

**Practice Set**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Instructions: Study these Balance Sheets and calculate the affect on Cash Flows which occurred between 2001 and 2002.

The Computer Warehouse Balance Sheets December 31, 2002			
ASSETS	2002	2001	Affect on Cash Flows (\$ 000)
<b>Current Assets</b>			
Cash	\$ 46,000	\$ 41,000	
Accounts Receivable (Net)	60,000	90,000	
Inventory	70,000	40,000	
Prepaid Expenses	<u>10,000</u>	<u>15,000</u>	
<b>Total Current Assets</b>	<u>\$186,000</u>	<u>\$186,000</u>	
Investments	<u>\$ 60,000</u>	<u>\$ 70,000</u>	
<b>Plant Assets</b>			
Various Assets	\$240,000	\$280,000	
Accumulated Depreciation	<u>60,000</u>	<u>70,000</u>	
<b>Net Plant Assets</b>	<u>\$180,000</u>	<u>\$210,000</u>	
<b>Total Assets</b>	<u>\$426,000</u>	<u>\$466,000</u>	<u>+40</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 40,000	\$ 60,000	
Accrued Liabilities	10,000	12,000	
Income Taxes Payable	<u>6,000</u>	<u>4,000</u>	
<b>Total Current Liabilities</b>	<u>\$ 56,000</u>	<u>\$ 76,000</u>	
<b>Long-Term Liabilities</b>			
Bonds Payable	<u>\$ 80,000</u>	<u>\$130,000</u>	
<b>Total Liabilities</b>	<u>\$136,000</u>	<u>\$206,000</u>	<u>-70</u>
<b>STOCKHOLDERS' EQUITY</b>			
Common Stock, \$5 par	\$100,000	\$100,000	
Preferred Stock	120,000	100,000	
Paid in Capital in Excess	15,000	14,000	
Retained Earnings	<u>55,000</u>	<u>46,000</u>	
<b>Total Stockholders' Equity</b>	<u>\$290,000</u>	<u>\$260,000</u>	<u>+30</u>
<b>Total Liabilities and Stockholders' Equity</b>	<u>\$426,000</u>	<u>\$466,000</u>	<u>-40</u>

The Computer Warehouse Income Statement For The Year Ended December 31, 2002		
Sales		\$450,000
Cost of Goods Sold		<u>270,000</u>
Gross Profit		\$180,000
Operating Expenses (Depreciation = \$20,000)		<u>100,000</u>
Operating Income		\$ 80,000
Other Income (Expenses)		
Interest Expense	(\$ 8,000)	
Interest Income	2,000	
Loss on Sale of Investment	( 5,000)	
Gain on Sale of Plant Assets	<u>1,000</u>	<u>(10,000)</u>
Net Income Before Taxes		\$70,000
Income Taxes		<u>15,000</u>
Income After Taxes		<u>\$55,000</u>

Next Page Instructions: Using the data presented in the Income Statement and Balance Sheet above, calculate the Inflow and Outflow from operations. Then complete an Operating Activities Cash Flow Schedule using both the Direct and Indirect Methods.