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| The income statement of Elbert Company is presented here.

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| **ELBERT COMPANY** |
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| **Income Statement** |
| **For the Year Ended November 30, 2008** |
| Sales |   | $7,700,000 |
| Cost of goods sold |   |   |
| Beginning inventory | $1,900,000 |   |
| Purchases | 4,400,000 |   |
| Goods available for sale | 6,300,000 |   |
| Ending inventory | 1,400,000 |   |
| Total cost of goods sold |   | 4,900,000 |
| Gross profit |   | 2,800,000 |
| Operating expenses |   |   |
| Selling expenses | 450,000 |   |
| Administrative expenses | 700,000 | 1,150,000 |
| Net income |   | $1,650,000 |

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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 |

Additional information:

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| **1.** | Accounts receivable increased $250,000 during the year, and inventory decreased $500,000. |
| http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif |
| **2.** | Prepaid expenses increased $150,000 during the year. |
| http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif |
| **3.** | Accounts payable to suppliers of merchandise decreased $340,000 during the year. |
| http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif |
| **4.** | Accrued expenses payable decreased $100,000 during the year. |
| http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif |
| **5.** | Administrative expenses include depreciation expense of $90,000. |
| http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif |

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**Hint:** *Prepare the operating activities section—indirect method.* |
| http://edugen.wiley.com/edugen/courses/crs1865/common/art/pixel.gif |

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| **Instructions**Prepare the operating activities section of the statement of cash flows for the year ended November 30, 2008, for Elbert Company, using the indirect method.

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