

Score:

138.60 out of 140 points (99%)

points

- a. Net income for the year was \$100,000.
- b. Dividends of \$80,000 cash were declared and paid.
- c. Scoreteck's only noncash expense was \$70,000 of depreciation.
- d. The company purchased plant assets for \$70,000 cash.
- e. Notes payable of \$20,000 were issued for \$20,000 cash.

Complete the following spreadsheet in preparation of the statement of cash flows. (The statement of cash flows is not required.) Report operating activities under the indirect method. **(Enter all amounts as positive values.)**

SCORETECK CORPORATION				
Spreadsheet for Statement of Cash Flows				
For Year Ended December 31, 2013				
	Dec. 31,	Analysis of Changes		Dec. 31,
	2012	Debit	Credit	2013
Balance Sheet—Debit Bal. Accounts				
Cash	\$ 80,000			\$ 60,000
Accounts receivable	120,000	70,000 ✓		190,000
Merchandise inventory	250,000		20,000 ✓	230,000
Plant assets	600,000	70,000 ✓		670,000
	<u>\$ 1,050,000</u>			<u>\$ 1,150,000</u>
Balance Sheet—Credit Bal. Accounts				
Accumulated depreciation	\$ 100,000		70,000 ✓	\$ 170,000
Accounts payable	150,000	10,000 ✓		140,000
Notes payable	370,000		20,000 ✓	390,000
Common stock	200,000			200,000
Retained earnings	230,000	80,000 ✓	100,000 ✓	250,000
	<u>\$ 1,050,000</u>			<u>\$ 1,150,000</u>
Statement of Cash Flows				
Operating activities				
Net income ✓		100,000 ✓		
Depreciation expense ✓		70,000 ✓		
Increase in accounts receivable ✓			70,000 ✓	
Decrease in merchandise inventory ✓		20,000 ✓		
Decrease in accounts payable ✓			10,000 ✓	
Investing activities				
Cash paid to purchase plant assets ✓			70,000 ✓	
Financing activities				
Cash paid for dividends ✓			80,000 ✓	
Cash received from note payable ✓		20,000 ✓		
		<u>\$ 440,000</u>	<u>\$ 440,000</u>	

2.

award:
9.10 out of
10.00
points

The following transactions and events occurred during the year. Assuming that this company uses the indirect method to report cash provided by operating activities, indicate where each item would appear on its statement of cash flows by placing an X in the appropriate column.

		Statement of Cash flows			Noncash Investing & Financing Activities	Not Reported on Statement or in Notes
		Operating Activities	Investing Activities	Financing Activities		
a.	Declared and paid a cash dividend			X ✓		
b.	Recorded depreciation expense	X ✓				
c.	Paid cash to settle long-term note payable			X ✓		
d.	Prepaid expenses increased in the year	X ✓				
e.	Accounts receivable decreased in the year	X ✓				
f.	Purchased land by issuing common stock				X ✓	
g.	Paid cash to purchase inventory	X ✓				
h.	Sold equipment for cash, yielding a loss	X ✓		X		
i.	Accounts payable decreased in the year	X ✓				
j.	Income taxes payable increased in the year	X ✓				

3.

award:
10 out of
10.00
points**Case X:** Compute cash received from customers:

Sales	\$ 515,000
Accounts receivable, December 31, 2013	27,200
Accounts receivable, December 31, 2014	33,600

Case Y: Compute cash paid for rent:

Rent expense	\$ 139,800
Rent payable, December 31, 2013	7,800
Rent payable, December 31, 2014	6,200

Case Z: Compute cash paid for merchandise:

Cost of goods sold	\$ 525,000
Merchandise inventory, December 31, 2013	158,600
Accounts payable, December 31, 2013	66,700
Merchandise inventory, December 31, 2014	130,400
Accounts payable, December 31, 2014	82,000

For each of the above three separate cases, use the information provided about the calendar-year 2014 operations of Sahim Company to compute the required cash flow information.

Case X:	Cash received from customers	\$ 508,600 ✓
Case Y:	Cash paid for rent	\$ 141,400 ✓
Case Z:	Cash paid for merchandise	\$ 481,500 ✓

4.

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10.00
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The list includes all balance sheet accounts related to operating activities.

