PRACTICE MULTIPLE-CHOICE QUESTIONS

**13-1.** (LO 1)

Which of the following is **incorrect**about the statement of cash flows?

(a) It is a fourth basic financial statement.

(b) It provides information about cash receipts and cash payments of an entity during a period.

(c) It reconciles the ending cash account balance to the balance per the bank statement.

(d) It provides information about the operating, investing, and financing activities of the business.

**Answer**

(c) It reconciles the ending cash account balance to the balance per the bank statement.

**13-2.** (LO 1)

Which of the following will **not**be reported in the statement of cash flows?

(a) The net change in plant assets during the year.

(b) Cash payments for plant assets purchased during the year.

(c) Cash receipts from sales of plant assets during the year.

(d) Cash payments for dividends.

**Answer**

(a) The net change in plant assets during the year.

**13-3.** (LO 2)

The statement of cash flows classifies cash receipts and cash payments by these activities:

(a) operating and non-operating.

(b) investing, financing, and operating.

(c) financing, operating, and non-operating.

(d) investing, financing, and non-operating.

**Answer**

(b) investing, financing, and operating.

**13-4.** (LO 2)

Which is an example of a cash flow from an operating activity?

(a) Payment of cash to lenders for interest.

(b) Receipt of cash from the sale of ordinary shares.

(c) Payment of cash to reacquire shares.

(d) None of the above.

**Answer**

(a) Payment of cash to lenders for interest.

**13-5.** (LO 2)

Which is an example of a cash flow from an investing activity?

(a) Receipt of cash from the issuance of bonds payable.

(b) Payment of cash to repurchase outstanding shares.

(c) Receipt of cash from the sale of equipment.

(d) Payment of cash to suppliers for inventory.

**Answer**

(c) Receipt of cash from the sale of equipment.

**13-6.** (LO 2)

Cash dividends paid to shareholders are classified on the statement of cash flows as:

(a) an operating activities.

(b) an investing activities.

(c) a combination of (a) and (b).

(d) a financing activities.

**Answer**

(d) a financing activities.

**13-7.** (LO 2)

Which is an example of a cash flow from a financing activity?

(a) Receipt of cash from sale of land.

(b) Issuance of debt for cash.

(c) Purchase of equipment for cash.

(d) Receipt of interest.

**Answer**

(b) Issuance of debt for cash.

**13-8.** (LO 2)

Which of the following is **incorrect**about the statement of cash flows?

(a) The direct method may be used to report cash provided by operations.

(b) The statement shows the cash provided (used) for three categories of activity.

(c) The operating section is the last section of the statement.

(d) The indirect method may be used to report cash provided by operations.

**Answer**

(c) The operating section is the last section of the statement.

**Use the indirect method to solve Questions 9 through 11.**

**13-9.** (LO 3)

Net income is £132,000, accounts payable increased £10,000 during the year, inventory decreased £6,000 during the year, and accounts receivable increased £12,000 during the year. Under the indirect method, what is net cash provided by operating activities?

(a) £102,000.

(b) £112,000.

(c) £124,000.

(d) £136,000.

**Answer**

(d) £136,000.

**13-10.** (LO 3)

Items that are added back to net income in determining cash provided by operating activities under the indirect method do **not**include:

(a) depreciation expense.

(b) an increase in inventory.

(c) amortization expense.

(d) loss on sale of equipment.

**Answer**

(b) an increase in inventory.

**13-11.** (LO 3)

The following data are available for Allen Clapp Ltd.

|  |  |
| --- | --- |
| Net income | HK$2,000,000 |
| Depreciation expense | 400,000 |
| Dividends paid | 600,000 |
| Gain on disposal of land | 100,000 |
| Decrease in accounts receivable | 200,000 |
| Decrease in accounts payable | 300,000 |

Net cash provided by operating activities is:

(a) HK$1,600,000.

(b) HK$2,200,000.

(c) HK$2,400,000.

(d) HK$2,800,000.

**Answer**

(b) HK$2,200,000.

**13-12.** (LO 3)

The following data are available for Orange Peels Ltd.

|  |  |
| --- | --- |
| Sale of land | HK$1,000,000 |
| Sale of equipment | 500,000 |
| Issuance of ordinary shares | 700,000 |
| Purchase of equipment | 300,000 |
| Payment of cash dividends | 600,000 |

Net cash provided by investing activities is:

(a) NT$1,200,000.

(b) NT$1,300,000.

(c) NT$1,500,000.

(d) NT$1,900,000.

**Answer**

(a) $1,200,000.

**13-13.** (LO 3)

The following data are available for Something Strange!

|  |  |
| --- | --- |
| Increase in accounts payable | €40,000 |
| Increase in bonds payable | 100,000 |
| Sale of investment | 50,000 |
| Issuance of ordinary shares | 60,000 |
| Payment of cash dividends | 30,000 |

Net cash provided by financing activities is:

(a) €90,000.

(b) €130,000.

(c) €160,000.

(d) €170,000.

**Answer**

(b) €130,000.

**13-14.** (LO 4)

The statement of cash flows should **not**be used to evaluate an entity's ability to:

(a) earn net income.

(b) generate future cash flows.

(c) pay dividends.

(d) meet obligations.

**Answer**

(a) earn net income.

**13-15.** (LO 4)

Free cash flow provides an indication of a company's ability to:

(a) generate net income.

(b) generate cash to pay dividends.

(c) generate cash to invest in new capital expenditures.

(d) Both (b) and (c).

**Answer**

(d) Both (b) and (c).

**Use the direct method to solve Questions 16 and 17.**

**\*13-16.** (LO 5)

The beginning balance in accounts receivable is €44,000, the ending balance is €42,000, and sales during the period are €129,000. What are cash receipts from customers?

(a) €127,000.

(b) €129,000.

(c) €131,000.

(d) €141,000.

**Answer**

(c) €131,000.

**\*13-17.** (LO 5)

Which of the following items is reported on a statement of cash flows prepared by the direct method?

(a) Loss on sale of building.

(b) Increase in accounts receivable.

(c) Depreciation expense.

(d) Cash payments to suppliers.

**Answer**

(d) Cash payments to suppliers.

**\*13-18.** (LO 6)

In a worksheet for the statement of cash flows, a decrease in accounts receivable is entered in the reconciling columns as a credit to Accounts Receivable and a debit in the:

(a) investing activities section.

(b) operating activities section.

(c) financing activities section.

(d) None of the choices is correct.

**Answer**

(b) operating activities section.

**\*13-19.** (LO 6)

In a worksheet for the statement of cash flows, a worksheet entry that includes a credit to accumulated depreciation will also include a:

(a) credit in the operating section and a debit in another section.

(b) debit in the operating section.

(c) debit in the investing section.

(d) debit in the financing section.

**Answer**

(b) debit in the operating section.

QUESTIONS

**13-1.** (a) What is a statement of cash flows?

(b) Nick Johns maintains that the statement of cash flows is an optional financial statement. Do you agree? Explain.

**13-2.** What questions about cash are answered by the statement of cash flows?

**13-3.** Distinguish among the three types of activities reported in the statement of cash flows.

**13-4.** (a) What are the major sources (inflows) of cash in a statement of cash flows?

(b) What are the major uses (outflows) of cash?

**13-5.** Why is it important to disclose certain non-cash transactions? How should they be disclosed?

**13-6.** Wilma Flintstone and Barny Rublestone were discussing the format of the statement of cash flows of Saltwater Candy Co. At the bottom of Saltwater Candy's statement of cash flows was a note entitled “Non-cash investing and financing activities.” Give three examples of significant non-cash transactions that would be reported in this manner.

**13-7.** Why is it necessary to use comparative statements of financial position, a current income statement, and certain transaction data in preparing a statement of cash flows?

