



BACHELOR of ECONOMICS



**Thammasat University
Faculty of Economics
Bachelor of Economics (International Program)**

AC201 Fundamental Accounting

Semester 1/2013

Course Materials

Topic:

Chapter 2 Investing and Financing
Decisions and the Statement of
Financial Position

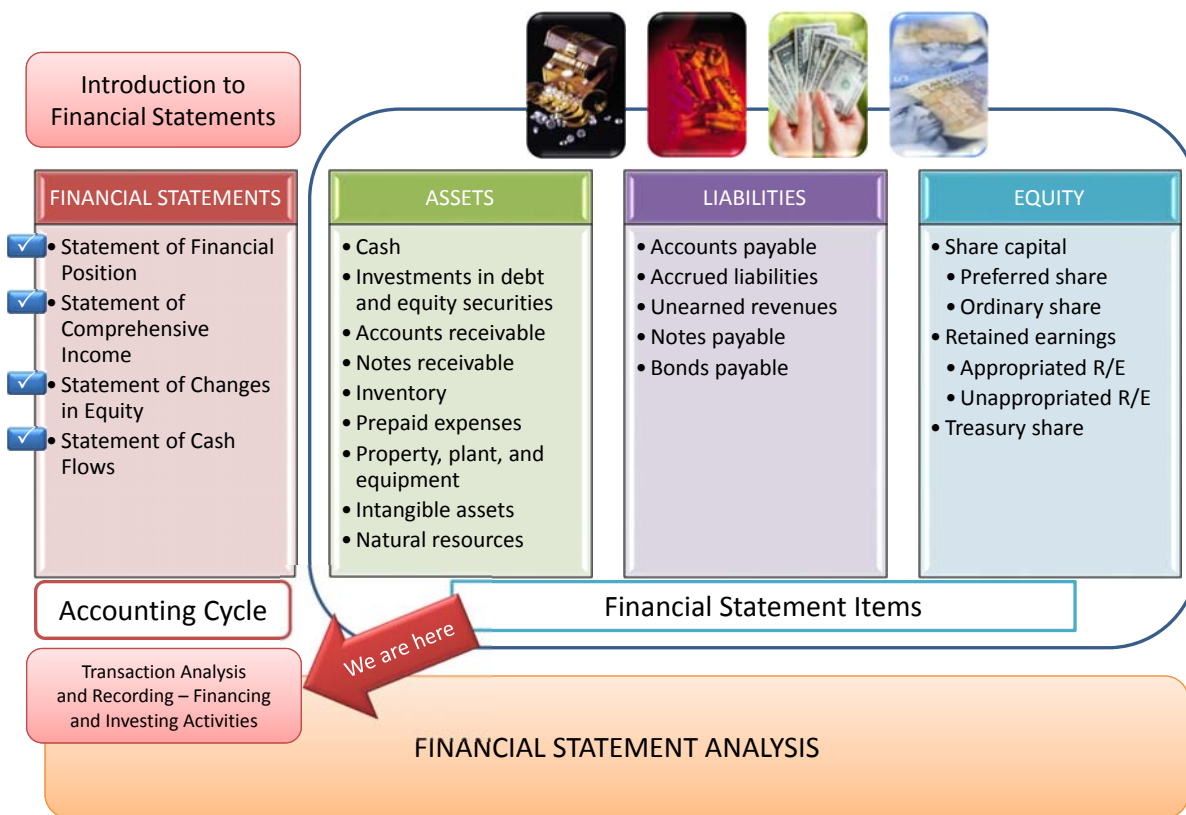
Session:

Sessions #2

Instructor:

Ajarn Santana Singhasaneh





AC201 Fundamental Accounting



**BACHELOR
of ECONOMICS**



CHAPTER 2: INVESTING AND FINANCING DECISIONS AND THE STATEMENT OF FINANCIAL POSITION

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Overview of Accounting Concepts

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Accounting Assumptions & Principle

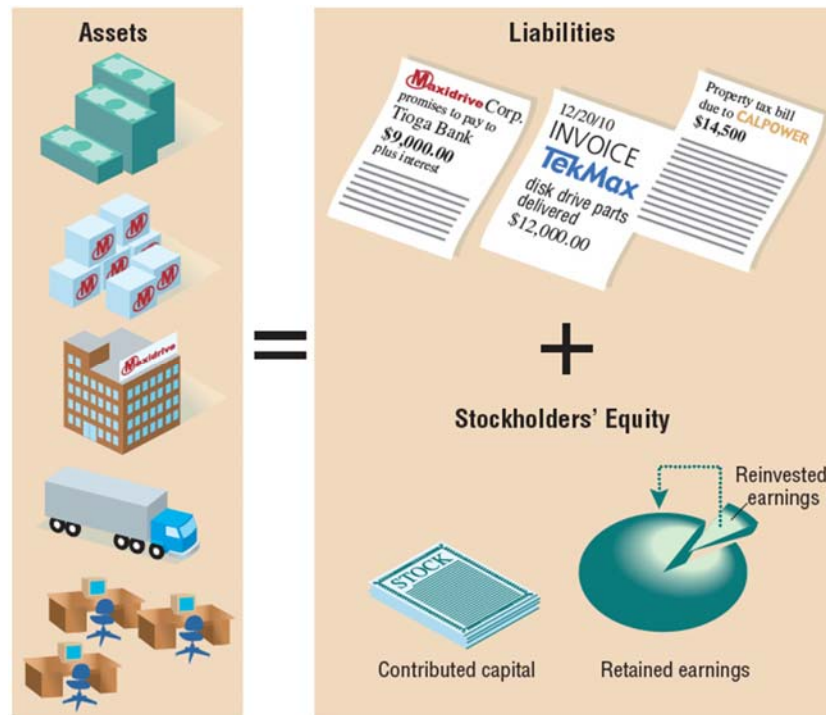
Four accounting assumptions & principle underlie reporting on the statement of financial position:

