

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)
Current Assets			
Cash	\$ 46,000	\$ 41,000	- 5
Accounts Receivable(Net)	60,000	90,000	+30
Inventory	70,000	40,000	-30
Prepaid Expenses	<u>10,000</u>	<u>15,000</u>	+ 5
Total Current Assets	<u>\$186,000</u>	<u>\$186,000</u>	<u>0</u>
Investments	<u>\$ 60,000</u>	<u>\$ 70,000</u>	+10
Plant Assets			
Various Assets	\$240,000	\$280,000	+40
Accumulated Depreciation	<u>60,000</u>	<u>70,000</u>	-10
Net Plant Assets	<u>\$180,000</u>	<u>\$210,000</u>	+30
Total Assets	<u>\$426,000</u>	<u>\$466,000</u>	<u>+40</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 40,000	\$ 60,000	-20
Accrued Liabilities	10,000	12,000	- 2
Income Taxes Payable	<u>6,000</u>	<u>4,000</u>	+ 2
Total Current Liabilities	\$ 56,000	\$ 76,000	-20
Long-Term Liabilities			
Bonds Payable	<u>\$ 80,000</u>	<u>\$130,000</u>	-50
Total Liabilities	<u>\$136,000</u>	<u>\$206,000</u>	-70
STOCKHOLDERS' EQUITY			
Common Stock, \$5 par	\$100,000	\$100,000	0
Preferred Stock	120,000	100,000	+20
Paid in Capital in Excess	15,000	14,000	+ 1
Retained Earnings	<u>55,000</u>	<u>46,000</u>	+ 9
Total Stockholders' Equity	<u>\$290,000</u>	<u>\$260,000</u>	+30
Total Liabilities and Stockholders' Equity	<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.