**13-8.** Contrast the advantages and disadvantages of the direct and indirect methods of preparing the statement of cash flows. Are both methods acceptable? Which method is preferred by the IASB? Which method is more popular?

**13-9.** When the total cash inflows exceed the total cash outflows in the statement of cash flows, how and where is this excess identified?

**13-10.** Describe the indirect method for determining net cash provided (used) by operating activities.

**13-11.** Why is it necessary to convert accrual-based net income to cash-basis income when preparing a statement of cash flows?

**13-12.** The president of Ferneti A/S is puzzled. During the last year, the company experienced a net loss of £800,000, yet its cash increased £300,000 during the same period of time. Explain to the president how this could occur.

**13-13.** Identify five items that are adjustments to convert net income to net cash provided by operating activities under the indirect method.

**13-14.** Why and how is depreciation expense reported in a statement prepared using the indirect method?

**13-15.** Why is the statement of cash flows useful?

**\*13-16.** Describe the direct method for determining net cash provided by operating activities.

**\*13-17.** Give the formulas under the direct method for computing (a) cash receipts from customers and (b) cash payments to suppliers.

**\*13-18.** Aloha Ltd. reported sales revenue of NT$2 million for 2017. Accounts receivable decreased NT$140,000 and accounts payable increased NT$300,000. Compute cash receipts from customers, assuming that the receivable and payable transactions related to operations.

**\*13-19.** In the direct method, why is depreciation expense not reported in the cash flows from operating activities section?

**\*13-20.** Why is it advantageous to use a worksheet when preparing a statement of cash flows? Is a worksheet required to prepare a statement of cash flows?

BRIEF EXERCISES

**BE13-1.** *Indicate statement presentation of selected transactions*.

(LO 2)

Each of the items below must be considered in preparing a statement of cash flows for Aksu A.S. for the year ended December 31, 2017. For each item, state how it should be shown in the statement of cash flows for 2017.

(a) Issued bonds for [Turkish lira symbol black.svg](http://zh.wikipedia.org/wiki/%E5%9C%9F%E8%80%B3%E5%85%B6%E9%87%8C%E6%8B%89%E7%AC%A6%E5%8F%B7)150,000 cash.

(b) Purchased equipment for [Turkish lira symbol black.svg](http://zh.wikipedia.org/wiki/%E5%9C%9F%E8%80%B3%E5%85%B6%E9%87%8C%E6%8B%89%E7%AC%A6%E5%8F%B7)200,000 cash.

(c) Sold land costing [Turkish lira symbol black.svg](http://zh.wikipedia.org/wiki/%E5%9C%9F%E8%80%B3%E5%85%B6%E9%87%8C%E6%8B%89%E7%AC%A6%E5%8F%B7)50,000 for [Turkish lira symbol black.svg](http://zh.wikipedia.org/wiki/%E5%9C%9F%E8%80%B3%E5%85%B6%E9%87%8C%E6%8B%89%E7%AC%A6%E5%8F%B7)50,000 cash.

(d) Declared and paid a [Turkish lira symbol black.svg](http://zh.wikipedia.org/wiki/%E5%9C%9F%E8%80%B3%E5%85%B6%E9%87%8C%E6%8B%89%E7%AC%A6%E5%8F%B7)18,000 cash dividend.

**BE13-2.** *Classify items by activities*.

(LO 2)

Classify each item as an operating, investing, or financing activity. Assume all items involve cash unless there is information to the contrary.

(a) Purchase of equipment.

(b) Sale of building.

(c) Redemption of bonds.

(d) Depreciation.

(e) Payment of dividends.

(f) Issuance of ordinary shares.

**BE13-3.** *Identify financing activity transactions*.

(LO 2)

The following T-account is a summary of the Cash account of Wiegman Ltd.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Cash** (Summary Form) | | | | | |
| Balance, Jan. 1 | 8,000 |  |  |  |  |
| Receipts from customers | 364,000 |  |  | Payments for goods | 200,000 |
| Dividends on share investments | 6,000 |  |  | Payments for operating expenses | 140,000 |
| Proceeds from sale of equipment | 36,000 |  |  | Interest paid | 10,000 |
| Proceeds from issuance of |  |  |  | Taxes paid | 8,000 |
| bonds payable | 460,000 |  |  | Dividends paid | 40,000 |
| Balance, Dec. 31 | 476,000 |  |  |  |  |

What amount of net cash (in £) provided (used) by financing activities should be reported in the statement of cash flows?

**BE13-4.** *Compute cash provided by operating activities—indirect method*.

(LO 3)

Mokena, Ltd. reported net income of €2.0 million in 2017. Depreciation for the year was €160,000, accounts receivable increased €350,000, and accounts payable increased €280,000. Compute net cash provided by operating activities using the indirect method.

**BE13-5.** *Compute cash provided by operating activities—indirect method*.

(LO 3)

The net income for Lodi Ltd. for 2017 was £250,000. For 2017, depreciation on plant assets was £65,000, and the company incurred a gain on disposal of plant assets of £12,000. Compute net cash provided by operating activities under the indirect method.

**BE13-6.** *Compute net cash provided by operating activities—indirect method*.

(LO 3)

The comparative statements of financial position for Sergipe SA show these changes in non-cash current asset accounts: accounts receivable increase R$80,000, prepaid expenses decrease R$28,000, and inventories decrease R$30,000. Compute net cash provided by operating activities using the indirect method assuming that net income is R$250,000.

**BE13-7.** *Determine cash received from sale of equipment*.

(LO 3)

The T-accounts for Equipment and the related Accumulated Depreciation—Equipment for Gao Company Ltd. at the end of 2017 are shown here.

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Equipment** | | | | | |  | **Accumulated Depreciation—Equipment** | | | | | |
| Beg. bal. | 800,000 |  |  | Disposals | 220,000 |  | Disposals | 85,000 |  |  | Beg. bal. | 445,000 |
| Acquisitions | 410,600 |  |  |  |  |  |  |  |  |  | Depr. exp. | 120,000 |
| End. bal. | 990,600 |  |  |  |  |  |  |  |  |  | End. bal. | 480,000 |

In addition, Gao Company's income statement reported a loss on disposal of plant assets of $6,300. What amount was reported on the statement of cash flows as “cash flow from disposal of plant assets”?

**BE13-8.** *Calculate free cash flow*.

(LO 4)

In a recent year, Cypress Semiconductor Corporation (USA) reported cash provided by operating activities of $155,397,000, cash used in investing of $207,628,000, and cash used in financing of $33,372,000. In addition, cash spent for fixed assets during the period was $130,820,000. No dividends were paid. Calculate free cash flow.

**BE13-9.** *Calculate free cash flow*.

(LO 4)

Wruck Company reported cash provided by operating activities of £420,000, cash used by investing activities of £150,000, and cash provided by financing activities of £80,000. In addition, cash spent for capital assets during the period was £250,000. No dividends were paid. Calculate free cash flow.

**BE13-10.** *Calculate free cash flow*.

(LO 4)

In a recent quarter, Alliance Atlantis Communications Inc. (USA) reported cash provided by operating activities of $45,000,000 and revenues of $265,800,000. Cash spent on plant asset additions during the quarter was $1,400,000. No dividends were paid. Calculate free cash flow.

**BE13-11.** *Calculate and analyze free cash flow*.

(LO 4)

The management of Russel Ltd. is trying to decide whether it can increase its dividend. During the current year, it reported net income of €875,000. It had cash provided by operating activities of €643,000, paid cash dividends of €80,000, and had capital expenditures of €274,000. Compute the company's free cash flow, and discuss whether an increase in the dividend appears warranted. What other factors should be considered?

