

STATEMENT OF CASH FLOWS

I. INVESTMENT ACTIVITY CASH FLOWS DETERMINATION

Other Data

1. Investments valued at \$64,000 were sold for \$59,000.
2. Investments purchased for \$50,000 cash.
3. Sold plant assets costing \$20,000 with accumulated depreciation of \$12,000 for \$4,000.
4. Purchased plant assets for \$60,000 cash.

Journal Entries

- | | | |
|---|--------|--------|
| 1. Cash (Adjustment H) | 59,000 | |
| Loss on Investments | 5,000 | |
| Investments | | 64,000 |
| To record loss on investments. | | |
| 2. Investments | 50,000 | |
| Cash (Adjustment I) | 50,000 | |
| To record purchase of investments. | | |
| 3. Cash (Adjustment J) | 4,000 | |
| Accumulated Depreciation | 12,000 | |
| Loss on Sale of Plant Assets | 4,000 | |
| Plant Assets | | 20,000 |
| To record loss on sale of plant assets. | | |
| 4. Plant Assets | 60,000 | |
| Cash (Adjustment K) | 60,000 | |
| To record purchase of Plant Assets. | | |

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II. FINANCING ACTIVITIES CASH FLOWS DETERMINATION

Other Data

1. Issued Bonds valued at \$60,000 at Par, proceeds used to retire bond liability of \$50,000.
2. Issued 2,600 shares of \$5 Par Common Stock at \$10/share.
3. Paid an \$8,000 dividend on Preferred Stock and a \$1 per share dividend to holders of 19,600 shares of Common Stock.

Journal Entries

- | | | |
|---|--------|--------|
| 1. Cash (Adjustment L) | 60,000 | |
| Bonds Payable | | 60,000 |
| To record sale of bonds. | | |
| Bonds Payable | 50,000 | |
| Cash (Adjustment M) | 50,000 | |
| To record redemption of bonds. | | |
| 2. Cash (Adjustment N) | 26,000 | |
| Common Stock | | 13,000 |
| Paid in Capital in Excess of Par Common Stock | | 13,000 |
| To record sale of \$5 Par Common Stock at \$10/share. | | |
| 3. Retained Earnings | 27,600 | |
| Dividend Payable-Preferred | | 8,000 |
| Dividend Payable-Common | | 19,600 |
| To record declaration of dividends. | | |
| Dividend Payable-Preferred | 8,000 | |
| Dividend Payable-Common | 19,600 | |
| Cash (Adjustment O) | | 27,600 |
| Dividend Paid. | | |

Note: Cash flows from Operating Activities was taken from page 109.

Future Horizons Corporation Statement of Cash Flows (Direct Method) For the Year Ended December 31, 2002			
Cash Flows from Operating Activities			
Cash Receipts from			
Sales	\$439,600		
Interest Received	<u>1,000</u>	\$440,600	
Cash Payments for			
Cost of Goods Sold	\$265,000		
Operating Expenses	99,000		
Income Taxes	23,000		
Interest Expense	<u>10,000</u>	<u>397,000</u>	
Cash Flows from Operating Activities			\$ 43,600
Cash Flows from Investing Activities			
Sale of Investments #1	\$ 59,000		
Purchase of Investments #2	(50,000)		
Sale of Plant Assets #3	4,000		
Purchase of Plant Assets #4	<u>(60,000)</u>		
Net Cash from Investing Activities			(47,000)
Cash Flows from Financing Activities			
Bonds Sold #1	\$ 60,000		
Bonds Redeemed #1	(50,000)		
Common Stock Issued #2	26,000		
Dividend Paid #3	<u>(27,600)</u>		
Cash Flows from Financing Activities			<u>8,400</u>
Net Increase (Decrease) of Cash			\$ 5,000
Cash Beginning of Year			<u>25,000</u>
Cash at End of Year			<u>\$30,000</u>

NOTE: A statement of Cash Flows (Indirect Method) would combine the Indirect Operating Cash Flows found on page 109 with the Cash Flows from Operating Activities and Cash Flows from Financing Activities found above.

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