Intermediate Accounting - 1
Chapter 5: Statement of Cash Flows

Answer Key:

Operating Activities: [FORMAT for Direct Method]

- Cash Received from Customers:
  - Sales + Decrease in Accounts Receivable
  - Sales - Increase in Accounts Receivable

- Cash Paid to Suppliers:
  - COGS + Increase in Inventories + Decrease in Accounts Payable
  + Increase in Prepaid Expenses + Decrease in Pension obligation
  - COGS - Decrease in Inventories - Increase in Accounts Payable
  - Decrease in Prepaid Expenses - Increase in Pension obligation

- Cash paid for Interest:
  - Interest expense + Decrease in Interest Payable
  - Interest expense - Increase in Interest Payable

- Cash paid for Income tax:
  - Income tax expense + Decrease in Income tax payable
  - Increase in deferred tax:
    - Income tax expense - Increase in Income tax Payable
    + Decrease in deferred tax.

Prepared by: Charanjit Singh
Chapter 5

Statement of cash flows:

Answer key

1.

Falcon Sales Limited
Statement of cash flows
for the year ended December 31st 2005

Operating Activities:

Net income: $169,000
Adjustments not affecting cash:
Depreciation Expense 14,000
Loss on Goodwill 38,700
Loss on Sale of Investment 6,000
Changes in Working Capital:
Increase in Accounts Payable (12,500)
Decrease in Merchandise Invent 98,600
Increase in Prepaid Insurance (200)
Decrease in Accounts Payable (13,000)
Increase in Rent Payable (4,500)
Decrease in Income Tax Payable (16,000)
Increase in Pension Obligation 900

Cash inflow from operating activities $103,100

Investing Activities:

Sale of Investments (20,000 - 6,000) 14,000
Purchase of Capital Asset 24,000

$41,000 14,000
$28,000
$4,000
$7,800

Total Cash
$55,800
Statement of Cash flows

Cash Outflow from Investing Activity: (10,000)

Investing Activities:
   Retirement of Bonds Payable (110,000)
   Issuance of Common Shares 26,000

   27,000
   15,000
   2,000
   32,000

   27,000
   15,000
   2,000
   32,000

Dividends Paid: (2,000)

Cash Outflow from Financing Activities: (9,000)

Net Decrease in Cash: (2,900)

Beginning Cash Balance for the year: 20,000

Ending Cash Balance for the year: $17,100
Chapter 5 - Cash flow

Caromont Limited
Statement of Cash flows
for the year ended December 31st 2009

Operating Activities

Cash received from customers
(1467,000 - 60,000)

Cash paid for Merchandise:
(689,000 - 51,000 + 77,000)

Cash paid for Operating expenses
(572,000 - 98,000 - 16,000)

Cash paid for interest
(168,000 - 3,000)

Cash paid for Income tax
(98,000 - 4,000)

Cash inflow from Operating Activities 137,000

Investing Activities

Proceeds from Sale of operational Assets
(252,000 - 168,000 - 2,000)

Depreciation loss

Purchase of Operational Assets (P.P.E.)
(P.P.E.)

278,000

252,000 -> Sale

Cost of 46,000

Depreciation 19,000

278,000

276,000
Chapter 5 - Cash Flow

Proceeds from Sale of Investments (11,000 + 39,000)

Gain from Investing Activities

Cash outflow from Investing Activity

Financing Activities

Issued Bonds

Bonds

\[
\begin{align*}
\text{Issued} & : 35,000 \\
\text{Retired} & : 65,000
\end{align*}
\]

\[
\text{180,000} \rightarrow \text{Beginning} \\
\text{19,000} \rightarrow \text{Exchanged} \\
\text{35,000} \\
\text{34,000} \rightarrow \text{Ending Balance}
\]

Dividends Paid

(394,000 + 161,000 - 323,000)

Issuance of Common Shares

\[
\begin{align*}
\text{Issued} & : 16,5000 \\
\text{Retired} & : 7,5000 \\
\text{Ending Balance} & : 9,000
\end{align*}
\]

Total Financing Activity

Net increase in Cash

Add: Beginning Cash Balance

Ending Cash Balance

Prepared by:
Harvey Smith
110,000

(96,000)

35,000

32,000

9,000

32,000

11,000