**E12-12** The 2007 accounting records of Verlander Transport reveal these transactions

and events.

Payment of interest $ 10,000 Collection of accounts receivable $182,000

Cash sales 48,000 Payment of salaries and wages 53,000

Receipt of dividend revenue 18,000 Depreciation expense 16,000

Payment of income taxes 12,000 Proceeds from sale of vehicles 812,000

Net income 38,000 Purchase of equipment for cash 22,000

Payment of accounts payable Loss on sale of vehicles 3,000

for merchandise 115,000 Payment of dividends 14,000

Payment for land 74,000 Payment of operating expenses 28,000

***Instructions***

Prepare the cash flows from operating activities section using the direct method. (Not all

**P12-11A** The comparative balance sheets for Ramirez Company as of December 31 are

presented below.

**RAMIREZ COMPANY**

**Comparative Balance Sheets**

**December 31**

**Assets 2007 2006**

Cash $ 71,000 $ 45,000

Accounts receivable 44,000 62,000

Inventory 151,450 142,000

Prepaid expenses 15,280 21,000

Land 105,000 130,000

Equipment 228,000 155,000

Accumulated depreciation—equipment (45,000) (35,000)

Building 200,000 200,000

Accumulated depreciation—building (60,000) (40,000)

Total $709,730 $680,000

**Liabilities and Stockholders’ Equity**

Accounts payable $ 47,730 $ 40,000

Bonds payable 260,000 300,000

Common stock, $1 par 200,000 160,000

Retained earnings 202,000 180,000

Total $709,730 $680,000

Additional information:

1. Operating expenses include depreciation expense of $42,000 and charges from prepaid

expenses of $5,720.

2. Land was sold for cash at book value.

3. Cash dividends of $15,000 were paid.

4. Net income for 2007 was $37,000.

5. Equipment was purchased for $95,000 cash. In addition, equipment costing $22,000

with a book value of $10,000 was sold for $6,000 cash.

6. Bonds were converted at face value by issuing 40,000 shares of $1 par value common

stock.

***Instructions***

Prepare a statement of cash flows for the year ended December 31, 2007, using the

indirect method.

Cash from operations

$105,000