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| **Name:** |  |
| **Problem:** | **P23-2, Statement of Cash Flows - Indirect Method** |
| **Course:** |  |
| **Date:** |  |
|  |
| The comparative balance sheets for Hinckley Corporation show the following information: |
|  |  | December 31 |  |
|  |  | 2010 | 2009 |  |
|  | Cash | $33,500  | $13,000  |  |
|  | Accounts receivable | 12,250  | 10,000  |  |
|  | Inventory | 12,000  | 9,000  |  |
|  | Investments | 0  | 3,000  |  |
|  | Building | 0  | 29,750  |  |
|  | Equipment | 45,000  | 20,000  |  |
|  | Patent | 5,000  | 6,250  |  |
|  | Totals | $107,750  | $91,000  |  |
|  |  |  |  |  |
|  | Allowance for doubtful accounts | $3,000  | $4,500  |  |
|  | Accumulated depreciation on equipment | 2,000  | 4,500  |  |
|  | Accumulated depreciation on building | 0  | 6,000  |  |
|  | Accounts payable | 5,000  | 3,000  |  |
|  | Dividends payable | 0  | 5,000  |  |
|  | Notes payable, short-term (nontrade) | 3,000  | 4,000  |  |
|  | Long-term notes payable | 31,000  | 25,000  |  |
|  | Common stock | 43,000  | 33,000  |  |
|  | Retained earnings | 20,750  | 6,000  |  |
|  | Totals | $107,750  | $91,000  |  |
|  |
| Additional data related to 2010 are as follows: |
| 1. Equipment that had cost | $11,000  | and was | 40% | depreciated at time of |
| disposal was sold for | $2,500  |   |
| 2. | $10,000  | of the long-term note payable was paid by issuing common stock. |
| 3. Cash dividends paid were | $5,000  |   |
| 4. On January 1, 2010, the building was completely destroyed by a flood. Insurance proceeds on the |
|  building were | $30,000  | (net of | $2,000  | taxes). |
| 5. Investments (available-for-sale) were sold at | $1,700  | above their cost. The |
|  company has made similar sales and investments in the past. |
| 6. Cash of was paid for the acquisition of equipment. |
| 7. A long-term note for | $16,000  | was issued for the acquisition of equipment. |
| 8. Interest of | $2,000  | and income taxes of | $6,500  | were paid in cash. |
|  |
| ***Instructions:*** |
| Prepare a statement of cash flows using the indirect method. Flood damage is unusual and infrequent in that part of the country. |
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