revenues:		
Sales revenue		\$ 443,000
Interest revenue		8,700
Total revenues		451,700
Expenses:		
Cost of goods sold	\$ 200,200	
Salary expense	73,400	
Depreciation expense	14,200	
Other operating expense	10,000	
Interest expense	21,800	
Income tax expense	19,700	
Total expenses		339,300
Net income		<u>\$ 112,400</u>

The 2012 comparative Balance Sheet and Income Statement of Alden Group, Inc., follow. Alden had no noncash investing and financing transactions during 2012.



(Click the icon to view the comparative Balance Sheet.)



(Click the icon to view the Income Statement.)

Requirement

1. Prepare the spreadsheet for the 2012 Statement of Cash Flows. Format cash flows from operating activities by the *indirect* method.

Requirement 1. Complete the cash flow work sheet. Use the transaction references in Panel B when selecting the transaction references in Panel A. (Only complete the necessary answer boxes, leave all others blank. Do not check your answer until both Panel A and Panel B have been completed. After you hit continue, the screen may take you below the bottom of the step. If so, scroll back up to the top of the step.)

Alden Group, Inc.						
Work Sheet for Statement of Cash Flows (Indirect Method)						
Year Ended December 31, 2012						
PANEL A – ACCOUNT TITLES	BALANCES 12/31/11	TRANSACTION ANALYSIS			BALANCES 12/31/12	
			DEBIT	CREDIT		
Cash and cash equivalents	15,800			i.	5,100	10,700
Accounts receivable	43,400			c.	1,600	41,800
Inventories	93,200	d.	3,400			96,600
Land	16,000	g.	25,400			41,400
Equipment, net	93,800	h.	22,300	b.	15,600	100,500
Totals	262,200					291,000
Accounts payable	26,500	e.	1,100			25,400
Accrued liabilities	22,700			f.	1,300	24,000
Notes payable	66,000	j.	12,000			54,000
Common stock	127,900			k.	8,300	136,200
Retained earnings	19,100	i.	28,400	a.	60,700	51,400
Totals	262,200		92,600		92,600	291,000

PANEL B – STATEMENT OF CASH FLOWS	BALANCES 12/31/11	TRANSACTION ANALYSIS		BALANCES 12/31/12
		DEBIT	CREDIT	
Cash flows from operating activities:				
Net income		a. 60,700		
Adjustments to reconcile net income to cash flow from operations:				
Depreciation		b. 15,600		
Decrease in accounts receivable		c. 1,600		
Increase in inventory			d. 3,400	
Decrease in accounts payable			e. 1,100	
Increase in accrued liabilities		f. 1,300		
Cash flows from investing activities:				
Purchase of land			g. 25,400	
Purchase of equipment			h. 22,300	
Cash flows from financing activities:				
Payment of dividends			i. 28,400	
Payment of notes payable			j. 12,000	
Issuance of common stock		k. 8,300		
Subtotal		87,500	92,600	
Net decrease in cash and cash equivalents		l. 5,100		
Totals		92,600	92,600	

Data Table

ALDEN GROUP, INC.			
Comparative Balance Sheet			
December 31, 2012 and 2011			
	2012	2011	Increase (Decrease)
Current assets:			
Cash and cash equivalents	\$ 10,700	\$ 15,800	\$ (5,100)
Accounts receivable	41,800	43,400	(1,600)
Inventories	96,600	93,200	3,400
Plant assets:			
Land	41,400	16,000	25,400
Equipment, net	100,500	93,800	6,700
Total assets	<u>\$ 291,000</u>	<u>\$ 262,200</u>	<u>\$ 28,800</u>
Current liabilities:			
Accounts payable	\$ 25,400	\$ 26,500	\$ (1,100)
Accrued liabilities	24,000	22,700	1,300
Long-term liabilities:			
Notes payable	54,000	66,000	(12,000)
Stockholders' equity:			
Common stock	136,200	127,900	8,300
Retained earnings	51,400	19,100	32,300
Total liabilities and stockholders' equity	<u>\$ 291,000</u>	<u>\$ 262,200</u>	<u>\$ 28,800</u>

Data Table

ALDEN GROUP, INC.		
Income Statement		
Year Ended December 31, 2012		
Revenues:		
Sales revenue		\$ 438,000
Interest revenue		11,900
Total revenues		449,900
Expenses:		
Cost of goods sold	\$ 205,800	
Salary expense	76,700	
Depreciation expense	15,600	
Other operating expense	49,600	
Interest expense	24,800	
Income tax expense	16,700	
Total expenses		389,200
Net income		<u>\$ 60,700</u>

The 2012 comparative Balance Sheet and Income Statement of **Digital Subscriptions, Inc.**, follow.



