

EXERCISES

Exercise 5-23



SPREADSHEET

Classification of Cash Flows

Indicate whether each of the following items would be classified as (1) an operating activity, an investing activity, or a financing activity or (2) as a noncash transaction or noncash item.

- (a) Cash collected from customers.
- (b) Cash paid to suppliers for inventory.
- (c) Cash received for interest on a nontrade note receivable.
- (d) Cash received from issuance of stock.
- (e) Cash paid for dividends.
- (f) Cash received from bank on a loan.
- (g) Cash paid for interest on a loan.
- (h) Cash paid to retire bonds.
- (i) Cash paid to purchase stock of another company as a long-term investment.
- (j) Cash received from the sale of a business segment.
- (k) Cash paid for property taxes.
- (l) Cash received for dividend revenue.
- (m) Cash paid for wages.
- (n) Cash paid for insurance.
- (o) Preferred stock retired by issuing common stock.
- (p) Depreciation expense for the year.
- (q) Cash paid to purchase machinery.
- (r) Cash received from the sale of land.

Exercise 5-24

Cash Flow Analysis

State how each of the following items would be reflected on a statement of cash flows.

- (a) Securities classified as available for sale were purchased for \$4,200.
- (b) Buildings were acquired for \$210,000, the company paying \$60,000 cash and signing an 11% mortgage note, payable in five years, for the balance.
- (c) Cash of \$54,200 was paid to purchase a business whose assets consisted of inventory, \$16,700; furniture and fixtures, \$8,400; land and buildings, \$20,100; and goodwill, \$9,000.
- (d) A cash dividend of \$2,600 was declared in the current period, payable at the beginning of the next period.
- (e) Accounts Payable shows a decrease for the period of \$1,250.

Exercise 5-25

Cash Receipts and Cash Payments

The accountant for Alpine Hobby Stores prepared the following selected information for the year ended December 31, 2008:

	Dec. 31, 2008	Dec. 31, 2007
(a) Equipment	\$35,000	\$40,000
(b) Accumulated Depreciation	11,000	9,500
(c) Long-Term Debt	13,000	20,000
(d) Common Stock	20,000	15,000

Equipment with a book value of \$20,000 was sold for \$17,000 cash. The original cost of the equipment was \$25,000.

Determine the cash inflows and outflows during 2008 associated with each of the accounts listed. Indicate how the cash flows for each item would be presented on the statement of cash flows.

Exercise 5-26

Preparing the Operating Activities Section of the Statement of Cash Flows

Anakin, Inc., provides the following account balances for 2008 and 2007:

	Dec. 31, 2008	Dec. 31, 2007
Accounts Receivable	\$ 18,700	\$15,500
Inventory	25,440	27,200
Accounts Payable	21,650	22,400
Salaries Payable	1,500	1,350
Sales	278,700	
Cost of Goods Sold	197,000	
Depreciation Expense	16,700	
Salaries Expense	35,200	
Other Expenses	24,300	

Using the format presented in the chapter, prepare the Operating Activities section of the statement of cash flows and present that information using (a) the direct method and (b) the indirect method.

Exercise 5-27

**Preparing the Operating Activities Section of a Statement of Cash Flows**

Sith Enterprises provides the following income statement for 2008:

Sales	\$765,200
Cost of goods sold	375,800
Gross margin	\$389,400
Depreciation expense	42,000
Salaries expense	115,250
Interest expense	10,500
Other expenses	82,150
Income taxes expense	39,000
Net income	\$100,500

In addition, the following balance sheet information is available:

	Dec. 31, 2008	Dec. 31, 2007
Accounts receivable	\$43,000	\$39,000
Inventory	68,200	65,400
Prepaid other expenses	5,400	7,300
Accounts payable	46,300	47,500
Interest payable	900	1,100
Income taxes payable	2,850	4,100

Using the format presented in the chapter, prepare the Operating Activities section of the statement of cash flows and present that information using (a) the direct method and (b) the indirect method.

Exercise 5-28

Format of Statement of Cash Flows with Indirect Method

From the following information for Carter Corporation, prepare a statement of cash flows for the year ended December 31, 2008, using the indirect method.

Amortization of patent	\$ 4,000
Depreciation expense	7,000
Issuance of common stock	25,000
Issuance of new bonds payable	30,000
Net income	55,000
Payment of dividends	22,500
Purchase of equipment	33,200
Retirement of long-term debt	40,000
Sale of land (includes \$6,000 gain)	35,000
Decrease in accounts receivable	2,100
Increase in inventory	1,200
Increase in accounts payable	1,500
Increase in cash	56,700
Cash balance, January 1, 2008	82,800