**\*BE13-12.** *Compute receipts from customers—direct method*.

(LO 5)

Suppose Columbia Sportswear Company (USA) had accounts receivable of $205,025,000 at the beginning of a recent year, and $267,653,000 at year-end. Sales revenue was $1,085,307,000 for the year. What is the amount of cash receipts from customers?

**\*BE13-13.** *Compute cash payments for income taxes—direct method*.

(LO 5)

Kinsey Ltd. reported income taxes of £360,000,000 on its 2017 income statement, income taxes payable of £277,000,000 at December 31, 2016, and £525,000,000 at December 31, 2017. What amount of cash payments were made for income taxes during 2017?

**\*BE13-14.** *Compute cash payments for operating expenses—direct method*.

(LO 5)

Yaddof SE reports operating expenses of €70,000 excluding depreciation expense of €19,000 for 2017. During the year, prepaid expenses decreased €6,800 and accrued expenses payable increased €4,100. Compute the cash payments for operating expenses in 2017.

**\*BE13-15.** *Indicate entries in worksheet*.

(LO 6)

During the year, prepaid expenses decreased £6,500, and accrued expenses increased £2,000. Indicate how the changes in prepaid expenses and accrued expenses payable should be entered in the reconciling columns of a worksheet. Assume that beginning balances were prepaid expenses £18,600 and accrued expenses payable £8,200.

**DO IT! REVIEW**

**DO IT! 13-1.** *Classify transactions by type of cash flow activity*.

(LO 2)

Piekarski OAO had the following transactions.

1. Issued €200,000 of bonds payable.

2. Paid utilities expense.

3. Issued 500 shares of preference shares for €45,000.

4. Sold land and a building for €250,000.

5. Lent €30,000 to Zarembski Company, receiving Zarembski's 1-year, 12% note.

Classify each of these transactions by type of cash flow activity (operating, investing, or financing).

**DO IT! 13-2.** *Calculate net cash from operating activities*.

(LO 3)

Muniz Photography reported net income of R$100,000 for 2014. Included in the income statement were depreciation expense of R$4,000, amortization expense of R$3,000, and a gain on disposal of plant assets of R$3,900. Muniz's comparative statements of financial position are shown below.

|  |  |  |  |
| --- | --- | --- | --- |
|  | 12/31/16 |  | 12/31/17 |
| Accounts receivable | R$27,000 |  | R$21,000 |
| Accounts payable | 6,000 |  | 9,200 |

Calculate net cash provided by operating activities for Muniz Photography SA.

**DO IT! 13-3.** *Compute and discuss free cash flow*.

(LO 4)

Zielinski OAO issued the following statement of cash flows for 2017.

|  |  |  |  |
| --- | --- | --- | --- |
| **ZIELINSKI OAO**  **Statement of Cash Flows—Indirect Method**  **For the Year Ended December 31, 2017** | | | |
| Cash flows from operating activities |  |  |  |
| Net income |  |  | €59,000 |
| Adjustments to reconcile net income to net cash |  |  |  |
| provided by operating activities: |  |  |  |
| Depreciation expense | €9,400 |  |  |
| Loss on disposal of plant assets | 3,300 |  |  |
| Decrease in accounts receivable | 8,500 |  |  |
| Increase in inventory | (5,000) |  |  |
| Decrease in accounts payable | (2,500) |  | 13,700 |
| Net cash provided by operating activities |  |  | 72,700 |
| Cash flows from investing activities |  |  |  |
| Sale of investments | 3,100 |  |  |
| Purchase of equipment | (26,000) |  |  |
| Net cash used by investing activities |  |  | 22,900 |
| Cash flows from financing activities |  |  |  |
| Issuance of shares | 20,000 |  |  |
| Payment on long-term note payable | (10,000) |  |  |
| Payment for dividends | (16,000) |  |  |
| Net cash used by financing activities |  |  | (6,000) |
| Net increase in cash |  |  | 43,800 |
| Cash at beginning of year |  |  | 13,000 |
| Cash at end of year |  |  | € 56,800 |

(a) Compute free cash flow for Zielinski Company. (b) Explain why free cash flow often provides better information than “Net cash provided by operating activities.”

EXERCISES

**E13-1.** *Classify transactions by type of activity*.

(LO 2)

Laurent AG had these transactions during 2017.

(a) Issued CHF50,000 par value ordinary shares for cash.

(b) Purchased a machine for CHF30,000, giving a long-term note in exchange.

(c) Issued CHF200,000 par value ordinary shares upon conversion of bonds having a face value of CHF200,000.

(d) Declared and paid a cash dividend of CHF18,000.

(e) Sold a long-term investment with a cost of CHF15,000 for CHF15,000 cash.

(f) Collected CHF16,000 of accounts receivable.

(g) Paid CHF18,000 on accounts payable.

***Instructions***

Analyze the transactions and indicate whether each transaction resulted in a cash flow from operating activities, investing activities, financing activities, or non-cash investing and financing activities.

**E13-2.** *Classify transactions by type of activity*.

(LO 2)

An analysis of comparative statements of financial position, the current year's income statement, and the general ledger accounts of Solomon Co. uncovered the following items. Assume all items involve cash unless there is information to the contrary.

(a) Payment of interest on notes payable.

(b) Exchange of land for patent.

(c) Sale of building at book value.

(d) Payment of dividends.

(e) Depreciation.

(f) Receipt of dividends on investment in shares.

(g) Receipt of interest on notes receivable.

(h) Issuance of share capital—ordinary.

(i) Amortization of patent.

(j) Issuance of bonds for land.

(k) Purchase of land.

(l) Conversion of bonds into ordinary shares.

(m) Loss on sale of land.

(n) Retirement of bonds.

***Instructions***

Indicate how each item should be classified in the statement of cash flows using these four major classifications: operating activity (indirect method), investing activity, financing activity, and significant non-cash investing and financing activity.

**E13-3.** *Prepare journal entry and determine effect on cash flows*.

(LO 2)

Tim Latimer Ltd. had the following transactions.

1. Sold land (cost £12,000) for £10,000.

2. Issued ordinary shares at par value for £18,000.

3. Recorded depreciation on buildings for £14,000.

4. Paid salaries of £7,000.

5. Issued 1,000 shares of £1 par value ordinary shares for equipment worth £9,000.

6. Sold equipment (cost £10,000, accumulated depreciation £8,000) for £3,500.

***Instructions***

For each transaction above, (a) prepare the journal entry, and (b) indicate how it would affect the statement of cash flows under the indirect method.

**E13-4.** *Prepare the operating activities section—indirect method*.

(LO 3)

Bracewell Ltd. reported net income of £195,000 for 2017. Bracewell also reported depreciation expense of £40,000 and a gain of £5,000 on disposal of plant assets. The comparative statements of financial position show an increase in accounts receivable of £15,000 for the year, a £17,000 increase in accounts payable, and a £4,000 decrease in prepaid expenses.

***Instructions***

Prepare the operating activities section of the statement of cash flows for 2017. Use the indirect method.

**E13-5.** *Prepare the operating activities section—indirect method*.

(LO 3)

The current sections of Nasreen SA's statements of financial position at December 31, 2016 and 2017, are presented here. Nasreen's net income for 2017 was €147,000. Depreciation expense was €21,000.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2017** |  | **2016** |
| Current assets |  |  |  |
| Prepaid expenses | €27,000 |  | €25,000 |
| Inventory | 158,000 |  | 172,000 |
| Accounts receivable | 110,000 |  | 79,000 |
| Cash | 105,000 |  | 99,000 |
| Total current assets | €400,000 |  | €3375,000 |
|  |  |  |  |
| Current liabilities |  |  |  |
| Accrued expenses payable | €15,000 |  | € 9,000 |
| Accounts payable | 85,000 |  | 95,000 |
| Total current liabilities | €100,000 |  | € 104,000 |

***Instructions***

Prepare the net cash provided by operating activities section of the company's statement of cash flows for the year ended December 31, 2017, using the indirect method.

