

PROBLEM 13-9A

ARMA INC.
Statement of Cash Flows
For the Year Ended December 31, 2011

Cash flows from operating activities		
Net income		\$158,900
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation expense	\$46,500	
Loss on sale of plant assets.....	7,500	
Increase in accounts payable.....	44,700	
Decrease in accrued expenses payable	(500)	
Increase in prepaid expenses	(2,400)	
Increase in inventory	(9,650)	
Increase in accounts receivable.....	<u>(59,800)</u>	<u>26,350</u>
Net cash provided by operating activities		185,250
Cash flows from investing activities		
Sale of plant assets	1,500	
Purchase of investments.....	(24,000)	
Purchase of plant assets.....	<u>(85,000)</u>	
Net cash used by investing activities		(107,500)
Cash flows from financing activities		
Sale of common stock.....	45,000	
Redemption of bonds	(40,000)	
Payment of cash dividends.....	<u>(40,350)</u>	
Net cash used by financing activities.....		<u>(35,350)</u>
Net increase in cash.....		42,400
Cash at beginning of period		<u>48,400</u>
Cash at end of period.....		<u>\$ 90,800</u>

***PROBLEM 13-10A**

ARMA INC.
Statement of Cash Flows
For the Year Ended December 31, 2011

Cash flows from operating activities		
Cash receipts from customers		\$332,980 (1)
Less cash payments:		
To suppliers	\$100,410 (2)	
For income taxes	27,280	
For operating expenses	15,310 (3)	
For interest.....	<u>4,730</u>	<u>147,730</u>
Net cash provided by operating activities		185,250
Cash flows from investing activities		
Sale of plant assets.....	1,500	
Purchase of investments.....	(24,000)	
Purchase of plant assets	<u>(85,000)</u>	
Net cash used by investing activities		(107,500)
Cash flows from financing activities		
Sale of common stock	45,000	
Redemption of bonds	(40,000)	
Payment of cash dividends	<u>(40,350)</u>	
Net cash used by financing activities		<u>(35,350)</u>
Net increase in cash		42,400
Cash at beginning of period.....		<u>48,400</u>
Cash at end of period		<u>\$ 90,800</u>

Computations:

(1) Cash receipts from customers	
Sales	\$392,780
Deduct: Increase in accounts receivable....	<u>59,800</u>
Cash receipts from customers	<u>\$332,980</u>

***PROBLEM 13-10A (Continued)**

(2) Cash payments to suppliers

Cost of goods sold		\$135,460
Add: Increase in inventory		<u>9,650</u>
Cost of purchases		145,110
Deduct: Increase in accounts payable		<u>44,700</u>
Cash payments to suppliers		<u><u>\$100,410</u></u>

(3) Cash payments for operating expenses

Operating expenses exclusive of depreciation.....			\$ 12,410
Add: Increase in prepaid expenses	\$2,400		
Decrease in accrued expenses payable		<u>500</u>	<u>2,900</u>
Cash payments for operating expenses ..			<u><u>\$ 15,310</u></u>