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 common stock 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 common stock 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 |



|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  |  | | --- | --- | --- | --- | |  |  |  |  |   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.     |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | | |  | | --- | | Mills Engine Co. | | | | | | | | | |  | | --- | | Statement of Cash Flows | | | | | | | | | |  | | --- | | For the Year Ended December 31, 2013 | | | | | | | | | |  | | --- | | 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 cash flow 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 | | |