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	1,000

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

Cash Flow from Investments:	
New fixed assets	**(46,000)**
Net Cash Inflow or Outflow	**(46,000)**

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

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