**E13-6.** *Prepare partial statement of cash flows—indirect method*.

(LO 3)

The three accounts shown below appear in the general ledger of Chaudry NV during 2017.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Equipment** | | | | | | | |
| **Date** |  |  | **Debit** |  | **Credit** |  | **Balance** |
| Jan. 1 |  | Balance |  |  |  |  | 160,000 |
| July 31 |  | Purchase of equipment | 70,000 |  |  |  | 230,000 |
| Sept. 2 |  | Cost of equipment constructed | 53,000 |  |  |  | 283,000 |
| Nov. 10 |  | Cost of equipment sold |  |  | 49,000 |  | 234,000 |
|  | | | | | | | |
| **Accumulated Depreciation—Equipment** | | | | | | | |
| **Date** |  |  | **Debit** |  | **Credit** |  | **Balance** |
| Jan. 1 |  | Balance |  |  |  |  | 7,100 |
| Nov. 10 |  | Accumulated depreciation on |  |  |  |  |  |
|  |  | equipment sold | 28,000 |  |  |  | 43,000 |
| Dec. 31 |  | Depreciation for year |  |  | 23,000 |  | 66,000 |
|  | | | | | | | |
| **Retained Earnings** | | | | | | | |
| **Date** |  |  | **Debit** |  | **Credit** |  | **Balance** |
| Jan. 1 |  | Balance |  |  |  |  | 105,000 |
| Aug. 23 |  | Dividends (cash) | 17,000 |  |  |  | 88,000 |
| Dec. 31 |  | Net income |  |  | 67,000 |  | 155,000 |

***Instructions***

From the postings in the accounts, indicate how the information is reported on a statement of cash flows using the indirect method. The loss on disposal of plant assets was €5,000. (*Hint:* Cost of equipment constructed is reported in the investing activities section as a decrease in cash of €53,000.)

**E13-7.** *Prepare statement of cash flows and compute free cash flow*.

(LO 3, 4)

Meera Ltd's comparative statements of financial position are presented below.

|  |  |  |  |
| --- | --- | --- | --- |
| **MEERA LTD.**  **Comparative Statements of Financial Position**  **December 31** | | | |
|  | **2017** |  | **2016** |
| Land | £ 20,000 |  | £ 26,000 |
| Buildings | 70,000 |  | 70,000 |
| Accumulated depreciation—buildings | (15,000) |  | (10,000) |
| Accounts receivable | 20,800 |  | 23,400 |
| Cash | 17,660 |  | 10,700 |
| Total | £113,460 |  | £120,100 |
| Share capital—ordinary | £75,000 |  | £72,000 |
| Retained earnings | 26,090 |  | 20,000 |
| Accounts payable | 12,370 |  | 28,100 |
| Total | £113,460 |  | £120,100 |

Additional information:

1. Net income was £22,590. Dividends declared and paid were £16,500.

2. All other changes in non-current account balances had a direct effect on cash flows, except the change in accumulated depreciation. The land was sold for £5,000.

***Instructions***

(a) Prepare a statement of cash flows for 2017 using the indirect method.

(b) Compute free cash flow.

**E13-8.** *Prepare a statement of cash flows—indirect method*.

(LO 3)

Here are comparative statements of financial position for Syal SE.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **SYAL SE**  **Comparative Statements of Financial Position**  **December 31** | | | | | |
| **Assets** |  | | **2017** |  | **2016** |
| Land | | | € 73,000 |  | €100,000 |
| Equipment | | | 260,000 |  | 200,000 |
| Accumulated depreciation—equipment | | | (66,000) |  | (34,000) |
| Inventory | | | 170,000 |  | 187,000 |
| Accounts receivable | | | 85,000 |  | 71,000 |
| Cash | | | 73,000 |  | 33,000 |
| Total | | | €595,000 |  | €557,000 |
|  | | |  |  |  |
| **Equity and Liabilities** | |  |  |  |  |
| Share capital—ordinary (€1 par) | | | €216,000 |  | €174,000 |
| Retained earnings | | | 194,000 |  | 136,000 |
| Bonds payable | | | 150,000 |  | 200,000 |
| Accounts payable | | | 35,000 |  | 47,000 |
| Total | | | €595,000 |  | €557,000 |

Additional information:

1. Net income for 2017 was €103,000.

2. Depreciation expense was €32,000.

3. Cash dividends of €45,000 were declared and paid.

4. Bonds payable amounting to €50,000 were redeemed for cash €50,000.

5. Ordinary shares were issued for €42,000 cash.

6. No equipment was sold during 2017.

7. Land was sold for its book value of €27,000.

***Instructions***

Prepare a statement of cash flows for 2017 using the indirect method.

**E13-9.** *Prepare statement of cash flows and compute free cash flow*.

(LO 3, 4)

Cassandra SA's comparative statements of financial position are presented below.

|  |  |  |  |
| --- | --- | --- | --- |
| **CASSANDRA SA**  **Comparative Statements of Financial Position**  **December 31** | | | |
|  | **2017** |  | **2016** |
| Equipment | € 60,000 |  | € 70,000 |
| Accumulated depreciation—equipment | (14,000) |  | (10,000) |
| Investments | 20,000 |  | 13,000 |
| Accounts receivable | 25,200 |  | 22,300 |
| Cash | 17,000 |  | 17,700 |
| Total | €108,200 |  | €113,000 |
|  |  |  |  |
| Share capital—ordinary | € 50,000 |  | € 45,000 |
| Retained earnings | 33,600 |  | 24,900 |
| Bonds payable | 10,000 |  | 30,000 |
| Accounts payable | 14,600 |  | 13,100 |
| Total | €108,200 |  | €113,000 |

Additional information:

1. Net income was €23,300. Dividends declared and paid were €14,600.

2. Equipment that cost €10,000 and had accumulated depreciation of €1,800 was sold for €3,500.

3. All other changes in non-current account balances had a direct effect on cash flows, except the change in accumulated depreciation.

***Instructions***

(a) Prepare a statement of cash flows for 2017 using the indirect method.

(b) Compute free cash flow.

**\*E13-10.** *Compute cash provided by operating activities—direct method*.

(LO 5)

Recife Company completed its first year of operations on December 31, 2017. Its initial income statement showed that Recife had revenues of R$195,000 and operating expenses of R$78,000. Accounts receivable and accounts payable at year-end were R$48,000 and R$25,000, respectively. Assume that accounts payable related to operating expenses. (Ignore income taxes.)

***Instructions***

Compute net cash provided by operating activities using the direct method.

**\*E13-11.** *Compute cash payments—direct method*.

(LO 5)

Suppose a recent income statement for McDonald's Corporation (USA) shows cost of goods sold $4,527.8 million and operating expenses (including depreciation expense of $1,120 million) $10,517.6 million. The comparative statements of financial position for the year show that inventory increased $17.1 million, prepaid expenses increased $65.3 million, accounts payable (merchandise suppliers) increased $139.6 million, and accrued expenses payable increased $190.6 million.

***Instructions***

Using the direct method, compute (a) cash payments to suppliers and (b) cash payments for operating expenses.

**\*E13-12.** *Compute cash flow from operating activities—direct method*.

(LO 6)

The 2017 accounting records of Liz Ten Transport Ltd. reveal these transactions and events.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Payment of interest | £10,000 |  | Collection of accounts receivable | £190,000 |
| Cash sales | 54,000 |  | Payment of salaries and wages | 55,000 |
| Receipt of dividend |  |  | Depreciation expense | 16,000 |
| revenue | 18,000 |  | Proceeds from disposal of |  |
| Payment of income taxes | 16,000 |  | plant assets | 12,000 |
| Net income | 38,000 |  | Purchase of equipment for cash | 22,000 |
| Payment of accounts payable |  |  | Loss on disposal of plant assets | 3,000 |
| for merchandise | 115,000 |  | Payment of dividends | 14,000 |
| Payment for land | 74,000 |  | Payment of operating expenses | 28,000 |

***Instructions***

Prepare the cash flows from operating activities section using the direct method. (Not all of the items will be used.)

