Statement of Cash Flows

The condensed financial statements of Danielle Manufacturing Company for the years ended December 31, 2006 and December 31, 2005 are as follows:

Danielle Manufacturing Company

Comparative Balance Sheet

December 31, 2006 and 2005

2006 2005 Difference

Cash and short term investments $321,600 $76,800 $244,800

Accounts receivables (net) $246,400 $98,000 $148,400

Inventories (LIFO – lower of cost or market) $225,000 $115,800 $109,200

Investments – Available for sale $180,000 $202,000 ($22,000)

Plant Assets $480,000 $425,000 $55,000

Accumulated Depreciation ($60,000) ($104,000) ($44,000)

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Total Assets $1,393,000 $813,600 $579,400

Accounts Payable and accrued expenses $200,000 $130,400 $69,600

Mortgage Payable $100,000 $154,000 ($54,000)

Common stock and paid in capital $350,000 $262,200 $87,800

Retained Earnings $743,000 $267,000 $476,000

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Total Liabilities and stockholder’s equity $1,393,000 $813,600 $579,400

Danielle Manufacturing Company

Income Statement

For the Year Ended December 31, 2006

Net Sales $880,000

Cost of goods manufactured $260,000

Depreciation of plant assets $84,000 $344,000

\_\_\_\_\_\_\_ \_\_\_\_\_\_\_

Gross profit on sales $536,000

Selling and administrative expenses $20,000

Other (income) and expenses:

Interest and other revenue ($30,000)

Gain on sale of investments ($10,000)

Interest expense $6,000

Loss on sale of assets $24,000 ($10,000)

\_\_\_\_\_\_ \_\_\_\_\_\_\_

Income before tax expense $526,000

Income taxes $10,000

\_\_\_\_\_\_\_

Net Income $516,000

Cash dividends paid $40,000

\_\_\_\_\_\_\_

Income retained in the business $476,000

Additional Information:

1. No unrealized gains or losses have occurred on the available for sale securities.
2. Investments were sold during the year.
3. Plant assets in the amount of $210,000 were purchased during the year: $170,000 for cash and $40,000 in exchange for the company’s common stock.

Required:

Prepare a statement of cash flows using the indirect method. Show all calculations.