38. The following account balances are for the noncash current assets and current liabilities of Wynn Bicycle Company for 2008 and 2009.

|  |
| --- |
| December 31 |
|  | 2008 | 2009 |
| Accounts receivable | $4,000 | $6,000 |
| Inventory | 30,000 | 20,000 |
| Office supplies | 5,000 | 8,000 |
| Accounts payable | 10,000 | 7,000 |
| Salaries and wages payable | 2,500 | 4,000 |
| Interest payable | 1,500 | 2,500 |
| Income taxes payable | 5,500 | 2,500 |

In addition, the income statement for 2009 is as follows:

|  |  |
| --- | --- |
| Sales revenue | $110,000 |
| Costs of goods sold | 85,000 |
| Gross profit | $25,000 |
| General and administrative expense | $9,000 |
| Depreciate expense | 2,000 |
| Total operating expenses | $11,000 |
| Income before interest and taxes | $14,000 |
| Interest expense | 2,000 |
| Income before tax | $12,000 |
| Income tax expense | 4,800 |
| Net income | $7,200 |

Required

1. Prepare the Operating Activities section of the statement of cash flows using the indirect method.
2. What does the use of the direct method reveal about a company that the indirect method does not?