- a) **Separate-entity assumption** – transactions of the business are accounted for separately from transactions of the owner.
- b) **Unit-of-measure assumption** – financial information is reported in the national monetary unit.
- c) **Continuity (going-concern) assumption** – a business is expected to continue to operate into the foreseeable future.
- d) **Historical cost principle** – financial statements elements should be recorded at the cash-equivalent cost on the date of the transaction.

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The Accounting Equation



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Elements of Statement of Financial Position

$$A = L + SE$$

Economic resources with probable future benefits owned or controlled by the entity. Measured by the historical cost principle.

Probable debts or obligations (claims to a company's resources) that result from a company's past transactions and will be paid with assets or services. Entities that a company owes money to are called creditors.

The financing provided by the owners and by business operations. Often referred to as contributed capital.

Assets	=	Liabilities	+	Owners' Equity
[Resources]		[A method of financing resources that requires repayment]*		[A method of financing resources that does not require repayment and represents ownership interests in the business]

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Papa John's Statement of Financial Position

Papa John's Statement of Financial Position as at **December 31, 2008**

PAPA JOHN'S INTERNATIONAL, INC. Consolidated Balance Sheet December 31, 2008 (dollars in thousands)		point in time the balance sheet is prepared (at year-end in this case)	
ASSETS			
Current assets	Current Assets		
	Cash	\$ 11,000	
	Accounts receivable	24,000	payments due from franchisees and others on account
	Supplies	17,000	food, beverages, and paper supplies on hand
	Prepaid expenses	10,000	rent, advertising, and/or insurance paid in advance
	Other current assets	13,000	a summary of several current assets with smaller balances
	Total current assets	75,000	
Noncurrent assets	Investments	1,000	another company's stocks and bonds purchased with excess cash
	Property and equipment (net)	190,000	the remaining cost of long-lived assets to be used in future operations (original cost \$388,000 minus \$198,000, the estimated portion of cost already used in the past)
	Notes receivable	8,000	long-term amounts due from franchisees
	Intangibles	77,000	patents, trademarks, and goodwill
	Other assets	36,000	a summary of several long-term assets with smaller balances
	Total assets	\$387,000	

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Papa John's Statement of Financial Position

Papa John's Statement of Financial Position as at **December 31, 2008**
(cont'd)

LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Current liabilities	Accounts payable	\$ 29,000	payments due to suppliers
	Accrued expenses payable	71,000	a summary of payroll, rent, and other obligations
	Total current liabilities	100,000	
Noncurrent liabilities	Unearned franchise fees	6,000	amounts paid by franchisees for services they will receive
	Notes payable	124,000	loans from creditors
	Other long-term liabilities	27,000	
	Total liabilities	257,000	
Stockholders' Equity*			
	Contributed capital	7,000	amounts received from contributors (investors)
	Retained earnings	123,000	cumulative profits not distributed to investors
	Total stockholders' equity	130,000	
	Total liabilities and stockholders' equity	\$387,000	

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What Business Activities Cause Changes in Financial Statement Amounts ?

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Transactions

Transactions are events that have an economic impact on the entity.

Transactions include 2 types of events:

- **External event** - an exchange between a business and one or more external parties to a business
- **Internal event** - a measurable internal event, such as adjustments for the use of assets in operations.

Most transactions with external parties involve an **exchange** where the business entity **gives up** something but **receives** something in return.



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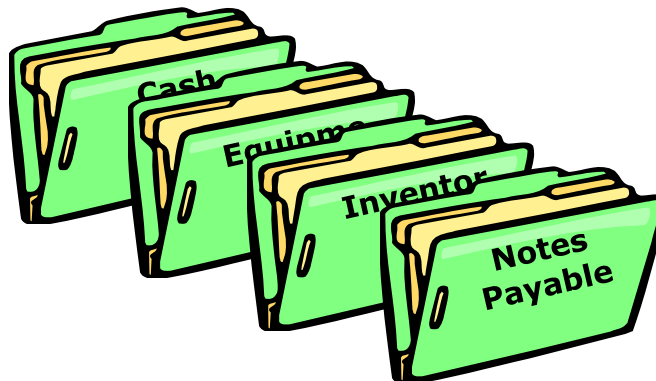
Nature of Business Transactions

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Accounts

An account is a standardized format that organizations use to accumulate the dollar effects of transactions related to each financial statement item.