**\*E13-13.** *Calculate cash flows—direct method*.

(LO 5)

The following information is taken from the 2017 general ledger of Okonedo ASA.

|  |  |  |
| --- | --- | --- |
| Rent | Rent expense | €40,000 |
|  | Prepaid rent, January 1 | 5,600 |
|  | Prepaid rent, December 31 | 9,000 |
| Salaries | Salaries and wages expense | €65,000 |
|  | Salaries and wages payable, January 1 | 10,000 |
|  | Salaries and wages payable, December 31 | 8,000 |
| Sales | Sales revenue | €170,000 |
|  | Accounts receivable, January 1 | 19,000 |
|  | Accounts receivable, December 31 | 7,000 |

***Instructions***

In each case, compute the amount that should be reported in the operating activities section of the statement of cash flows under the direct method.

**\*E13-14.** *Prepare a worksheet*.

(LO 6)

Comparative statements of financial position for Erisa Magambo A/S are presented below.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **ERISA MAGAMBO A/S**  **Comparative Statements of Financial Position**  **December 31** | | | | | |
| **Assets** |  | | **2017** |  | **2016** |
| Land | | | € 75,000 |  | €100,000 |
| Equipment | | | 250,000 |  | 200,000 |
| Accumulated depreciation—equipment | | | (66,000) |  | (42,000) |
| Inventory | | | 180,000 |  | 187,000 |
| Accounts receivable | | | 85,000 |  | 76,000 |
| Cash | | | 58,000 |  | 22,000 |
| Total | | | €582,000 |  | €543,000 |
|  | | |  |  |  |
| **Equity and Liabilities** | |  |  |  |  |
| Share capital—ordinary (€1 par) | | | €214,000 |  | €164,000 |
| Retained earnings | | | 184,000 |  | 134,000 |
| Bonds payable | | | 150,000 |  | 200,000 |
| Accounts payable | | | 34,000 |  | 45,000 |
| Total | | | €582,000 |  | €543,000 |

Additional information:

1. Net income for 2017 was €120,000.

2. Cash dividends of €70,000 were declared and paid.

3. Bonds payable amounting to €50,000 were redeemed for cash €50,000.

4. Ordinary shares were issued for €50,000 cash.

5. Depreciation expense was €24,000.

6. Sales for the year were €978,000.

***Instructions***

Prepare a worksheet for a statement of cash flows for 2017 using the indirect method. Enter the reconciling items directly on the worksheet, using letters to cross-reference each entry.

PROBLEMS: SET A AND PROBLEMS: SET B

**P13-1A** *Distinguish among operating, investing, and financing activities*.

(LO 2)

You are provided with the following transactions that took place during a recent fiscal year.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Transaction** |  | **Statement of  Cash Flow  Activity Affected** |  | **Cash Inflow, Outflow, or No Effect?** |
| (a) Recorded depreciation expense on the  plant assets. | | |  |  |  |
| (b) Recorded and paid interest expense. | | |  |  |  |
| (c) Recorded cash proceeds from a sale of  plant assets. | | |  |  |  |
| (d) Acquired land by issuing ordinary shares. | | |  |  |  |
| (e) Paid a cash dividend to preference shareholders. | | |  |  |  |
| (f) Distributed a share dividend to ordinary shareholders. | | |  |  |  |
| (g) Recorded cash sales. | | |  |  |  |
| (h)Recorded sales on account. | | |  |  |  |
| (i) Purchased inventory for cash. | | |  |  |  |
| (j) Purchased inventory on account. | | |  |  |  |

***Instructions***

Complete the table indicating whether each item (1) affects operating (O) activities, investing (I) activities, financing (F) activities, or is a non-cash (NC) transaction reported in a separate schedule; and (2) represents a cash inflow or cash outflow or has no cash flow effect. Assume use of the indirect approach.

**P13-2A** *Determine cash flow effects of changes in equity accounts*.

(LO 3)

The following account balances relate to the equity accounts of Chipo Ltd. at year-end.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2017** |  | **2016** |
| Share capital—ordinary, 10,500 and 10,000 shares, |  |  |  |
| respectively, for 2017 and 2016 | £155,000 |  | £130,000 |
| Share capital—preference, 5,000 shares | 125,000 |  | 125,000 |
| Retained earnings | 300,000 |  | 250,000 |

A small share dividend was declared and issued in 2017. The market value of the shares was £11,200. Cash dividends were £16,000 in both 2017 and 2016. The ordinary shares have no par or stated value.

***Instructions***

(a) What was the amount of net income reported by Chipo Ltd. in 2017?

Net income £77,200

(b) Determine the amounts of any cash inflows or outflows related to the ordinary shares and dividend accounts in 2017.

(c) Indicate where each of the cash inflows or outflows identified in (b) would be classified on the statement of cash flows.

**P13-3A** *Prepare the operating activities section—indirect method*.

(LO 3)

The income statement of Toby Zed NV is presented here.

|  |  |  |  |
| --- | --- | --- | --- |
| **Toby Zed Company**  **Income Statement**  **For the Year Ended November 30, 2017** | | | |
| Sales revenue |  |  | €7,500,000 |
| Cost of goods sold |  |  |  |
| Beginning inventory | €1,900,000 |  |  |
| Purchases | 4,400,000 |  |  |
| Goods available for sale | 6,300,000 |  |  |
| Ending inventory | 1,400,000 |  |  |
| Total cost of goods sold |  |  | 4,900,000 |
| Gross profit |  |  | 2,600,000 |
| Operating expenses |  |  | 1,150,000 |
| Net income |  |  | €1,450,000 |

Additional information:

1. Accounts receivable increased €200,000 during the year, and inventory decreased €500,000.

2. Prepaid expenses increased €175,000 during the year.

3. Accounts payable to suppliers of merchandise decreased €340,000 during the year.

4. Accrued expenses payable decreased €105,000 during the year.

5. Operating expenses include depreciation expense of €85,000.

***Instructions***

Prepare the operating activities section of the statement of cash flows for the year ended November 30, 2017, for Toby Zed, using the indirect method.

Cash from oper. €1,215,000

**\*P13-4A** *Prepare the operating activities section—direct method*.

(LO 5)

Data for Toby Zed NV are presented in P13-3A.

***Instructions***

Prepare the operating activities section of the statement of cash flows using the direct method.

Cash from oper. €1,215,000

**P13-5A** *Prepare the operating activities section—indirect method*.

(LO 3)

Rattigan plc's income statement contained the condensed information below.

|  |  |  |  |
| --- | --- | --- | --- |
| **Rattigan Company**  **Income Statement**  **For the Year Ended December 31, 2017** | | | |
| Service revenue |  |  | £970,000 |
| Operating expenses, excluding depreciation | £624,000 |  |  |
| Depreciation expense | 55,000 |  |  |
| Loss on disposal of plant assets | 25,000 |  | 704,000 |
| Income before income taxes |  |  | 266,000 |
| Income tax expense |  |  | 40,000 |
| Net income |  |  | £226,000 |

Rattigan's statement of financial position contained the comparative data at December 31, shown below.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2017** |  | **2016** |
| Accounts receivable | £75,000 |  | £60,000 |
| Accounts payable | 41,000 |  | 27,000 |
| Income taxes payable | 13,000 |  | 7,000 |

Accounts payable pertain to operating expenses.

***Instructions***

Prepare the operating activities section of the statement of cash flows using the indirect method.

