

Case 4– Statement of cash flows

Part 1: Data: Balance sheets and an income statement for the fictional company XYZ are attached.

Requirement

Prepare the statement of cash flows of XYZ for 2011. Please only prepare the operating section of the CF statement showing **both** the direct and indirect formats. Do not prepare the investing and financing sections of the CF statement.

Also assume that the following occurred during 2011:

- Purchased \$10 of plant assets during the year
- Depreciation of \$8 is included in selling, general and administrative expenses (SG&A)

XYZ, Inc.
Balance sheets

	Dec 31, 2011	Dec 31, 2010
Cash	82	70
Accounts receivable	60	65
Inventory	<u>95</u>	<u>62</u>
Total current assets	<u>237</u>	<u>197</u>
Noncurrent Assets		
Gross	199	210
Less: Accumulated dep.	<u>(33)</u>	<u>(30)</u>
Noncurrent assets, net	<u>166</u>	<u>180</u>
Total Assets	<u>403</u>	<u>377</u>
Accounts payable	36	50
Short-term loans	-	20
Dividends payable	17	10
Income taxes payable	<u>40</u>	<u>42</u>
Total current liabilities	<u>93</u>	<u>122</u>
Long-term loans	<u>100</u>	<u>100</u>
Stockholders' Equity		
Capital stock	85	85
Retained earnings	<u>125</u>	<u>70</u>
Total stockholders' equity	<u>210</u>	<u>155</u>
Total Liabilities and Owners' Equity	<u>403</u>	<u>377</u>

XYZ, Inc.

Income statement for the year ended December 31, 2011

Sales	1,200
Cost of goods sold	<u>500</u>
Gross Margin	700
SG&A expense	<u>547</u>
Income From Operations	153
Interest expense, net	40
Loss on sale of plant assets	<u>3</u>
Income before Tax	110
Tax expense	<u>38</u>
Net Income after Tax	<u>72</u>

Indirect method:

Net Income:	72
$-\Delta A/R$:	$-(60 - 95)$
$-\Delta Inventory$:	$-(95 - 62)$
$+\Delta A/P$:	$36 - 50$
$+\Delta tax\ receivable$:	$40 - 42$
+Noncash expense:	$8 + 3$

$$\text{Cash flow} = 72 - (60 - 95) - (95 - 62) + (36 - 50) + (40 - 42) + 8 + 3 = 39$$

Direct method:

Cash collection from customers

$$\begin{aligned} &= \text{Revenues} - \Delta A/R + \Delta \text{Deferred Revenues} \\ &= 1200 - (60 - 65) + 0 \\ &= 1205 \end{aligned}$$

$$\begin{aligned} \text{Cash paid to suppliers} &= \text{COGS} + \Delta \text{Inventory} - \Delta A/P \\ &= 500 + (95 - 62) - (36 - 50) \\ &= 547 \end{aligned}$$

$$\text{Cash paid to SG\&A} = 547 - 8 = 539$$

$$\text{Cash paid to interest} = 40$$

$$\text{cash paid to tax} = 38 + 2 = 40$$

$$\text{cash flow} = 1205 - 547 - 539 - 40 - 40 = 39$$

Part 2:

Consolidated Balance Sheets as of December 31, 2015 and 2014 (in thousands of \$)

	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	264,524	235,801
Restricted cash	368	35,800
Marketable securities	13,853	—
Trade accounts receivable, net	57,367	13,324
Related party receivables	10,234	3,457
Other receivables	29,121	19,545
Inventories	25,779	19,137
Voyages in progress	52,167	21,588
Prepaid expenses and accrued income	4,315	2,928
Current portion of investment in finance lease	9,329	—
Other current assets	408	2,126
Current assets held for distribution	—	83,202
Total current assets	467,465	436,908
Long-term assets		
Newbuildings	266,233	227,050
Vessels and equipment, net	1,189,198	861,919
Vessels and equipment under capital lease, net	694,226	—
Investment in associated company	—	59,448
Deferred charges	3,186	4,763
Other long term assets	417	1,678
Investment in finance lease	40,656	—
Goodwill	225,273	—
Long-term assets held for distribution	—	910,002
Total assets	2,886,654	2,501,768
LIABILITIES AND EQUITY		
Current liabilities		
Short-term debt and current portion of long-term debt	57,575	44,052
Current portion of obligations under capital leases	89,798	—
Related party payables	28,720	3,422
Trade accounts payable	9,500	2,580
Accrued expenses	29,689	11,744
Value of unfavorable time charter contracts	6,799	—
Derivative instruments payable	4,081	—
Other current liabilities	15,875	140,630
Current liabilities held for distribution	—	34,779
Total current liabilities	242,037	237,207
Long-term liabilities		
Long-term debt	748,881	473,523
Obligations under capital leases	446,553	—
Other long-term liabilities	2,840	—
Long-term liabilities held for distribution	—	343,688

The balance sheet belongs to an international shipping company. The Company was engaged primarily in the operation of oil tankers and oil/bulk/ore, or OBO carriers, which were configured to carry dry cargo.

Please indicate which of the balance sheet accounts will appear in the CF from operations section.

Related party receivables
Other receivables
Inventories
Prepaid expenses and accrued income

Related party payables
Trade account payable
Accrued expense