IESE Business School
University of Navarra

Accounting: Making Sound Decisions

Prof. Marc Badia

Week 3: "The Cash Flow Statement"

Transactions for period x2:

1. Purchase of books on credit for €150,000.
2. The cash sales of books are €140,000. The cost of books sold in cash is €98,000.
3. Sales on credit amount to €70,000. The cost of books sold on credit is €50,000.
4. Collections from credit sales to customers are €64,000.
5. Payments to suppliers of books are €155,000.
6. Selling, general and administrative costs amount to €37,000, all paid in cash.
7. The Campus Bookstore recognizes the rent expense of €6,600. This amount was prepaid at the end of x1.
8. On December 31st x2, the Campus Bookstore pays €7,200 in advance for the full rent of year x3.
9. Cristina has estimated a depreciation expense of €5,000 for furniture and equipment in x2.
10. The estimated amortization of software is €1,000.
11. On December 31st, the Campus Bookstore sells the furniture and equipment for a price of €1,800 in cash. The original cost of the furniture and equipment sold was €5,000 and the accumulated depreciation €2,000.
12. On December 31st, the Campus Bookstore purchases new furniture and equipment for €6,000 in cash.
13. On December 31st, Cristina decides to invest in Apple shares for a total amount of €15,000.
14. The interest recognized and paid on the bank loan at the end of x2 is €1,000.
15. In x3, the Campus Bookstore will have to repay the principal of the loan. So it reclassifies the €20,000 from the long-term bank loan account to another account in current liabilities.
16. On December 31st x2, the Campus Bookstore receives a new long-term bank loan for €30,000
17. Taxes paid are €3,600.
18. The tax expense recognized at the end of x2 is €3,060.
19. The Campus Bookstore makes the closing entry. The net profit for the year is €7,140
20. Cristina and her uncle decide to pay themselves cash dividends of €10,000.