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Accounts

EXHIBIT 3.6

Chart of Accounts for a Typical Company

Assets (100–199)

Current Assets (100–150):

101 Cash
103 Notes Receivable
105 Accounts Receivable
107 Inventory
108 Supplies

Long-Term Assets (151–199):

151 Land
152 Buildings
154 Office Furniture or Equipment

Liabilities (200–299)

Current Liabilities (200–219):

201 Notes Payable
202 Accounts Payable
203 Salaries Payable
204 Interest Payable
206 Income Taxes Payable

Long-Term Liabilities (220–239):

222 Mortgage Payable

Owners' Equity (300–399)

301 Capital Stock
330 Retained Earnings

Sales (400–499)

400 Sales Revenue

Expenses (500–599)

500 Cost of Goods Sold
501 Sales Salaries and Commissions
523 Rent Expense
525 Travel Expense
528 Advertising Expense
551 Officers' Salaries
553 Administrative Salaries
570 Payroll Taxes
571 Office Supplies Expense
573 Utilities Expense
578 Office Equipment Rent Expense
579 Accounting and Legal Fees

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Statement of Financial Position Accounts

Typical Statement of Financial Position Account Titles

Assets

Cash
Short-Term Investment
Accounts Receivable
Notes Receivable
Inventory (to be sold)
Supplies
Prepaid Expenses
Long-Term Investments
Equipment
Buildings
Land
Intangibles

Liabilities

Accounts Payable
Accrued Expenses
Notes Payable
Taxes Payable
Unearned Revenue
Bonds Payable

Stockholders' Equity

Contributed Capital
Retained Earnings

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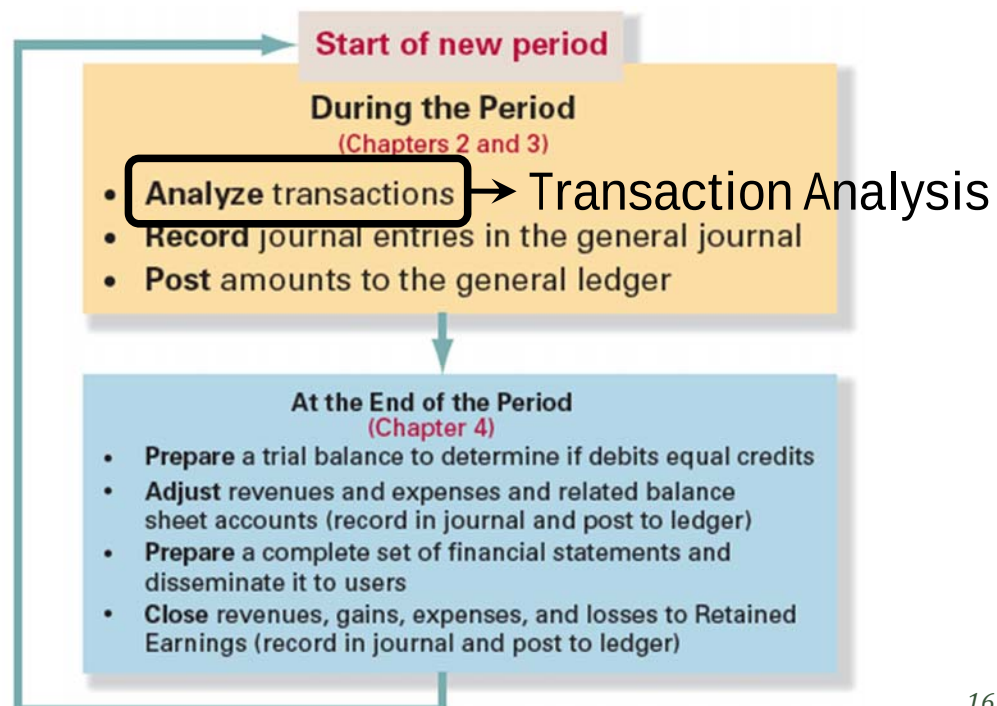


How do Transactions Affect Accounts ?

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The Accounting Cycle



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Principles of Transaction Analysis

1. Dual Effects

Every transaction affects **at least two** accounts.

2. Balancing the Accounting Equation

The accounting equation must remain **in balance** after each transaction.

$$A = L + SE$$

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Steps of Transaction Analysis

Step 1: Identify and classify accounts and effects

- **Identify the accounts** (by title) affected and make sure at least two accounts change.
- Classify them by **type of account**.
Was each account an asset (A), a liability (L), or a stockholders' equity (SE)?
- Determine the **direction of the effects**.
Did the account increase [+] or decrease [-]?

Step 2: Verify account equation is in balance

- Verify that the accounting equation ($A = L + SE$) remains in balance.

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Using Accounts to Categorize Transactions

- An account is a specific accounting record that provides an efficient way to categorize similar transactions.
- An individual account is a summary of every transaction affecting a certain item (like cash).

