The comparative balance sheet of Mills Engine Co. at December 31, 2013 and 2012, is as follows:

|  |  |  |
| --- | --- | --- |
|   |      Dec. 31, 2013 |      Dec. 31, 2012 |
| Assets |   |   |   |   |
| Cash | $ 741,530 |   | $ 799,300 |   |
| Accounts receivable (net) | 674,790 |   | 615,470 |   |
| Inventories | 1,023,310 |   | 941,740 |   |
| Prepaid expenses | 23,730 |   | 28,180 |   |
| Land | 255,090 |   | 385,600 |   |
| Buildings | 1,179,030 |   | 726,700 |   |
| Accumulated depreciation-buildings | (333,690) |   | (311,440) |   |
| Equipment | 415,260 |   | 367,060 |   |
| Accumulated depreciation-equipment | (114,200) |   | (128,280) |   |
|   | $3,864,850 |   | $3,424,330 |   |
| Liabilities and Stockholders Equity |
| Accounts payable (merchandise creditors) | $ 734,320 |   | $ 774,900 |
| Bonds payable | 216,430 |   | 0 |
| Common stock, $20 par | 254,000 |   | 94,000 |
| Paid-in capital in excess of par-common stock | 611,000 |   | 451,000 |
| Retained earnings | 2,049,100 |   | 2,104,430 |
|   | $3,864,850 |   | $3,424,330 |

The noncurrent asset, noncurrent liability, and stockholders' equity accounts for 2013 are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| ACCOUNT Land  |   |   | ACCOUNT NO. |
| Date | Item | Debit | Credit | Balance |
| 2013 |   |   |   | Debit | Credit |
| Jan. 1 | Balance |   |   | 385,600 |   |
| Apr. 20 | Realized $121,400 cash from sale |   | 130,510 | 255,090 |   |

|  |  |  |  |
| --- | --- | --- | --- |
| ACCOUNT Buildings |   |   | ACCOUNT NO. |
| Date | Item | Debit | Credit | Balance |
| 2013 |   |   |   | Debit | Credit |
| Jan. 1 | Balance |   |   | 726,700 |   |
| Apr. 20 | Acquired for cash | 452,330 |   | 1,179,030 |   |

|  |  |  |
| --- | --- | --- |
| ACCOUNT Accumulated Depreciation-Buildings |   | ACCOUNT NO. |
| Date | Item | Debit | Credit | Balance |
| 2013 |   |   |   | Debit | Credit |
| Jan. 1 | Balance |   |   |   | 311,440 |
| Dec. 31 | Depreciation for year |   | 22,250 |   | 333,690 |

|  |  |  |  |
| --- | --- | --- | --- |
| ACCOUNT Equipment  |   |   | ACCOUNT NO. |
| Date | Item | Debit | Credit | Balance |
| 2013 |   |   |   | Debit | Credit |
| Jan. 1 | Balance |   |   | 367,060 |   |
| Jan. 26 | Discarded, no salvage |   | 40,400 | 326,660 |   |
| Aug. 11 | Purchased for cash | 88,600 |   | 415,260 |   |

|  |  |  |  |
| --- | --- | --- | --- |
| ACCOUNT Accumulated Depreciation-Equipment |   |   | ACCOUNT NO. |
| Date | Item | Debit | Credit | Balance |
| 2013 |   |   |   | Debit | Credit |
| Jan. 1 | Balance |   |   |   | 128,280 |
| Jan. 26 | Equipment discarded | 40,400 |   |   | 87,880 |
| Dec. 31 | Depreciation for year |   | 26,320 |   | 114,200 |

|  |  |  |
| --- | --- | --- |
| ACCOUNT Bonds Payable  |   | ACCOUNT NO. |
| Date | Item | Debit | Credit | Balance |
| 2013 |   |   |   | Debit | Credit |
| May 1 | Issued 20-year bonds |   | 216,430 |   | 216,430 |

|  |  |  |
| --- | --- | --- |
| ACCOUNT Common Stock, $ 20 par |   | ACCOUNT NO. |
| Date | Item | Debit | Credit | Balance |
| 2013 |   |   |   | Debit | Credit |
| Jan. 1 | Balance |   |   |   | 94,000 |
| Dec. 7 | Issued 8,000 shares of commonstock for $40 per share |   | 160,000 |   | 254,000 |

|  |  |  |
| --- | --- | --- |
| ACCOUNT Paid-in Capital in Excess of Par-Common Stock |   | ACCOUNT NO. |
| Date | Item | Debit | Credit | Balance |
| 2013 |   |   |   | Debit | Credit |
| Jan. 1 | Balance |   |   |   | 451,000 |
| Dec. 7 | Issued 8,000 shares of commonstock for $40 per share |   | 160,000 |   | 611,000 |

|  |  |  |  |
| --- | --- | --- | --- |
| ACCOUNT Retained Earnings |   |   | ACCOUNT NO. |
| Date | Item | Debit | Credit | Balance |
| 2013 |   |   |   | Debit | Credit |
| Jan. 1 | Balance |   |   |   | 2,104,430 |
| Dec. 31 | Net loss | 26,640 |   |   | 2,077,790 |
| Dec. 31 | Cash dividends | 28,690 |   |   | 2,049,100 |



|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
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Prepare a statement of cash flows, using the indirect method of presenting cash flows from operating activities. If needed, use the minus sign to indicate cash outflows, negative amounts, net loss, or a decrease in cash.