Cash from operations £311,000

**\*P13-6A** *Prepare the operating activities section—direct method*.

(LO 5)

Data for Rattigan Company are presented in P13-5A.

***Instructions***

Prepare the operating activities section of the statement of cash flows using the direct method.

Cash from oper. £311,000

**P13-7A** *Prepare a statement of cash flows—indirect method, and compute free cash flow*.

(LO 3, 4)

Presented below are the financial statements of Rajesh Company Ltd.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **RAJESH COMPANY LTD.**  **Comparative Statements of Financial Position**  **December 31** | | | | | |
| **Assets** |  | | **2017** |  | **2016** |
| Equipment | | | £ 60,000 |  | £ 78,000 |
| Accumulated depreciation—equipment | | | (29,000) |  | (24,000) |
| Inventory | | | 30,000 |  | 20,000 |
| Accounts receivable | | | 33,000 |  | 14,000 |
| Cash | | | 37,000 |  | 20,000 |
| Total | | | £131,000 |  | £108,000 |
|  | | |  |  |  |
| **Equity and Liabilities** | |  |  |  |  |
| Share capital—ordinary | | | £ 18,000 |  | £ 14,000 |
| Retained earnings | | | 50,000 |  | 38,000 |
| Bonds payable | | | 27,000 |  | 33,000 |
| Accounts payable | | | 29,000 |  | 15,000 |
| Income taxes payable | | | 7,000 |  | 8,000 |
| Total | | | £131,000 |  | £108,000 |

|  |  |
| --- | --- |
| **RAJESH COMPANY LTD.**  **Income Statements**  **December 31** | |
| Sales revenue | £242,000 |
| Cost of goods sold | 175,000 |
| Gross profit | 67,000 |
| Operating expenses | 24,000 |
| Income from operations | 43,000 |
| Interest expense | 3,000 |
| Income before income taxes | 40,000 |
| Income tax expense | 8,000 |
| Net income | £ 32,000 |

Additional data:

1. Depreciation expense is £13,300.

2. Dividends declared and paid were £20,000.

3. During the year, equipment was sold for £9,700 cash. This equipment cost £18,000 originally and had accumulated depreciation of £8,300 at the time of sale.

***Instructions***

(a) Prepare a statement of cash flows using the indirect method.

Cash from operations £29,300

(b) Compute free cash flow.

**\*P13-8A** *Prepare a statement of cash flows—direct method, and compute free cash flow*.

(LO 4, 6)

Data for Rajesh Company Ltd. are presented in P13-7A. Further analysis reveals the following.

1. Accounts payable pertain to merchandise suppliers.

2. All operating expenses except for depreciation were paid in cash.

3. All depreciation expense is in the operating expenses.

4. All sales and purchases are on account.

***Instructions***

(a) Prepare a statement of cash flows for Rajesh using the direct method.

Cash from operations £29,300

(b) Compute free cash flow.

**P13-9A** *Prepare a statement of cash flows—indirect method*.

(LO 3)

Condensed financial data of Sinjh SA follow.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **SINFH SA**  **Comparative Statements of Financial Position**  **December 31** | | | | | |
| **Assets** |  | | **2017** |  | **2016** |
| Equipment | | | €265,000 |  | €242,500 |
| Accumulated depreciation—equipment | | | (47,000) |  | (52,000) |
| Long-term investments | | | 140,000 |  | 114,000 |
| Prepaid expenses | | | 29,300 |  | 26,000 |
| Inventory | | | 112,500 |  | 102,850 |
| Accounts receivable | | | 92,800 |  | 33,000 |
| Cash | | | 100,350 |  | 48,400 |
| Total | | | €692,950 |  | €514,750 |
|  | | |  |  |  |
| **Equity and Liabilities** | |  |  |  |  |
| Share capital—ordinary | | | €220,000 |  | €175,000 |
| Retained earnings | | | 234,450 |  | 105,450 |
| Bonds payable | | | 110,000 |  | 150,000 |
| Accounts payable | | | 112,000 |  | 67,300 |
| Accrued expenses payable | | | 16,500 |  | 17,000 |
| Total | | | £692,950 |  | £514,750 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| |  | | --- | | **SINFH SA**  **Income Statements**  **For the Year Ended December 31, 2017** | | | | |
| Sales revenue | €392,780 |  |  |
| Gain on disposal of plant assets | 5,000 |  | €397,780 |
| Less: |  |  |  |
| Cost of goods sold | 135,460 |  |  |
| Operating expenses, excluding |  |  |  |
| depreciation | 12,410 |  |  |
| Depreciation expense | 45,000 |  |  |
| Income tax expense | 27,280 |  |  |
| Interest expense | 4,730 |  | 224,880 |
| Net income |  |  | €172,900 |

Additional information:

1. New equipment costing €80,000 was purchased for cash during the year.

2. Old equipment having an original cost of €57,500 and accumulated depreciation of €50,000 was sold for €12,500 cash.

3. Bonds payable matured and were paid off at face value for cash.

4. A cash dividend of €43,900 was declared and paid during the year.

***Instructions***

Prepare a statement of cash flows using the indirect method.

Cash from operations €184,350

**\*P13-10A** *Prepare a statement of cash flows—direct method*.

(LO 6)

Data for Sinjh SA are presented in P13-9A. Further analysis reveals that accounts payable pertain to merchandise creditors.

***Instructions***

Prepare a statement of cash flows for Sinjh Ltd. using the direct method.

Cash from operations €184,350

**P13-11A** *Prepare a statement of cash flows—indirect method*.

(LO 3)

The comparative statements of financial position for Amaral Reis Company SA as of December 31 are presented below.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **AMARAL REIS COMPANY SA**  **Comparative Statements of Financial Position**  **December 31** | | | | | |
| **Assets** |  | | **2017** |  | **2016** |
| Land | | | R$145,000 |  | R$130,000 |
| Equipment | | | 228,000 |  | 155,000 |
| Accumulated depreciation—equipment | | | (45,000) |  | (35,000) |
| Buildings | | | 200,000 |  | 200,000 |
| Accumulated depreciation—buildings | | | (60,000) |  | (40,000) |
| Prepaid expenses | | | 18,280 |  | 21,000 |
| Inventory | | | 154,550 |  | 142,000 |
| Accounts receivable | | | 46,000 |  | 62,000 |
| Cash | | | 62,520 |  | 45,000 |
| Total | | | R$749,350 |  | R$680,000 |
|  | | |  |  |  |
| **Equity and Liabilities** | |  |  |  |  |
| Share capital—ordinary, R$1 par | | | R$195,000 |  | R$160,000 |
| Retained earnings | | | 208,000 |  | 180,000 |
| Bonds payable | | | 300,000 |  | 300,000 |
| Accounts payable | | | 46,350 |  | 40,000 |
| Total | | | R$749,350 |  | R$680,000 |

Additional information:

1. Operating expenses include depreciation expense of R$40,000.

2. Land was sold for cash at book value of R$20,000.

3. Cash dividends of R$20,000 were paid.

4. Net income for 2017 was R$48,000.

5. Equipment was purchased for R$95,000 cash. In addition, equipment costing R$22,000 with a book value of R$12,000 was sold for R$6,000 cash.

6. Issued 35,000 shares of R$1 par value ordinary shares in exchange for land with a fair value of R$35,000.

***Instructions***

Prepare a statement of cash flows for the year ended December 31, 2017, using the indirect method.