Assets				=	Liabilities		+	Stockholders' Equity	
Cash	Investments	Equip.	Notes Receivable		Dividends Payable	Notes Payable		Contributed Capital	Retained Earnings
(a)									
(b)									
(c)									
(d)									
(e)									
(f)									
Effect				=					

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Transaction Analysis: Example Part I

Papa John's Statement of Financial Position as at **December 31, 2008**

PAPA JOHN'S INTERNATIONAL, INC. Consolidated Balance Sheet December 31, 2008 (dollars in thousands)		point in time the balance sheet is prepared (at year-end in this case)
ASSETS		
Current assets	Current Assets	
	Cash	\$ 11,000
	Accounts receivable	24,000
	Supplies	17,000
	Prepaid expenses	10,000
	Other current assets	13,000
	Total current assets	75,000
Noncurrent assets	Investments	1,000
	Property and equipment (net)	190,000
	Notes receivable	8,000
	Intangibles	77,000
	Other assets	36,000
	Total assets	\$387,000

payments due from franchisees and others on account
food, beverages, and paper supplies on hand
rent, advertising, and/or insurance paid in advance
a summary of several current assets with smaller balances

another company's stocks and bonds purchased with excess cash
the remaining cost of long-lived assets to be used in future
operations (original cost \$388,000 minus \$198,000,
the estimated portion of cost already used in the past)
long-term amounts due from franchisees
patents, trademarks, and goodwill
a summary of several long-term assets with smaller balances

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Transaction Analysis: Example Part I

Papa John's Statement of Financial Position as at **December 31, 2008**
(cont'd)

LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities	Current Liabilities	
	Accounts payable	\$ 29,000 <i>payments due to suppliers</i>
	Accrued expenses payable	71,000 <i>a summary of payroll, rent, and other obligations</i>
	Total current liabilities	100,000
Noncurrent liabilities	Unearned franchise fees	6,000 <i>amounts paid by franchisees for services they will receive</i>
	Notes payable	124,000 <i>loans from creditors</i>
	Other long-term liabilities	27,000
	Total liabilities	257,000
	Stockholders' Equity*	
	Contributed capital	7,000 <i>amounts received from contributors (investors)</i>
	Retained earnings	123,000 <i>cumulative profits not distributed to investors</i>
	Total stockholders' equity	130,000
	Total liabilities and stockholders' equity	\$387,000

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Transaction Analysis: Example Part I

Followings were transactions incurred during the month of **January 2009** for Papa John's International Inc.:

- Papa John's issues \$2,000 of additional common stock to new investors for cash.
- Papa John's borrows \$6,000 from the bank signing a three-year note.
- Papa John's purchases new ovens, counters, refrigerators, and other equipment costing \$10,000, paying \$2,000 in cash and signing a two-year note for the balance.
- Papa John's lends \$3,000 cash to new franchisees who sign notes to be repaid in five years.
- Papa John's purchases the stock of another company as a long-term investment, paying \$1,000 in cash.
- The board of directors declares that Papa John's will pay \$3,000 in cash dividends to shareholder next month.

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Analyzing Transactions (1)

- (a) Papa John's issues \$2,000 of additional common stock to new investors for cash.

Step 1: Identify and classify accounts and effects

1. Cash (+A) \$2,000. 2. Contributed Capital (+SE) \$2,000.

Step 2: Is the accounting equation in balance?

	Assets				=	Liabilities		+	Stockholders' Equity	
	Cash	Investments	Equip.	Notes Receivable		Dividends Payable	Notes Payable		Contributed Capital	Retained Earnings
(a)	2,000								2,000	
(b)										
(c)										
(d)										
(e)										
(f)										
Effect	2,000				=	2,000				

$$A = L + SE$$

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Analyzing Transactions (2)

- (b) Papa John's borrows \$6,000 from the bank signing a three-year note.

Step 1: Identify and classify accounts and effects

1. Cash (+A) \$6,000. 2. Notes Payable (+L) \$6,000.

Step 2: Is the accounting equation in balance?

	Assets				=	Liabilities		+	Stockholders' Equity	
	Cash	Investments	Equip.	Notes Receivable		Dividends Payable	Notes Payable		Contributed Capital	Retained Earnings
(a)	2,000								2,000	
(b)	6,000						6,000			
(c)										
(d)										
(e)										
(f)										
Effect	8,000				=	8,000				

$$A = L + SE$$

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Analyzing Transactions (3)

- (c) Papa John's purchases new ovens, counters, refrigerators, and other equipment costing \$10,000, paying \$2,000 in cash and signing a two-year note for the balance.

Step 1: Identify and classify accounts and effects

1. Equipment (+A) \$10,000. 2. Cash (-A) \$2,000
Notes Payable (+L) \$8,000.

Step 2: Is the accounting equation in balance?

	Assets				=	Liabilities		+	Stockholders' Equity	
	Cash	Investments	Equip.	Notes Receivable		Dividends Payable	Notes Payable		Contributed Capital	Retained Earnings
(a)	2,000								2,000	
(b)	6,000						6,000			
(c)	(2,000)		10,000				8,000			
(d)										
(e)										
(f)										
Effect	16,000				=	16,000				

$$A = L + SE$$

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Analyzing Transactions (4)

- (d) Papa John's lends \$3,000 cash to new franchisees who sign notes to be repaid in five years.

Step 1: Identify and classify accounts and effects

1. Notes Receivable (+A) \$3,000. 2. Cash (-A) \$3,000.

Step 2: Is the accounting equation in balance?

	Assets				=	Liabilities		+	Stockholders' Equity	
	Cash	Investments	Equip.	Notes Receivable		Dividends Payable	Notes Payable		Contributed Capital	Retained Earnings
(a)	2,000								2,000	
(b)	6,000						6,000			
(c)	(2,000)		10,000				8,000			
(d)	(3,000)			3,000						
(e)										
(f)										
Effect	16,000				=	16,000				

$$A = L + SE$$

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Analyzing Transactions (5)

- (e) Papa John's purchases the stock of another company as a long-term investment, paying \$1,000 in cash.

