

1. value:
23 points

Georgia Company, a merchandiser, recently completed its calendar-year 2009 operations. For the year, (1) all sales are credit sales, (2) all credits to Accounts Receivable reflect cash receipts from customers, (3) all purchases of inventory are on credit, (4) all debits to Accounts Payable reflect cash payments for inventory, and (5) Other Expenses are paid in advance and are initially debited to Prepaid Expenses. The company's balance sheets and income statement follow:

GEORGIA COMPANY Comparative Balance Sheets December 31, 2009 and 2008		
	2009	2008
Assets		
Cash	\$ 49,800	\$ 73,500
Accounts receivable	65,840	56,000
Merchandise inventory	277,000	252,000
Prepaid expenses	1,000	1,500
Equipment	158,500	107,500
Accum. depreciation—Equipment	(43,000)	(52,000)
Total assets	<u>\$509,140</u>	<u>\$438,500</u>
Liabilities and Equity		
Accounts payable	\$ 42,965	\$113,000
Short-term notes payable	10,000	7,000
Long-term notes payable	70,000	48,000
Common stock, \$5 par value	162,750	151,000
Paid-in capital in excess of par, common stock	35,250	0
Retained earnings	188,175	119,500
Total liabilities and equity	<u>\$509,140</u>	<u>\$438,500</u>

GEORGIA COMPANY Income Statement For Year Ended December 31, 2009		
Sales		\$584,500
Cost of goods sold		<u>281,000</u>
Gross profit		303,500
Operating expenses		
Depreciation expense	\$ 20,000	
Other expenses	<u>132,800</u>	152,800
Other gains (losses)		
Loss on sale of equipment		<u>5,875</u>
Income before taxes		\$144,825
Income taxes expense		<u>24,250</u>
Net income		<u>\$120,575</u>

Additional Information on Year 2009 Transactions

- a. The loss on the cash sale of equipment was \$5,875 (details in b).
- b. Sold equipment costing \$46,500, with accumulated depreciation of \$29,000, for \$11,625 cash.

- c. Purchased equipment costing \$97,500 by paying \$35,000 cash and signing a long-term note payable for the balance.
- d. Borrowed \$3,000 cash by signing a short-term note payable.
- e. Paid \$40,500 cash to reduce the long-term notes payable.
- f. Issued 2,350 shares of common stock for \$20 cash per share.
- g. Declared and paid cash dividends of \$51,900.

Required:

Prepare a complete statement of cash flows; report its operating activities using the *indirect method*. **(Current portion of long-term debt and any (nonsales-related) short-term notes payable -- both are financing activities. Negative amounts should be indicated by a minus sign. Omit the "\$" sign in your response.)**

Georgia COMPANY Statement of Cash Flows For Year Ended December 31, 2009		
Cash flows from operating activities		
Net income		\$ 120575
Adjustments to reconcile net income to net cash provided by operating activities:		
Accounts receivable	increase	
Inventory	increase	
Prepaid expenses	decrease	
Accounts payable	decrease	
Loss on Disposal of Equipment		5,875
Depreciation Expense		
Net cash provided by operating activities		\$
Cash flows from investing activities		
Cash Received from Sale of Equipment		
Cash Paid for Equipment		
Net cash used in investing activities		
Cash flows from financing activities		
Cash Borrowed on Short-Term Note		
Cash Paid on Long-Term Note		
Cash Paid for Dividends		
Cash Received from Issuing Stock		
Net cash used in financing activities		
Net Decrease in Cash		\$
Cash balance at December 31, 2008		
Cash balance at December 31, 2009		\$

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