**Maverick Corp.**   
Balance sheet at December 31

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 2008 | 2007 |  | 2008 | 2007 |
| Cash | $64,000 | $58,000 | Accounts payable | $44,000 | $41,000 |
| Accounts receivable | $46,000 | $48,000 | Wages payable | $19,000 | $13,000 |
| Inventory | $56,000 | $59,000 | Taxes payable | $15,000 | $10,000 |
|  |  |  |  |  |  |
| Property, Plant & Equipment | $265,000 | $183,000 | Long-term debt | $150,000 | $120,000 |
| Accumulated Depreciation | ($51,000) | ($40,000) | Contributed capital | $80,000 | $80,000 |
|  |  |  | Retained earnings | $72,000 | $44,000 |
|  | $380,000 | $308,000 |  | $380,000 | $308,000 |

**Maverick Corp.**  
Income Statement for   
Year Ending December 31, 2008

|  |  |
| --- | --- |
| Sales Revenue | $400,000 |
| Cost of Goods Sold | ($240,000) |
| Gross Profit | $160,000 |
| SG&A Expense | ($80,000) |
| Depreciation Expense | ($30,000) |
| Gain on Disposal of PP&E | $10,000 |
| Tax Expense | ($20,000) |
| Net Income | $40,000 |

* 1. The company sold PP&E that initially cost $40,000 during the year.  What was the cost of PPP&E acquired during the year? (5 points)
  2. The company recorded depreciation expense of $30,000.  What was the accumulated depreciation for the PP&E disposed of during the year? (5 points)
  3. What were the proceeds from disposal of PP&E sold during the year? (5 points)
  4. How much did the company pay in dividends during the year? (5 points)
  5. Prepare the Operating Activities section of the Statement of Cash Flows using the indirect method. (10 points)
  6. Prepare the Investing Activities section of the Statement of Cash Flows. (5 points)
  7. Prepare the Financing Activities section of the Statement of Cash Flows.  Assume that the change in long-term debt was due to new borrowing and that there were no changes in the contributed capital during the period. (5 points)