

Solution:

(1)

The preparation of income & cash flow for year 2012, calculated using both straight line depreciation and DDB depreciation are as follows:

Particulars	Depreciation Using	
	Straight Line	DDB
STATEMENT OF INCOME FOR 2012 (in \$)		
Name: Fleck Co.		
Sales	190,000	190,000
Operating Expenses	(100,000)	(100,000)
Gross Profit (Loss)	90,000	90,000
Other Expenses:		
Depreciation & amortization	(11,000)	(24,000)
Income Before Tax	79,000	66,000
Income Tax Payable	(31,600)	(26,400)
Net Income	47,400	39,600

STATEMENT OF CASH FLOW FOR 2012 (in \$)		
Net Income	47,400	39,600
Adjustment from net income to reconcile		
With net cash flow from operations:		
Depreciation & amortization	11,000	24,000
Total cash flow	58,400	63,600
Cash & Cash Equivalents on 31 Dec, 2011	90,000	90,000
Cash & Cash Equivalents on 31 Dec, 2012	148,400	153,600

(2)

No, depreciation does not provide cash. Instead, it acts as a non-cash agent that reduces net income to provide lower taxes, which reduces the cash outflow for the same cash generating activities.