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| Mills Engine Co.  |

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| --- |
| Statement of Cash Flows  |

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| --- |
| For the Year Ended December 31, 2013  |

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| --- |
| Cash flows from operating activities:  |

 |  |  |  |  |  |  |
|

|  |
| --- |
| *
* Depreciation
* Dividends
* Net loss
* Loss on sale of land

Correct 5  |

 |  |  |  |

|  |
| --- |
| $ Correct 6  |

 |  |  |
|

|  |
| --- |
| Adjustments to reconcile net income to net cashflow from operating activities:  |

 |  |  |  |  |  |  |
|

|  |
| --- |
| *
* Decrease in accounts receivable
* Depreciation
* Gain on sale of land
* Increase in accounts receivable

Correct 8  |

 |  |  |  |

|  |
| --- |
| Correct 9  |

 |  |  |
|

|  |
| --- |
| *
* Decrease in inventories
* Gain on sale of land
* Increase in accounts payable
* Loss on sale of land

Correct 10  |

 |  |  |  |

|  |
| --- |
| Correct 11  |

 |  |  |
|

|  |
| --- |
| Changes in current operating assets and liabilities:  |

 |  |  |  |  |  |  |
|

|  |
| --- |
| *
* Decrease in accounts receivable
* Decrease in inventories
* Depreciation
* Increase in accounts receivable

Correct 13  |

 |  |  |  |

|  |
| --- |
| Correct 14  |

 |  |  |
|

|  |
| --- |
| *
* Decrease in accounts receivable
* Decrease in inventories
* Increase in accounts payable
* Increase in inventories

Correct 15  |

 |  |  |  |

|  |
| --- |
| Correct 16  |

 |  |  |
|

|  |
| --- |
| *
* Decrease in inventories
* Decrease in prepaid expenses
* Increase in accounts payable
* Increase in prepaid expenses

Correct 17  |

 |  |  |  |

|  |
| --- |
| Correct 18  |

 |  |  |
|

|  |
| --- |
| *
* Decrease in accounts payable
* Decrease in inventories
* Increase in accounts payable
* Net income

Correct 19  |

 |  |  |  |

|  |
| --- |
| Correct 20  |

 |  |  |
|

|  |
| --- |
| Net cash flow from operating activities  |

 |  |  |  |  |  |

|  |
| --- |
| $ Correct 22  |

 |
|

|  |
| --- |
| Cash flows from investing activities:  |

 |  |  |  |  |  |  |
|

|  |
| --- |
| *
* Cash received from gain on sale of land
* Cash received from land sold
* Cash received from net income
* Cash received from issuance of common stock

Correct 24  |

 |  |  |  |

|  |
| --- |
| $ Correct 25  |

 |  |  |
|

|  |
| --- |
| *
* Less depreciation
* Less cash paid for acquisition of building
* Less loss on sale of land
* Less cash paid for dividends

Correct 26  |

 |  |

|  |
| --- |
| $ Correct 27  |

 |  |  |  |  |
|

|  |
| --- |
| *
* Less decrease in accounts receivable
* Less increase in inventories
* Less cash paid for purchase of equipment
* Less cash from issuance of bonds payable

Correct 28  |

 |  |

|  |
| --- |
| Correct 29  |

 |  |

|  |
| --- |
| Correct 30  |

 |  |  |
|

|  |
| --- |
| Net cash flow used for investing activities  |

 |  |  |  |  |  |

|  |
| --- |
| Correct 32  |

 |
|

|  |
| --- |
| Cash flows from financing activities:  |

 |  |  |  |  |  |  |
|

|  |
| --- |
| *
* Cash received from issuance of bonds payable
* Cash received from sale of land
* Cash received from purchase of equipment
* Cash received from decrease in prepaid expenses

Correct 34  |

 |  |

|  |
| --- |
| $ Correct 35  |

 |  |  |  |  |
|

|  |
| --- |
| *
* Cash paid for acquisition of building
* Cash paid for issuance of common stock
* Cash received from issuance of common stock
* Cash received from sale of land

Correct 36  |

 |  |

|  |
| --- |
| Correct 37  |

 |  |

|  |
| --- |
| $ Correct 38  |

 |  |  |
|

|  |
| --- |
| *
* Less cash from net loss
* Less cash paid for purchase of equipment
* Less cash paid for dividends
* Less cash paid for loss on sale of land

Correct 39  |

 |  |  |  |

|  |
| --- |
| Correct 40  |

 |  |  |
|

|  |
| --- |
| Net cash flow provided by financing activities  |

 |  |  |  |  |  |

|  |
| --- |
| Correct 42  |

 |
|

|  |
| --- |
| *
* Decrease in cash
* Increase in cash

Correct 43  |

 |  |  |  |  |  |

|  |
| --- |
| $ Correct 44  |

 |
|

|  |
| --- |
| Cash at beginning of the year  |

 |  |  |  |  |  |

|  |
| --- |
| Correct 46  |

 |
|

|  |
| --- |
| Cash at end of the year  |

 |  |  |  |  |  |

|  |
| --- |
| $ Correct 48  |

 |

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