

Example 1: 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>

Items	Cash inflow / outflow
<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