Cash from operations R$106,520

**\*P13-12A** *Prepare a worksheet—indirect method*.

(LO 6)

Condensed financial data of Jhutti Company Ltd. appear below.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **JHUTTI COMPANY LTD.**  **Comparative Statements of Financial Position**  **December 31** | | | | | |
| **Assets** |  | | **2017** |  | **2016** |
| Equipment | | | €250,000 |  | €205,000 |
| Accumulated depreciation—equipment | | | (46,600) |  | (40,000) |
| Investments | | | 84,000 |  | 87,000 |
| Inventory | | | 121,900 |  | 102,650 |
| Accounts receivable | | | 80,900 |  | 57,000 |
| Cash | | | 90,300 |  | 47,250 |
|  | | | €580,500 |  | €458,900 |
|  | | |  |  |  |
| **Equity and Liabilities** | |  |  |  |  |
| Share capital—ordinary | | | €240,000 |  | €200,000 |
| Retained earnings | | | 175,000 |  | 121,790 |
| Bonds payable | | | 100,000 |  | 70,000 |
| Accounts payable | | | 53,400 |  | 48,280 |
| Accrued expenses payable | | | 12,100 |  | 18,830 |
|  | | | £580,500 |  | £458,900 |

|  |  |  |  |
| --- | --- | --- | --- |
| **JHUTTI COMPANY LTD.**  **Income Statement**  **For the Year Ended December 31, 2017** | | | |
| Sales revenue | €297,500 |  |  |
| Gain on disposal of plant assets | 8,550 |  | €306,050 |
|  |  |  |  |
| Less: |  |  |  |
| Cost of goods sold | 99,460 |  |  |
| Operating expenses (excluding |  |  |  |
| depreciation expense) | 14,670 |  |  |
| Depreciation expense | 47,900 |  |  |
| Income tax expense | 7,270 |  |  |
| Interest expense | 2,940 |  | 172,240 |
| Net income |  |  | €133,810 |

Additional information:

1. Equipment costing €92,000 was purchased for cash during the year.

2. Investments were sold at cost.

3. Equipment costing €47,000 was sold for €14,250, resulting in gain of €8,550.

4. A cash dividend of €80,600 was declared and paid during the year.

***Instructions***

Prepare a worksheet for the statement of cash flows using the indirect method. Enter the reconciling items directly in the worksheet columns, using letters to cross-reference each entry.

Reconciling items total €580,910

**Problems: Set B**

**P13-1B** *Distinguish among operating, investing, and financing activities*.

(LO 2)

You are provided with the following transactions that took place during a recent fiscal year.

|  |  |  |  |
| --- | --- | --- | --- |
| **Transaction** | **Statement of  Cash Flow  Activity Affected** |  | **Cash Inflow, Outflow, or No Effect?** |
| (a) Recorded depreciation expense on the  plant assets. |  |  |  |
| (b) Incurred a loss on disposal of plant assets. |  |  |  |
| (c) Acquired a building by paying cash. |  |  |  |
| (d) Made principal repayments on a mortgage. |  |  |  |
| (e) Issued ordinary shares. |  |  |  |
| (f) Purchased shares of another company  to be held as a long-term equity investment. |  |  |  |
| (g) Paid cash dividends to ordinary  shareholders. |  |  |  |
| (h) Sold inventory on credit. The company  uses a perpetual inventory system. |  |  |  |
| (i) Purchased inventory on credit. |  |  |  |
| (j) Paid wages to employees. |  |  |  |

***Instructions***

Complete the table indicating whether each item (1) affects operating (O) activities, investing (I) activities, financing (F) activities, or is a non-cash (NC) transaction reported in a separate schedule; and (2) represents a cash inflow or cash outflow or has no cash flow effect. Assume use of the indirect approach.

**P13-2B** *Determine cash flow effects of changes in plant asset accounts*.

(LO 3)

The following selected account balances relate to the plant asset accounts of Raji Ltd. at year-end.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2017** |  | **2016** |
| Accumulated depreciation—buildings | €337,500 |  | €300,000 |
| Accumulated depreciation—equipment | 145,000 |  | 93,000 |
| Buildings | 750,000 |  | 750,000 |
| Depreciation expense | 101,500 |  | 85,500 |
| Equipment | 300,000 |  | 250,000 |
| Land | 100,000 |  | 70,000 |
| Loss on disposal of plant assets | 7,000 |  | 0 |

Additional information:

1. Raji purchased €90,000 of equipment and €30,000 of land for cash in 2017.

2. Raji also sold equipment in 2017.

3. Depreciation expense in 2017 was €37,500 on building and €64,000 on equipment.

***Instructions***

(a) Determine the amounts of any cash inflows or outflows related to the plant asset accounts in 2017.

Cash proceeds €21,000

(b) Indicate where each of the cash inflows or outflows identified in (a) would be classified on the statement of cash flows.

**P13-3B** *Prepare the operating activities section—indirect method*.

(LO 3)

The income statement of Asquith Company SA is presented below. Additional information:

1. Accounts receivable decreased $230,000 during the year, and inventory increased $120,000.

2. Prepaid expenses increased $125,000 during the year.

3. Accounts payable to merchandise suppliers increased $50,000 during the year.

4. Accrued expenses payable increased $155,000 during the year.

|  |  |  |  |
| --- | --- | --- | --- |
| **ASQUITH COMPANY SA**  **Income Statement**  **For the Year Ended December 31, 2017** | | | |
| Service revenue |  |  | €5,250,000 |
| Cost of goods sold |  |  |  |
| Beginning inventory | €1,780,000 |  |  |
| Purchases | 3,430,000 |  |  |
| Goods available for sale | 5,210,000 |  |  |
| Ending inventory | 1,900,000 |  |  |
| Total cost of goods sold |  |  | 3,310,000 |
| Gross profit |  |  | 1,940,000 |
| Operating expenses |  |  |  |
| Depreciation expense | 95,000 |  |  |
| Amortization expense | 20,000 |  |  |
| Other expenses | 945,000 |  | 1,060,000 |
| Net income |  |  | € 880,000 |

***Instructions***

Prepare the operating activities section of the statement of cash flows for the year ended December 31, 2017, for Asquith Company, using the indirect method.

Cash from operations €1,185,000

**\*P13-4B** *Prepare the operating activities section—direct method*.

(LO 6)

Data for Asquith Company SA are presented in P13-3B.

***Instructions***

Prepare the operating activities section of the statement of cash flows using the direct method.

Cash from operations €1,185,000

**P13-5B** *Prepare the operating activities section—indirect method*.

(LO 3)

The income statement of Anne Droid Co. Ltd. reported the following condensed information.

|  |  |
| --- | --- |
| **ANNE DROID CO. LTD.**  **Income Statement**  **For the Year Ended December 31, 2017** | |
| Service revenue | £551,000 |
| Operating expenses | 400,000 |
| Income from operations | 151,000 |
| Income tax expense | 36,000 |
| Net income | £115,000 |

Anne Droid's statement of financial position contained these comparative data at December 31.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2017** |  | **2016** |
| Accounts receivable | £55,000 |  | £70,000 |
| Accounts payable | 40,000 |  | 51,000 |
| Income taxes payable | 12,000 |  | 4,000 |

Anne Droid has no depreciable assets. Accounts payable pertain to operating expenses.

***Instructions***

Prepare the operating activities section of the statement of cash flows using the indirect method.

Cash from operations £127,000

**\*P13-6B** *Prepare the operating activities section—direct method*.

(LO 6)

Data for Anne Droid Co. are presented in P13-5B.

***Instructions***

Prepare the operating activities section of the statement of cash flows using the direct method.

Cash from operations £127,000

**P13-7B** *Prepare a statement of cash flows—indirect method, and compute free cash flow*.

(LO 3, 4)

Presented below are the financial statements of Rocastle plc.

