

SCF Handout - Solutions

Howe Company
Statement of Cash Flows
Year Ending December 31, 2013

Cash Flows from Operating Activities:

Net Income*		(11,000)
Adjustments for noncash items:		
Decrease in accounts receivable	16,000	
Decrease in Inventory	13,000	
Decrease in accounts payable	(8,000)	
Cash provided by operations		<u>10,000</u>

Cash Flows from Investing Activities:

Purchase of Land	(70,000)	
Cash used for investing activities		<u>(70,000)</u>

Cash Flows from Financing Activities:

Issuance of Long-Term Note	65,000	
Cash provided by financing activities		<u>65,000</u>
Net Increase in Cash		5,000
Cash at beginning of year		<u>14,000</u>
Cash at end of year		<u>19,000</u>

*Net Income = 63,000 - 74,000 = (11,000)

Lidstrom Company
Statement of Cash Flows
Year Ending December 31, 2012

Cash Flows from Operating Activities:

Net Income*		19,000
Adjustments for noncash items:		
Depreciation Expense	11,000	
Decrease in accounts receivable	5,000	
Increase in Inventory	(2,000)	
Increase in accounts payable	8,000	
Cash provided by operations		<u>41,000</u>

Cash Flows from Investing Activities:

Purchase of PP&E	(35,000)	
Cash used for investing activities		<u>(35,000)</u>

Cash Flows from Financing Activities:

Payments of notes payable	(1,000)	
Payment of dividends	(15,000)	
Sale of stock	<u>12,500</u>	
Cash used for financing activities		<u>(3,500)</u>
Net Increase in Cash		2,500
Cash at beginning of year		<u>5,000</u>
Cash at end of year		<u>7,500</u>

*Net Income = 46,500 + 15,000 – 42,500 = 19,000

Shanahan Corp.
Statement of Cash Flows
Year Ending December 31, 2013

Cash Flows from Operating Activities:

Net Income*		8,000
Adjustments for noncash items:		
Increase in Depreciation	25,000	
Increase in accounts receivable	(7,000)	
Increase in Inventory	(8,000)	
Decrease in Prepaid Rent	2,000	
Increase in accounts payable	10,000	
Cash provided by operations		<u>30,000</u>

Cash Flows from Investing Activities:

Purchase of Machinery	(40,000)	
Cash used for investing activities		<u>(40,000)</u>

Cash Flows from Financing Activities:

Payment of Long-Term Note	(32,000)	
Issuance of Common Stock	50,000	
Payment of Dividends	(10,000)	
Cash provided by financing activities		<u>8,000</u>
Net Increase in Cash		<u>(2,000)</u>
Cash at beginning of year		<u>29,000</u>
Cash at end of year		<u>27,000</u>

*Net Income = 66,000 + 10,000 - 68,000 = 8,000