taxes. ... ement. Ignore any income

6.48 Income statement, cash flow analysis (*Published with permission of CGA Canada*). Betty Hill realized a long-standing ambition of being her own boss when she opened Colour World paint store. The venture was made possible by a $100,000 inheritance from her late aunt. When Betty started the business on January 2, Delta Valley, a rapidly expanding community, had no such store, and it appeared to her that the business would succeed. On January 2, Betty deposited $105,000 in a bank account under the name of Colour World. She then paid $24,000 cash for store equipment, which she expected would last for 10 years with no residual value. She also paid $7,200 in advance for six months' store rent.

Betty decided to mark her merchandise for sale at 30 percent above cost—that is, an item tha cost $10 was marked to sell for $13. This markup was 5 to 10 percent lower than in nearby Burn- aby and Vancouver—this she believed would entice customers not only from Delta Valley bu nearby communities as well.

On June 30, six months after opening her store, Betty has come to you for advice. She tells yo she cannot understand why her cash balance is only $100, especially when business has been s good.

Your examination of Colour World records indicates the following:

- Purchases of merchandise were $300,000; all of the purchases were paid for except for $20,000, which is due on July 31.
- Expenses (other than rent) paid during the first six months amounted to $28,000; $1,400 o expenses remain outstanding and unpaid.
- Accounts receivable amounted to $58,200.
- Inventory on June 30 amounted to $75,000.