(Click the icon to view the comparative Balance Sheet.)



(Click the icon to view the Income Statement.)

Digital Subscriptions had no noncash investing and financing transactions during 2012. During the year, there were no sales of land or equipment, no issuance of notes payable, no retirements of stock, and no treasury stock transactions.

Requirement

1. Prepare the spreadsheet for **Digital Subscriptions's** 2012 Statement of Cash Flows. Format cash flows from operating activities by the *indirect* method.

Requirement 1. Complete the cash flow work sheet. Use the transaction references in Panel B when selecting the transaction references in Panel A. (Only complete the necessary answer boxes, leave all others blank. Do not check your answer until both Panel A and Panel B have been completed. After you hit continue the screen may take you below the bottom of the step. If so, scroll back up to the top of the step.)

Digital Subscriptions, Inc.						
Work Sheet for Statement of Cash Flows (Indirect Method)						
Year Ended December 31, 2012						
PANEL A – ACCOUNT TITLES	BALANCES 12/31/11	TRANSACTION ANALYSIS			BALANCES 12/31/12	
		DEBIT		CREDIT		
Cash and cash equivalents	15,800	i.	11,000		26,800	
Accounts receivable	25,000	c.	1,500		26,500	
Inventories	91,100			d.	11,600	79,500
Land	10,000	g.	24,700		34,700	
Equipment, net	88,700	h.	23,000	b.	14,800	96,900
Totals	230,600					264,400
Accounts payable	30,000			e.	5,500	35,500
Accrued liabilities	30,100	f.	1,600			28,500
Notes payable	102,000	j	29,000			73,000
Common stock	64,300			k.	24,400	88,700
Retained earnings	4,200	i.	63,100	a.	97,600	38,700
Totals	230,600		153,900		153,900	264,400

PANEL B – STATEMENT OF CASH FLOWS	BALANCES 12/31/11	TRANSACTION ANALYSIS		BALANCES 12/31/12
		DEBIT	CREDIT	
Cash flows from operating activities:				
Net income		a. 97,600		
Adjustments to reconcile net income to cash flow from operations:				
Depreciation		b. 14,800		
Increase in accounts receivable			c. 1,500	
Decrease in inventory		d. 11,600		
Increase in accounts payable		e. 5,500		
Decrease in accrued liabilities			f. 1,600	
Cash flows from investing activities:				
Purchase of land			g. 24,700	
Purchase of equipment			h. 23,000	
Cash flows from financing activities:				
Payment of dividends			i. 63,100	
Payment of notes payable			j. 29,000	
Issuance of common stock		k. 24,400		
Subtotal		153,900	142,900	
Net increase in cash and cash equivalents			l. 11,000	
Totals		153,900	153,900	

Data Table

Digital Subscriptions, Inc.			
Comparative Balance Sheet			
December 31, 2012 and 2011			
	2012	2011	Increase (Decrease)
Current assets:			
Cash and cash equivalents	\$ 26,800	\$ 15,800	\$ 11,000
Accounts receivable	26,500	25,000	1,500
Inventories	79,500	91,100	(11,600)
Plant assets:			
Land	34,700	10,000	24,700
Equipment, net	96,900	88,700	8,200
Total assets	<u>\$ 264,400</u>	<u>\$ 230,600</u>	<u>\$ 33,800</u>
Current liabilities:			
Accounts payable	\$ 35,500	\$ 30,000	\$ 5,500
Accrued liabilities	28,500	30,100	(1,600)
Long-term liabilities:			
Notes payable	73,000	102,000	(29,000)
Stockholders' equity:			
Common stock	88,700	64,300	24,400
Retained earnings	38,700	4,200	34,500
Total liabilities and stockholders' equity	<u>\$ 264,400</u>	<u>\$ 230,600</u>	<u>\$ 33,800</u>

Data Table

Digital Subscriptions, Inc.		
Income Statement		
Year Ended December 31, 2012		
Revenues:		
Sales revenue		\$ 441,000
Interest revenue		8,100
Total revenues		449,100
Expenses:		
Cost of goods sold	\$ 205,200	
Salary expense	79,400	
Depreciation expense	14,800	
Other operating expense	10,300	
Interest expense	21,900	
Income tax expense	19,900	
Total expenses		351,500
Net income		<u>\$ 97,600</u>