|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **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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