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| The following account balances relate to the stockholders' equity accounts of Gore Corp. at year-end.

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|   | **2008** | **2007** |
| --- | --- | --- |
| Common stock, 10,500 and 10,000 shares, respectively, for 2008 and 2007 | $160,000 | $140,000 |
| Preferred stock, 5,000 shares | 125,000 | 125,000 |
| Retained earnings | 300,000 | 260,000 |

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| http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif |

 | http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif |

A small stock dividend was declared and issued in 2008. The market value of the shares was $10,500. Cash dividends were $15,000 in both 2008 and 2007. The common stock has no par or stated value.**Hint:** *Determine cash flow effects of changes in equity accounts.* |
| http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif | http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif |

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| **Instructions**

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| **(a)** | What was the amount of net income reported by Gore Corp. in 2008?

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| http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif |
| **(b)** | Determine the amounts of any cash inflows or outflows related to the common stock and dividend accounts in 2008. |
| http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif |
| **(c)** | Indicate where each of the cash inflows or outflows identified in (b) would be classified on the statement of cash flows. |
| http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif |

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