	Case X	Case Y	Case Z
Net income	\$ 4,000	\$100,000	\$ 72,000
Depreciation expense	30,000	8,000	24,000
Accounts receivable increase (decrease)	40,000	20,000	(4,000)
Inventory increase (decrease)	(20,000)	(10,000)	10,000
Accounts payable increase (decrease)	24,000	(22,000)	14,000
Accrued liabilities increase (decrease)	(44,000)	12,000	(8,000)

For each of the above separate cases, complete the below table to calculate the cash flows from operations. **(Amounts to be deducted should be indicated by a minus sign.)**

Cash Flows from Operating Activities (Indirect)			
	Case X	Case Y	Case Z
Net Income	\$ 4,000	\$ 100,000	\$ 72,000
Adjustments to reconcile net income to net cash provided by operations:			
Accounts payable	✓ 24,000 ✓	(22,000) ✓	14,000 ✓
Accounts receivable	✓ (40,000) ✓	(20,000) ✓	4,000 ✓
Accrued liabilities	✓ (44,000) ✓	12,000 ✓	(8,000) ✓
Depreciation	✓ 30,000 ✓	8,000 ✓	24,000 ✓
Inventories	✓ 20,000 ✓	10,000 ✓	(10,000) ✓
Cash provided by (used for) operating activities	✓ \$ (6,000)	\$ 88,000	\$ 96,000

5.

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The following selected information is from Ellerby Company's comparative balance sheets.

At December 31	2013	2012
Furniture	\$ 132,000	\$ 184,500
Accumulated depreciation—Furniture	(88,700)	(110,700)

The income statement reports depreciation expense for the year of \$18,000. Also, furniture costing \$52,500 was sold for its book value on December 31, 2013.

Complete the below table to calculate the cash received from the sale of furniture.

Furniture				Accumulated Depreciation			
Beg. bal.,	184,500 ✓			Beg. bal.,		110,700 ✓	
		Sale of assets ✓	\$ 52,500 ✓	Sale of assets ✓	40,000 ✓	2013 depreciation ✓	18,000 ✓
End. bal.,	132,000		0		0	End. bal.,	88,700

Calculate the cash received from the sale of furniture (at book value):

Cost	\$ 52,500 ✓
Accumulated depreciation	40,000 ✓
Book value	\$ 12,500

*Red text indicates no response was expected in a cell or a formula-based calculation is incorrect; no points deducted.

6.

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points

The following selected information is from the Princeton Company's comparative balance sheets.

At December 31	2013	2012
Common stock, \$10 par value	\$ 105,000	\$ 100,000
Paid-in capital in excess of par	567,000	342,000
Retained earnings	313,500	287,500

The company's net income for the year ended December 31, 2013, was \$48,000.

1. Complete the below table to calculate the cash received from the sale of its common stock during 2013.

Common stock, \$10 par				Paid-in capital in excess of par			
		Beg. bal.,	100,000 ✓			Beg. bal.,	342,000 ✓
		Issuance of common stock ✓	5,000 ✓			Issuance of common stock ✓	225,000 ✓
	0	End. bal.,	105,000		0	End. bal.,	567,000

Calculate the cash received from the sale of its common stock during 2013:

Cash received: \$ 230,000 ✓

*Red text indicates no response was expected in a cell or a formula-based calculation is incorrect; no points deducted.

2. Complete the below table to calculate the cash paid for dividends during 2013.

Retained Earnings			
		Beg. bal.	287,500 ✓
2013 dividends ✓	22,000 ✓	2013 Net income ✓	48,000 ✓
	0	End. bal.	313,500

*Red text indicates no response was expected in a cell or a formula-based calculation is incorrect; no points deducted.

7.

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10.00

points

Additional short-term borrowings	\$ 20,000
Purchase of short-term investments	5,000
Cash dividends paid	16,000
Interest paid	8,000

Compute cash flows from financing activities using the above company information. **(Amounts to be deducted should be indicated by a minus sign.)**

Financing Activities	
Additional short-term borrowings	✓ \$ 20,000 ✓
Cash dividends paid	✓ (16,000) ✓
	0
Cash provided by financing activities	✓ \$ 4,000

8.

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points

The statement of cash flows is one of the four primary financial statements.