Step 1: Identify and classify accounts and effects

1. Investment (+A) \$1,000. 2. Cash (-A) \$1,000.

Step 2: Is the accounting equation in balance?

	Assets				=	Liabilities		+	Stockholders' Equity	
	Cash	Investments	Equip.	Notes Receivable		Dividends Payable	Notes Payable		Contributed Capital	Retained Earnings
(a)	2,000								2,000	
(b)	6,000						6,000			
(c)	(2,000)		10,000				8,000			
(d)	(3,000)			3,000						
(e)	(1,000)	1,000								
(f)										
Effect	16,000				=	16,000				

$$A = L + SE$$

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Analyzing Transactions (6)

- (f) The board of directors declares that Papa John's will pay \$3,000 in cash dividends to shareholder next month.

Step 1: Identify and classify accounts and effects

1. Retained Earnings (-SE) \$3,000. 2. Dividends Payable (+L) \$3,000.

Step 2: Is the accounting equation in balance?

	Assets				=	Liabilities		+	Stockholders' Equity	
	Cash	Investments	Equip.	Notes Receivable		Dividends Payable	Notes Payable		Contributed Capital	Retained Earnings
(a)	2,000								2,000	
(b)	6,000						6,000			
(c)	(2,000)		10,000				8,000			
(d)	(3,000)			3,000						
(e)	(1,000)	1,000								
(f)						3,000				(3,000)
Effect	16,000				=	16,000				

$$A = L + SE$$

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How do Companies Keep Track of Account Balances ?

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How Do Companies Keep Track of Account Balances ?

- There are difficulties of tracking multiple accounts, involving hundreds of transactions, using the spreadsheet method below while doing all the computations by hand.

	Assets				=	Liabilities		+	Stockholders' Equity	
	Cash	Investments	Equip.	Notes Receivable		Dividends Payable	Notes Payable		Contributed Capital	Retained Earnings
(a)	2,000								2,000	
(b)	6,000						6,000			
(c)	(2,000)		10,000				8,000			
(d)	(3,000)			3,000						
(e)	(1,000)	1,000								
(f)						3,000				(3,000)
Effect	16,000				=	16,000				

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How Do Companies Keep Track of Account Balances ?

- The problem can be solved by separating the “+” and the “–” for each account into separate columns, totaling each column, and then computing the difference between the columns to arrive at an ending balance.
- The simplest, most fundamental format is the configuration of the letter T. This is called a **T-account**.
- A T-account is an abbreviated representation of an actual account (illustrated later) and is used as a teaching and learning tool.

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How Do Companies Keep Track of Account Balances ?

- The followings are examples of T-accounts, representing the transactions described previously.
- The account title (Cash, for example) appears at the top of the T-account. Transaction amounts may be recorded on both the left side and the right side of the T-account.

Cash	Investments	Equipment
Notes Receivable	Dividend Payable	Notes Payable
Contributed Capital	Retained Earnings	

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How Do Companies Keep Track of Account Balances ?

- Instead of using the terms left and right to indicate which side of a T-account is affected, terms unique to accounting were developed.
- **Debit** (abbreviated Dr) is used to indicate the left side of a T-account.
- **Credit** (abbreviated Cr) is used to indicate the right side of a T-account.
- **Debit means left, credit means right.**

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How Do Companies Keep Track of Account Balances ?

Assets		=	Liabilities		+	Stockholders' Equity		
Debit (+)	Credit (-)		Debit (-)	Credit (+)		Debit (-)	Credit (+)	
Accounts have debit balances				Accounts have credit balances			Accounts have credit balances	

Asset accounts

are increased by *debits* and decreased by *credits*.

Liability and owners' equity accounts

are decreased by *debits* and increased by *credits*.

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How Do Companies Keep Track of Account Balances ?

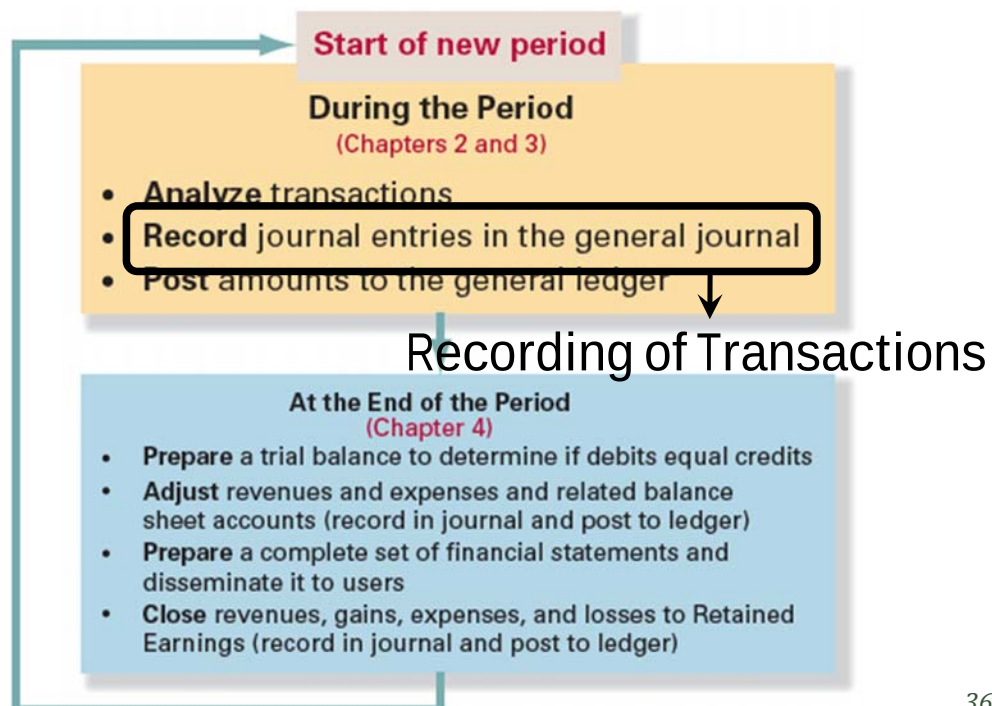
Basic facts regarding **double-entry accounting**:

1. Debits are always entered on the left side of an account and credits on the right side.
2. For every transaction, there must be at least one debit and one credit.
3. Debits must always equal credits for each transaction.

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The Accounting Cycle



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Recording of Transactions (1)

Two important tools used by accountants:

- Journal Entries** – After analyzing a transaction, the effects of the transaction is recorded in a debits-equal-credits format.
The accounts and amounts to be debited are listed first. Then the accounts and amounts to be credited are listed below the debits and indented, resulting in debits on the left and credits on the right.

General Journal Entry Format

Date Debit Entry XX
 Credit Entry XX
 Explanation.

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Recording of Transactions (2)

A journal entry might look like this:

		Debit	Credit
(c)	Property and Equipment (+A)	10,000	
	Cash (-A)		2,000
	Notes Payable (+L)		8,000

Reference:
Letter,
number, or
date.

Account Titles:
Debited accounts on top.
Credited accounts on bottom
usually indented.

Amounts:
Debited amounts on left.
Credited amounts on right.

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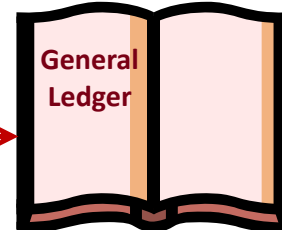


Posting the Transactions (1)

After journal entries are prepared, the accountant **posts** (transfers) the dollar amounts to each account affected by the transaction to the **General Ledger**

		Debit	Credit
(c)	Property and Equipment (+A)	10,000	
	Cash (-A)		2,000
	Notes Payable (+L)		8,000

Post →



Journal entries
do NOT provide
the account balances

Posting to general ledgers
help determining
the account balances

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Posting the Transactions (2)

2. T-Account

- a simplified representation of a ledger account
- a useful tool for summarizing the transactions effects and determining the balances for each account.

101 - Cash	
12/31/08 Bal.	11,000
✓ 1/2/09	2,000
✓ 1/6/09	6,000
	<u>19,000</u>

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Analyzing the Transaction - Transaction (a)

- (a) Papa John's issues \$2,000 of additional common stock to new investors for cash.

Step 1: Identify and classify accounts and effects

1. Cash (+A) \$2,000. 2. Contributed Capital (+SE) \$2,000.

Step 2: Is the accounting equation in balance?

Assets				=	Liabilities		+	Stockholders' Equity	
Cash	Investments	Equip.	Notes Receivable		Dividends Payable	Notes Payable		Contributed Capital	Retained Earnings
(a) 2,000								2,000	
(b)									
(c)									
(d)									
(e)									
(f)									
Effect 2,000				=	2,000				

$$A = L + SE$$

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Recording & Posting - Transaction (a)

- (a) Papa John's issues \$2,000 of additional common stock to new investors for cash.

General Journal				
Date	Account Titles and Explanation	Ref.	Debit	Credit
1/2/09	Cash	101	2,000	
	Contributed Capital	301		2,000
	Investment by stockholders			

101 - Cash	
12/31/08 Bal.	11,000
1/2/09	2,000
	13,000

301 - Contributed Capital	
	7,000 12/31/08 Bal.
	2,000 1/2/09
	9,000

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Analyzing the Transaction - Transaction (b)

(b) Papa John's borrows \$6,000 from the bank signing a three-year note.

Step 1: Identify and classify accounts and effects

1. Cash (+A) \$6,000.

2. Notes Payable (+L) \$6,000.

Step 2: Is the accounting equation in balance?

Assets				=	Liabilities		+	Stockholders' Equity	
Cash	Investments	Equip.	Notes Receivable		Dividends Payable	Notes Payable		Contributed Capital	Retained Earnings
(a) 2,000								2,000	
(b) 6,000						6,000			
(c)									
(d)									
(e)									
(f)									
Effect 8,000				=	8,000				

$$A = L + SE$$

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Recording & Posting - Transaction (b)

(b) Papa John's borrows \$6,000 from the bank signing a three-year note.

General Journal				
Date	Account Titles and Explanation	Ref.	Debit	Credit
1/6/09	Cash	101	6,000	
	Notes Payable	204		6,000
	Borrowed from bank			

101 - Cash	
12/31/08 Bal.	11,000
1/2/09	2,000
1/6/09	6,000
	19,000

204 - Notes Payable	
124,000	12/31/08 Bal.
6,000	1/6/09
	130,000

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Following are the T-accounts (in thousands of dollars) that **changed** during the period because of these transactions. The beginning balances are the amounts from the December 31, 2008, Papa John's balance sheet. The balances of all other accounts remained the same.

