

Example 4: Statement of Cash Flow

Balance Sheet of WINNIE Inc. at the end of 2010 are presented below. It was found that during 2010, the company paid dividends of \$2,500, and paid \$46,000 in cash to acquire new fixed assets. No debt was retired during 2010.

1) Use the following data from Balance Sheet of Winie Inc. to identify key accounting entry whether it is source of cash or use of cash. **(10 Points)**

	2010	2009	Source of Cash	Use of Cash
ASSETS				
Cash	4,000	14,000		
Accounts receivable	30,000	39,500	9,500	
Inventory	37,000	34,000		3,000
Fixed assets	316,000	270,000		46,000
Accumulated Depreciation	(45,000)	(30,000)		
Total assets	342,000	327,500		
LIABILITIES & EQUITY				
Accounts payable	18,000	16,000	2,000	
Wages payable	4,000	7,000		3,000
Note payable	173,000	160,000	13,000	
Capital stock	88,000	84,000	4,000	
Retained earnings	59,000	60,500		
Total Liabilities & Equity	342,000	327,500		

2) From information obtained in (1.1) and Income Statement below, classify each item as cash flow from operating activity, investing activity, or financing activity, and summarize cash flow position in below table. **(10 Points)**

Income Statement	2010
Sales	200,000
Cost of goods sold	(123,000)
Depreciation expense	(15,000)
Insurance expense	(11,000)
Wage Expense	(50,000)
Net Income	<u>1,000</u>

<i>Items</i>	<i>Cash inflow / outflow</i>
<i>Cash Flow from Operations:</i>	
Net Income	1,000
Depreciation Expense	15,000
Accounts receivable	9,500
Inventory	(3,000)
Accounts payable	2,000
Wages payable	(3,000)
<i>Net Cash Inflow or Outflow</i>	21,500

<i>Cash Flow from Investments:</i>	
New fixed assets	(46,000)
<i>Net Cash Inflow or Outflow</i>	(46,000)

<i>Cash flow from financing activities:</i>	
Dividend payout	(2,500)
Note payable	13,000
Capital stock	4,000
<i>Net Cash Inflow or Outflow</i>	14,500

Net Cash Flow	(10,000)
Beginning Cash Balance	14,000
Ending Cash Balance	4,000

Example 5: Statement of Cash Flows

Changes in Balance Sheet of ChuThaThep Company (2011 and 2012)

Entries	Activity	2011	2012	Cash Inflow	Cash Outflow
Cash		16,000	15,000		
Marketable securities		8,000	7,200	800	
Account receivable		42,200	34,100	8,100	
Inventory		50,000	82,000		32,000
Land and plant		150,000	150,000		
Machine		190,000	200,000		10,000
Office equipment		50,000	54,000		4,000
Other fixed assets		10,000	11,000		1,000
Depreciation reserve		115,000	145,000	30,000	
Account payable		49,000	57,000	8,000	
Note payable		16,000	13,000		3,000
Accrual expense		6,000	5,000		1,000
Long-term debt		160,000	150,000		10,000
Common stock		120,000	110,200		9,800
Retained earning		50,200	73,100		
Total					

Statement of Cash Flow

Cash flow from operating activities:

Net income	49,000	
<i>Plus</i> Marketable securities	800	
Account receivable	8,100	
Depreciation reserve	30,000	
Account payable	8,000	95,900
<i>Minus</i> Inventory	(32,000)	
Accrual expense	(1,000)	62,900

Cash flow from investing activities:

<i>Minus</i> All investment in fixed assets and long-term debt	(15,000)	(15,000)
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Cash flow from financing activities:

Dividend payout	(26,100)	
<i>Minus</i> Common stock	(9,800)	
Long-term debt	(10,000)	
Note payable	(3,000)	(48,900)
Net cash flow increase (decrease)		(1,000)
Cash at the beginning of period	16,000	
Cash at the end of period	15,000	

Example 6: Statement of Cash Flows

Winnie Corporation, a major producer in automobile industry, had key financial statements as the attached tables. In 2012, the company paid dividends of \$18,000. Also, it issued \$150,000 in bonds, and purchased machine, some equipment, and other fixed asset for cash. Based on information attached, please help Winnie Corporation to form the statement of cash flows by identifying cash flows from operating, investing, and financing activities.

Balance Sheet

Assets	Dec 31, 2012	Dec 31, 2011
Cash	\$37,000	\$49,000
Accounts Receivable	\$26,000	\$36,000
Prepaid Expenses	\$6,000	\$0
Machine	\$70,000	\$0
Equipment	\$68,000	\$0
Accumulated Depreciation	<u>\$10,000</u>	\$58,000
Other fixed assets	\$200,000	\$0
Accumulated Depreciation	<u>\$11,000</u>	\$189,000
Total Assets	<u>\$386,000</u>	<u>\$85,000</u>
Liabilities and Stockholder Equity		
Accounts Payable	\$40,000	\$5,000
Bonds Payable	\$150,000	\$0
Common Stock	\$60,000	\$60,000
Retained Earnings	\$136,000	\$20,000
Total Liabilities and Stockholder Equity	<u>\$386,000</u>	<u>\$85,000</u>

Income Statement as Dec 31, 2012

Revenue		\$492,000
Operating Expenses	\$269,000	
Depreciation	<u>\$21,000</u>	<u>\$290,000</u>
Income before Income Taxes		<u>\$202,000</u>
Income Tax Expense		<u>\$68,000</u>
Net Income		<u>\$134,000</u>

Statement of Cash Flows

Cash Flow from Operating Activities

Net Income		<u>\$134,000</u>
Account Receivable decrease	<u>\$10,000</u>	
Prepaid Expense increase	<u>(\$6,000)</u>	
Account Payable Increase	<u>\$35,000</u>	
Depreciation	<u>\$21,000</u>	
		<u>\$60,000</u>
Net cash change from Operating Activities		<u>\$194,000</u>

Cash Flow from Investing Activities

Machine Purchase	<u>(\$70,000)</u>	
Other Fixed Assets Purchase	<u>(\$200,000)</u>	
Equipment Purchase	<u>(\$68,000)</u>	<u>(\$338,000)</u>

Cash Flow from Financing Activities

Dividend payment to shareholders	<u>(\$18,000)</u>	
Issuance of Bonds Payable	<u>\$150,000</u>	<u>\$132,000</u>

<u>Net Decrease in Cash</u>		<u>(\$12,000)</u>
<u>Cash Dec 31, 2011</u>		<u>\$49,000</u>
<u>Cash Dec 31, 2012</u>		<u>\$37,000</u>