2. Select at least three transactions classified as investing activities in a statement of cash flows.

- Plant asset purchases
- Intangible asset acquisitions and disposals
- Purchase of long-term assets by issuing notes payable to seller
- Purchases and sales of natural resources
- Settle debt with non-cash assets

3. Select at least three transactions classified as financing activities in a statement of cash flows.

- Issuance and settlement of notes payable
- Intangible asset acquisitions and disposals
- Common stock issuance
- Exchange of stock or debt securities for non-cash assets
- Cash paid for dividends

4. Select at least three transactions classified as significant noncash financing and investing activities in the statement of cash flows.

- Exchange of stock or debt securities for noncash assets
- Bond retirement and issuance
- Conversion of bonds into stock
- Settle debt with noncash assets
- Intangible asset acquisitions and disposals

9.

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Sale of short-term investments	\$ 6,000
Cash collections from customers	16,000
Purchase of used equipment	5,000
Depreciation expense	2,000

Compute cash flows from investing activities using the above company information. **(Amounts to be deducted should be indicated by a minus sign.)**

Investing Activities		
Sale of short-term investments	✓	6,000 ✓
Purchase of used equipment	✓	(5,000) ✓
		0
Cash provided by investing activities	✓	\$ 1,000

10. award: 10 out of 10.00 points

MOSS COMPANY		
Selected Balance Sheet Information		
December 31, 2013 and 2012		
	2013	2012
Current assets		
Cash	\$ 84,650	\$ 26,800
Accounts receivable	25,000	32,000
Inventory	60,000	54,100
Current liabilities		
Accounts payable	30,400	25,700
Income taxes payable	2,050	2,200

MOSS COMPANY		
Income Statement		
For Year Ended December 31, 2013		
Sales		\$ 515,000
Cost of goods sold		331,600
		<hr/>
Gross profit		183,400
Operating expenses		
Depreciation expense	\$ 36,000	
Other expenses	121,500	157,500
		<hr/>
Income before taxes		25,900
Income taxes expense		7,700
		<hr/>
Net income		\$ 18,200

Use the information above to calculate this company's cash flows from operating activities using the indirect method. (Amounts to be deducted should be indicated by a minus sign.)

Cash flows from operating activities:		
Net income	✓	\$ 18,200 ✓
Adjustments to reconcile net income to operating cash flow		
Accounts payable increase	✓	\$ 4,700 ✓
Accounts receivable decrease	✓	7,000 ✓
Depreciation	✓	36,000 ✓
Income taxes payable decrease	✓	(150) ✓
Inventory increase	✓	(5,900) ✓
		0
Net cash provided from operating activities		\$ 59,850



11.

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Classify the following cash flows as operating, investing, or financing activities.

1.	Sold long-term investments for cash.	Investing activities ✓
2.	Received cash payments from customers.	Operating activities ✓
3.	Paid cash for wages and salaries.	Operating activities ✓
4.	Purchased inventories for cash.	Operating activities ✓
5.	Paid cash dividends.	Financing activities ✓
6.	Issued common stock for cash.	Financing activities ✓
7.	Received cash interest on a note.	Operating activities ✓
8.	Paid cash interest on outstanding notes.	Operating activities ✓
9.	Received cash from sale of land at a loss.	Investing activities ✓
10.	Paid cash for property taxes on building.	Operating activities ✓

12.

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MONTGOMERY INC. Comparative Balance Sheets December 31, 2014 and 2013		
	2014	2013
Assets		
Cash	\$ 30,400	\$ 30,550
Accounts receivable, net	10,050	12,150
Inventory	90,100	70,150
Equipment	49,900	41,500
Accum. depreciation—Equipment	(22,500)	(15,300)
	<u> </u>	<u> </u>
Total assets	\$157,950	\$139,050
	<u> </u>	<u> </u>
Liabilities and Equity		
Accounts payable	\$ 23,900	\$ 25,400
Salaries payable	500	600
Common stock, no par value	110,000	100,000
Retained earnings	23,550	13,050
	<u> </u>	<u> </u>
Total liabilities and equity	\$157,950	\$139,050
	<u> </u>	<u> </u>

MONTGOMERY INC.

Income Statement

For Year Ended December 31, 2014

Sales		\$ 45,575
Cost of goods sold		(18,950)
		<hr/>
Gross profit		26,625
Operating expenses		
Depreciation expense	\$7,200	
Other expenses	5,550	
		<hr/>
Total operating expense		12,750
		<hr/>
Income before taxes		13,875
Income tax expense		3,375
		<hr/>
Net income		\$ 10,500
		<hr/>

Additional Information

- a. No dividends are declared or paid in 2014.
 b. Issued additional stock for \$10,000 cash in 2014.
 c. Purchased equipment for cash in 2014; no equipment was sold in 2014.