+ Cash (A) –		+ Investments (A) –		+ Property and Equipment, Net (A) –	
12/31/08 bal.	11,000	12/31/08 bal.	1,000	12/31/08 bal.	190,000
(a)	2,000	(e)	1,000	(c)	10,000
(b)	6,000	1/31/09 bal.	2,000	1/31/09 bal.	200,000
	2,000 (c)				
	3,000 (d)				
	1,000 (e)				
1/31/09 bal.	13,000				

+ Notes Receivable (A) –		– Notes Payable (L) +		– Dividends Payable (L) +	
12/31/08 bal.	8,000		124,000 12/31/08 bal.		0 12/31/08 bal.
(d)	3,000		6,000 (b)		3,000 (f)
1/31/09 bal.	11,000		8,000 (c)		3,000 1/31/09 bal.
			138,000 1/31/09 bal.		

– Contributed Capital (SE) +		– Retained Earnings (SE) +	
	7,000 12/31/08 bal.		123,000 12/31/08 bal.
	2,000 (a)	(f)	3,000
	9,000 1/31/09 bal.		120,000 1/31/09 bal.

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How is the Statement of Financial Position Prepared and Analyzed?



How is the Statement of Financial Position Prepared and Analyzed?

- After analyzing a transaction, a **JOURNAL ENTRY** is posted.
- The transaction is then posted to the **GENERAL LEDGER**.
- T-ACCOUNTS** are used to illustrate this process.
- The **STATEMENT OF FINANCIAL POSITION** is then prepared using the balances shown in the T-accounts.

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Papa John's Statement of Financial Position

Statements of Financial Position as at **January 31, 2009** and **December 31, 2008**

Most recent balance sheet amounts are usually listed on the left

PAPA JOHN'S INTERNATIONAL, INC.
Consolidated Balance Sheets
(dollars in thousands)

\$ are indicated at the top and bottom of the asset sections and of the liabilities & shareholders' equity section

	January 31, 2009	December 31, 2008
ASSETS		
Current Assets		
Cash	\$ 13,000	\$ 11,000
Accounts receivable	24,000	24,000
Supplies	17,000	17,000
Prepaid expenses	10,000	10,000
Other current assets	13,000	13,000
Total current assets	77,000	75,000
Investments	2,000	1,000
Property and equipment (net)	200,000	190,000
Notes receivable	11,000	8,000
Intangibles	77,000	77,000
Other assets	36,000	36,000
Total assets	\$403,000	\$387,000

Assets and liabilities are classified into two categories: current and noncurrent.

Current assets are those to be used or turned into cash within the upcoming year

Noncurrent assets are those that will last longer than one year

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Papa John's Statement of Financial Position

Statements of Financial Position as at **January 31, 2009** and **December 31, 2008**

\$ are indicated at the top and bottom of the asset sections and of the liabilities & shareholders' equity section

LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 29,000	\$ 29,000
Dividends payable	3,000	0
Accrued expenses payable	71,000	71,000
Total current liabilities	103,000	100,000
Unearned franchise fees	6,000	6,000
Notes payable	138,000	124,000
Other long-term liabilities	27,000	27,000
Total liabilities	274,000	257,000
Stockholders' Equity		
Contributed capital	9,000	7,000
Retained earnings	20,000	123,000
Total stockholders' equity	29,000	130,000
Total liabilities and stockholders' equity	\$403,000	\$387,000

Current liabilities are those obligations to be paid or settled within the next 12 months with current assets.

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Current Ratio

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Current ratio for Papa John's:

2006 = 0.83

2007 = 0.68

2008 = 0.75

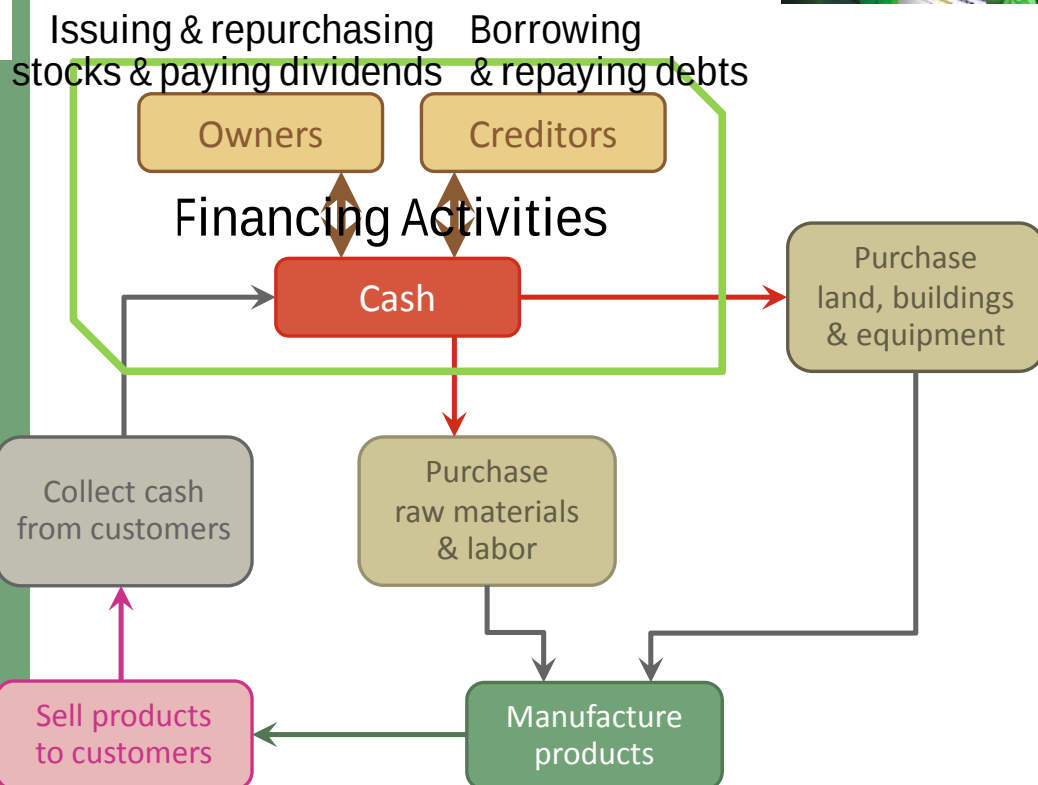
The current ratio for Papa John's shows a low level of liquidity, below 1.

