

2. The following is a comparative balance sheet for Top Ten Clothiers Inc. for the years 2011 and 2010:

Top Ten Clothiers Inc.  
Comparative Balance Sheet  
December 31, 2011 and 2010

<b>Assets</b>	<u>2011</u>	<u>2010</u>
Cash .....	\$ 43,000	\$ 240,000
Accounts receivable .....	390,000	210,000
Inventory .....	360,000	450,000
Long-term investments .....	0	120,000
Total assets .....	<u>\$ 793,000</u>	<u>\$1,020,000</u>
<b>Liabilities and Equities</b>		
Accounts payable .....	\$ 150,000	\$ 240,000
Operating expenses payable .....	48,000	30,000
Bonds payable .....	140,000	200,000
Common stock .....	250,000	250,000
Retained earnings .....	205,000	300,000
Total liabilities and equities .....	<u>\$ 793,000</u>	<u>\$1,020,000</u>

The income statement for the year ended December 31, 2011, follows:

Top Ten Clothiers  
Income Statement  
For the Year Ended December 31, 2011

Sales		\$1,120,000
Cost of goods sold:		
Beginning inventory, January 1, 2011	\$ 450,000	
Purchases .....	<u>660,000</u>	
Cost of goods available .....	\$1,110,000	
Less ending inventory, December 31, 2011 .....	<u>360,000</u>	<u>750,000</u>
Gross profit on sales .....		\$ 370,000
Operating expenses .....		<u>360,000</u>
Operating income .....		\$ 10,000
Other revenues and expenses:		
Loss on sale of long-term investment		<u>(15,000)*</u>
Net loss .....		<u>\$ (5,000)*</u>

After paying cash dividends, the decrease in retained earnings totaled \$95,000. Management is alarmed by the shrinkage in the company's cash position during 2011. Prepare a statement of cash flows for 2011 using the direct method.