**2.** The comparative balance sheets for Gallup Company appear below:

GALLUP COMPANY

Comparative Balance Sheet

Dec. 31, 2010 Dec. 31, 2009

Assets

Cash $ 28,000 $13,000

Accounts receivable 18,000 14,000

Prepaid expenses 7,000 9,000

Inventory 25,000 15,000

Long-term investments -0- 18,000

Equipment 60,000 30,000

Accumulated depreciation—equipment (18,000) (14,000)

Total assets $120,000 $85,000

Liabilities and Stockholders' Equity

Accounts payable $ 25,000 $ 7,000

Bonds payable 37,000 45,000

Common stock 40,000 23,000

Retained earnings 18,000 10,000

Total liabilities and stockholders' equity $120,000 $85,000

Additional information:

1. Net income for the year ending December 31, 2010, was $25,000.

2. Cash dividends of $17,000 were declared and paid during the year.

3. Long-term investments that had a book value of $18,000 were sold for $16,000.

4. Sales for 2010 are $120,000.

**Instructions**

1. Prepare a statement of cash flows for the year ended December 31, 2010, using the indirect method. (20 points)