Simple cash flow

Background: The ability to manage cash flow is essential for businesses. Many small businesses fail because they are unable to manage the ups and downs of periodic cash flows. Listed below are items that a corporation gave up in order to receive cash.

Required: For each item listed in the first column, describe the effect on the elements of each financial statement using the format shown. Indicate “NE” for no effect. An example transaction has been completed for you. The increases to cash have already been recorded.

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| --- | --- | --- | --- |
| **Item given up in order to receive cash:** | **Change in the**  **Balance Sheet** | **Effect on the**  **Income Statement** | **Results in a Change in Owner Value**  **(YES or NO)** |
| Land that originally cost the corporation an amount less than the cash received. This transaction was not in the primary course of business. | Cash (Increase)  Land (Decrease)  R/E (Increase Through a Gain) | Increase | YES |
| Land that originally cost the corporation an amount equal to the cash received. This transaction was not in the primary course of business. | Cash (Increase) |  |  |
| A service. | Cash (Increase) |  |  |
| A promise to deliver a non-cash asset or service at a later date. | Cash (Increase) |  |  |
| A promise to repay cash at a later date to a bank. | Cash (Increase) |  |  |
| An equity claim (e.g. a share of stock that provides the owner/investor with a claim to a proportionate share of the net assets of the corporation. | Cash (Increase) |  |  |