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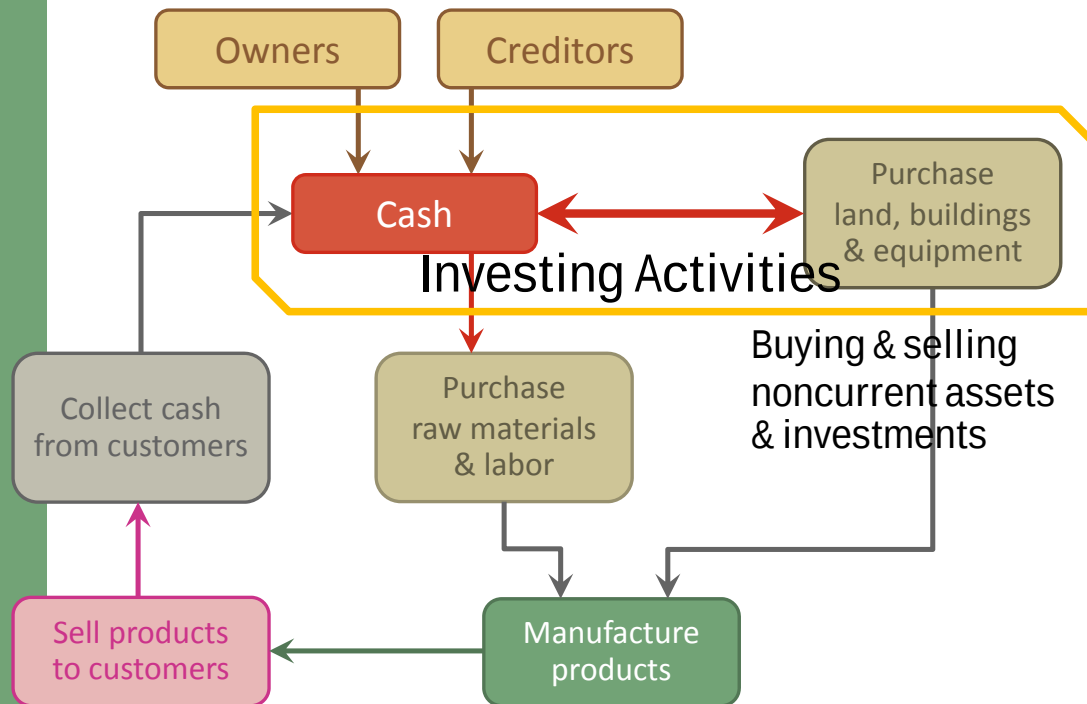


Focus on Cash Flows – Investing & Financing Activities

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Statement of Cash Flows

Companies report cash inflows and outflows over a period in their statement of cash flows.

Operating activities

(Covered in the next chapter.)

Investing Activities

- Purchasing long-term assets and investments for cash -
- Selling long-term assets and investments for cash +
- Lending cash to others -
- Receiving principal payments on loans made to others +

Financing Activities

- Borrowing cash from banks +
- Repaying the principal on borrowings from banks -
- Issuing stock for cash +
- Repurchasing stock with cash -
- Paying cash dividends -

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Investing & Financing Activities

PAPA JOHN'S INTERNATIONAL, INC.
Consolidated Statement of Cash Flows
For the month ended January 31, 2009
(in thousands)

Operating activities	
(None in this chapter.)	
Investing activities	
Purchased property and equipment (c)	\$ (2,000)
Purchased investments (e)	(1,000)
Lent funds to franchisees (d)	(3,000)
Net cash used in investing activities	<u>(6,000)</u>
Financing activities	
Issued common stock (a)	2,000
Borrowed from banks (b)	6,000
Net cash provided by financing activities	<u>8,000</u>
Net increase in cash	2,000
Cash at beginning of month	11,000
Cash at end of month	<u>\$13,000</u>

Items are referenced to events (a) through (f) illustrated in this chapter.

Also called capital expenditures.

← *Agrees with the amount on the balance sheet.*

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End of Chapter 2



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