

PRACTICE EXERCISE

PE 16-1A

- | | |
|--------------|--------------|
| a. Financing | d. Investing |
| b. Operating | e. Operating |
| c. Investing | f. Operating |

PE 16-2A

| | |
|---|--------------|
| Net income | \$ 90,000 |
| Adjustments to reconcile net income to net cash flow from operating activities: | |
| Depreciation | 8,000 |
| Amortization | 5,200 |
| Loss from sale of investments | <u>6,000</u> |
| Net cash flows from operating activities | \$109,200 |

PE 16-3A

| | |
|---|--------------|
| Net income | \$110,000 |
| Adjustments to reconcile net income to net cash flow from operating activities: | |
| Changes in current operating assets and liabilities: | |
| Decrease in accounts receivable | 2,000 |
| Increase in inventory | (2,500) |
| Increase in accounts payable | <u>1,300</u> |
| Net cash flow from operating activities | \$110,800 |

PE 16-4A

| | |
|---|----------------|
| Cash flows from operating activities: | |
| Net income | \$ 85,000 |
| Adjustments to reconcile net income to net cash flow from operating activities: | |
| Depreciation | 14,000 |
| Gain from disposal of equipment | (10,500) |
| Changes in current operating assets and liabilities: | |
| Decrease in accounts receivable | 6,000 |
| Decrease in accounts payable | <u>(1,800)</u> |
| Net cash flow from operating activities | \$92,700 |

PROBLEMS

Prob. 16–1A

OAK AND TILE FLOORING CO.
Statement of Cash Flows
For the Year Ended June 30, 2008

| | | |
|---|---------------|-------------------------|
| Cash flows from operating activities: | | |
| Net income | | \$ 65,900 |
| Adjustments to reconcile net income to net cash flow from operating activities: | | |
| Depreciation..... | | 7,300 |
| Loss on sale of investments..... | | 5,000 |
| Changes in current operating assets and liabilities: | | |
| Increase in accounts receivable..... | | (9,300) |
| Increase in inventories..... | | (4,200) |
| Increase in accounts payable..... | | 5,700 |
| Increase in accrued expenses..... | | <u>1,800</u> |
| Net cash flow from operating activities | | \$ 72,200 |
| Cash flows from investing activities: | | |
| Cash received from sale of investments | | \$ 45,000 |
| Less: Cash paid for purchase of land..... | \$145,000 | |
| Cash paid for purchase of equipment..... | <u>39,500</u> | <u>184,500</u> |
| Net cash flow used for investing activities..... | | (139,500) |
| Cash flows from financing activities: | | |
| Cash received from sale of common stock .. | | \$126,000 |
| Less cash paid for dividends..... | | <u>47,500*</u> |
| Net cash flow provided by financing activities..... | | <u>78,500</u> |
| Increase in cash | | \$ 11,200 |
| Cash at the beginning of the year..... | | <u>23,500</u> |
| Cash at the end of the year | | <u><u>\$ 34,700</u></u> |

*\$50,000 + \$10,000 – \$12,500 = \$47,500

Prob. 16–1A Concluded

| | A | B | C | D | E | |
|---|---|----------------------|---------------------|-------------------|----------------------|----|
| OAK AND TILE FLOORING CO. | | | | | | |
| Spreadsheet (Work Sheet) For Statement of Cash Flows | | | | | | |
| For the Year Ended June 30, 2008 | | | | | | |
| | | Balance | Transactions | | Balance | |
| | | June 30, 2007 | Debit | Credit | June 30, 2008 | |
| 1 | Cash | 23,500 | (m) 11,200 | | 34,700 | 1 |
| 2 | Accounts receivable | 92,300 | (l) 9,300 | | 101,600 | 2 |
| 3 | Inventories | 142,100 | (k) 4,200 | | 146,300 | 3 |
| 4 | Investments | 50,000 | | (j) 50,000 | 0 | 4 |
| 5 | Land | 0 | (i) 145,000 | | 145,000 | 5 |
| 6 | Equipment | 175,500 | (h) 39,500 | | 215,000 | 6 |
| 7 | Accum. dep.—equipment | (41,300) | | (g) 7,300 | (48,600) | 7 |
| 8 | Accounts payable | (95,200) | | (f) 5,700 | (100,900) | 8 |
| 9 | Accrued expenses | (13,200) | | (e) 1,800 | (15,000) | 9 |
| 10 | Dividends payable | (10,000) | | (d) 2,500 | (12,500) | 10 |
| 11 | Common stock | (50,000) | | (c) 6,000 | (56,000) | 11 |
| 12 | Paid-in capital in excess of par—common stock | (100,000) | | (c) 120,000 | (220,000) | 12 |
| 13 | Retained earnings | <u>(173,700)</u> | (b) <u>50,000</u> | (a) <u>65,900</u> | <u>(189,600)</u> | 13 |
| 14 | Totals | <u>0</u> | <u>259,200</u> | <u>259,200</u> | <u>0</u> | 14 |
| 15 | Operating activities: | | | | | 15 |
| 16 | Net income | | (a) 65,900 | | | 16 |
| 17 | Depreciation | | (g) 7,300 | | | 17 |
| 18 | Loss on sale of investments | | (j) 5,000 | | | 18 |
| 19 | Increase in accounts receivable | | | (l) 9,300 | | 19 |
| 20 | Increase in inventories | | | (k) 4,200 | | 20 |
| 21 | Increase in accounts payable | | (f) 5,700 | | | 21 |
| 22 | Increase in accrued expenses | | (e) 1,800 | | | 22 |
| 23 | Investing activities: | | | | | 23 |
| 24 | Purchase of equipment | | | (h) 39,500 | | 24 |
| 25 | Purchase of land | | | (i) 145,000 | | 25 |
| 26 | Sale of investments | | (j) 45,000 | | | 26 |
| 27 | Financing activities: | | | | | 27 |
| 28 | Declaration of cash dividends | | | (b) 50,000 | | 28 |
| 29 | Sale of common stock | | (c) 126,000 | | | 29 |
| 30 | Increase in dividends payable | | (d) 2,500 | | | 30 |
| 31 | Net increase in cash | | | (m) <u>11,200</u> | | 31 |
| 32 | Totals | | <u>259,200</u> | <u>259,200</u> | | 32 |