(1) Use the above financial statements and additional information to prepare a statement of cash flows for the year ended December 31, 2014, using the indirect method. **(Amounts to be deducted should be indicated by a minus sign.)**

MONTGOMERY, INC.		
Statement of Cash Flows (Indirect Method)		
For Year Ended December 31, 2014		
Net Income	\$	10,500 ✓
Adjustments to reconcile net income to net cash provided by operations:		
Decrease in accounts receivable	✓	2,100 ✓
Increase in inventory	✓	(19,950) ✓
Decrease in accounts payable	✓	(1,500) ✓
Depreciation expense	✓	7,200 ✓
Decrease in salaries payable	✓	(100) ✓
		0
	✗	\$ (1,750)
Cash flows from investing activities		
Cash paid for equipment	✓	(8,400) ✓
		0
Net cash used in investing activities	✓	\$ (8,400)
Cash flows from financing activities		
Cash received from stock issuance	✓	10,000 ✓
		0
Net cash provided by financing activities	✓	\$ 10,000
Net decrease in cash		\$ (150)
Cash balance at beginning of year		30,550 ✓
Cash balance at end of year		\$ 30,400

13.

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Salud Company reports net income of \$400,000 for the year ended December 31, 2013. It also reports \$80,000 depreciation expense and a \$20,000 gain on the sale of machinery. Its comparative balance sheets reveal a \$40,000 increase in accounts receivable, \$6,000 increase in accounts payable, \$12,000 decrease in prepaid expenses, and \$2,000 decrease in wages payable.

Required:

Prepare only the operating activities section of the statement of cash flows for 2013 using the indirect method. **(Amounts to be deducted should be indicated with a minus sign.)**

Cash flows from operating activities		
Cash flows from operating activities		
Net income	✓	\$ 400,000 ✓
Adjustments to reconcile net income to operating cash flow		
Accounts payable increase	✓	\$ 6,000 ✓
Accounts receivable increase	✓	(40,000) ✓
Depreciation	✓	80,000 ✓
Gain on sale of machinery	✓	(20,000) ✓
Prepaid expense decrease	✓	12,000 ✓
Wages payable decrease	✓	(2,000) ✓
		0
Net cash provided by operating activities	✓	\$ 436,000

14.

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10 out of
10.00
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Use the balance sheets and income statement given below to answer the following:

CRUZ, INC. Comparative Balance Sheets December 31, 2013		
	2013	2012
Assets		
Cash	\$ 94,800	\$ 24,000
Accounts receivable, net	41,000	51,000
Inventory	85,800	95,800
Prepaid expenses	5,400	4,200
Furniture	109,000	119,000
Accum. depreciation-Furniture	(17,000)	(9,000)
	<u> </u>	<u> </u>
Total assets	\$319,000	\$285,000
Liabilities and Equity		
Accounts payable	\$ 15,000	\$ 21,000
Wages payable	9,000	5,000
Income taxes payable	1,400	2,600
Notes payable (long-term)	29,000	69,000
Common stock, \$5 par value	229,000	179,000
Retained earnings	35,600	8,400
	<u> </u>	<u> </u>
Total liabilities and equity	\$319,000	\$285,000

CRUZ, INC.
Income Statement
For Year Ended December 31, 2013

Sales		\$488,000
Cost of goods sold		314,000
		<u> </u>
Gross profit		174,000
Operating expenses		
Depreciation expense	\$37,600	
Other expenses	89,100	126,700
		<u> </u>
Income before taxes		47,300
Income taxes expense		17,300
		<u> </u>
Net income		<u>\$ 30,000</u>

Use the above balance sheet and income statement to prepare the cash provided (used) from operating activities section by direct method. **(Amounts to be deducted should be indicated with a minus sign.)**

Cash flows from operating activities		
Payments for merchandise inventory	✓	(310,000) ✓
Payments for other expense	✓	(86,300) ✓
Payments for taxes	✓	(18,500) ✓
Receipt from sales to customers	✓	498,000 ✓
		0 ✓
Net cash provided by operating activities	✓	<u>\$ 83,200</u>