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **ROCASTLE plc**  **Comparative Statements of Financial Position**  **December 31** | | | | | | | | | |
| **Assets** |  | |  |  | **2017** |  |  |  | **2016** |
| Equipment | | | €70,000 |  |  |  | €78,000 |  |  |
| Accumulated depreciation— | | |  |  |  |  |  |  |  |
| equipment | | | (27,000) |  | €43,000 |  | (24,000) |  | €54,000 |
| Inventory | | |  |  | 45,000 |  |  |  | 25,000 |
| Accounts receivable | | |  |  | 25,000 |  |  |  | 14,000 |
| Cash | | |  |  | 18,000 |  |  |  | 33,000 |
| Total | | |  |  | €131,000 |  |  |  | €126,000 |
|  | | |  |  |  |  |  |  |  |
| **Equity and Liabilities** | |  |  |  |  |  |  |  |  |
| Share capital—ordinary | | |  |  | €25,000 |  |  |  | €25,000 |
| Retained earnings | | |  |  | 31,000 |  |  |  | 28,000 |
| Bonds payable | | |  |  | 20,000 |  |  |  | 10,000 |
| Accounts payable | | |  |  | 31,000 |  |  |  | 43,000 |
| Income taxes payable | | |  |  | 24,000 |  |  |  | 20,000 |
| Total | | |  |  | €131,000 |  |  |  | €126,000 |

|  |  |
| --- | --- |
| **ROCASTLE plc**  **Income Statement**  **For the Year Ended December 31, 2017** | |
| Sales revenue | €286,000 |
| Cost of goods sold | 204,000 |
| Gross profit | 82,000 |
| Operating expenses | 37,000 |
| Income from operations | 45,000 |
| Interest expense | 7,000 |
| Income before income taxes | 38,000 |
| Income tax expense | 10,000 |
| Net income | €28,000 |

Additional data:

1. Depreciation expense was €6,000.

2. Dividends of €25,000 were declared and paid.

3. During the year, equipment was sold for €12,000 cash. This equipment cost €15,000 originally and had accumulated depreciation of €3,000 at the time of sale.

4. Additional equipment was purchased for €7,000 cash.

***Instructions***

(a) Prepare a statement of cash flows using the indirect method.

Cash from operations €(5,000)

(b) Compute free cash flow.

**\*P13-8B** *Prepare a statement of cash flows—direct method, and compute free cash flow*.

(LO 4, 5)

Data for Rocastle plc are presented in P13-7B. Further analysis reveals the following.

1. Accounts payable pertains to merchandise creditors.

2. All operating expenses except for depreciation are paid in cash.

3. All depreciation expense is in the operating expenses.

4. All sales and purchases are on account.

***Instructions***

(a) Prepare a statement of cash flows using the direct method.

Cash from operations €(5,000)

(b) Compute free cash flow.

**P13-9B** *Prepare a statement of cash flows—indirect method*.

(LO 3)

Condensed financial data of Keller Minden Company SE are shown below.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **KELLER MINDEN COMPANY SE**  **Comparative Statements of Financial Position**  **December 31** | | | | | |
| **Assets** |  | | **2017** |  | **2016** |
| Equipment | | | €318,000 |  | €205,000 |
| Accumulated depreciation—equipment | | | (44,000) |  | (40,000) |
| Investments | | | 79,500 |  | 107,000 |
| Inventory | | | 124,500 |  | 102,650 |
| Accounts receivable | | | 63,200 |  | 37,000 |
| Cash | | | 93,600 |  | 33,400 |
| Total | | | €634,800 |  | €445,050 |
|  | | |  |  |  |
| **Equity and Liabilities** | |  |  |  |  |
| Share capital—ordinary | | | €250,000 |  | €200,000 |
| Retained earnings | | | 173,100 |  | 107,940 |
| Bonds payable | | | 140,000 |  | 70,000 |
| Accounts payable | | | 56,600 |  | 48,280 |
| Accrued expenses payable | | | 15,100 |  | 18,830 |
| Total | | | £634,800 |  | £445,050 |

|  |  |  |  |
| --- | --- | --- | --- |
| **KELLER MINDEN COMPANY SE**  **Income Statement**  **For the Year Ended December 31, 2017** | | | |
| Sale revenue |  |  | €297,500 |
| Less: |  |  |  |
| Cost of goods sold | €99,460 |  |  |
| Operating expenses, excluding |  |  |  |
| depreciation expense | 19,670 |  |  |
| Depreciation expense | 25,000 |  |  |
| Loss on disposal of plant assets | 5,000 |  |  |
| Income tax expense | 37,270 |  |  |
| Interest expense | 2,940 |  | 189,340 |
| Net income |  |  | €108,160 |

Additional information:

1. New equipment costing €149,000 was purchased for cash during the year.

2. Investments were sold at cost.

3. Equipment costing €36,000 was sold for €10,000, resulting in a loss of €5,000.

4. A cash dividend of €43,000 was declared and paid during the year.

***Instructions***

Prepare a statement of cash flows using the indirect method.

Cash from operations €94,700

**\*P13-10B** *Prepare a statement of cash flows—direct method*.

(LO 6)

Data for Keller Minden Company SE are presented in P13-9B. Further analysis reveals that accounts payable pertain to merchandise creditors.

***Instructions***

Prepare a statement of cash flows for Keller Minden using the direct method.

Cash from operations €94,700

**P13-11B** *Prepare a statement of cash flows—indirect method*.

(LO 3)

Presented below are the comparative statements of financial position for Vernet Company Ltd. at December 31.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **VERNET COMPANY LTD.**  **Comparative Statements of Financial Position**  **December 31** | | | | | |
| **Assets** |  | | **2017** |  | **2016** |
| Land | | | £140,000 |  | £150,000 |
| Equipment | | | 215,000 |  | 175,000 |
| Accumulated depreciation—equipment | | | (70,000) |  | (42,000) |
| Buildings | | | 250,000 |  | 250,000 |
| Accumulated depreciation—buildings | | | (70,000) |  | (50,000) |
| Prepaid expenses | | | 12,140 |  | 16,540 |
| Inventory | | | 170,000 |  | 140,000 |
| Accounts receivable | | | 77,000 |  | 64,000 |
| Cash | | | 41,460 |  | 57,000 |
| Total | | | £765,600 |  | £760,540 |
|  | | |  |  |  |
| **Equity and Liabilities** | |  |  |  |  |
| Share capital—ordinary, £1 par | | | £275,000 |  | £250,000 |
| Retained earnings | | | 187,600 |  | 200,540 |
| Bonds payable | | | 265,000 |  | 265,000 |
| Accounts payable | | | 38,000 |  | 45,000 |
| Total | | | £765,600 |  | £760,540 |

Additional information:

1. Operating expenses include depreciation expense £57,000 and charges from prepaid expenses of £4,400.

2. Land was sold for cash at cost for £35,000

3. Cash dividends of £82,940 were paid.

4. Net income for 2017 was £70,000.

5. Equipment was purchased for £80,000 cash. In addition, equipment costing £40,000 with a book value of £31,000 was sold for £34,000 cash.

6. Issued 25,000 ordinary shares with a £1 par value for land with a fair value of £25,000.

***Instructions***

Prepare a statement of cash flows for 2017 using the indirect method.

Cash from operations £78,400

MATCHA CREATIONS

(*Note*: This is a continuation of the Matcha Creations problem from Chapter 1-12.)

**MC13**Mei-ling has prepared the statement of financial position and income statement of Matcha & Coffee Creations and would like you to prepare the statement of cash flows.

**Go to the book's companion website**, **www.wiley.com/college/weygandt**, **to see the completion of this problem**.

**Broadening Your Perspective**

Financial Reporting and Analysis

**BYP13-1. Financial Reporting Problem: TSMC, Ltd. (TWN)**

Refer to the financial statements of TSMC presented in Appendix A, and answer the following questions. The complete annual report, including notes to the financial statements, is available in the Investor Relations section of the company's website at *www.tsmc.com*.

(a) What was the amount of net cash provided by operating activities for the year ended December 31, 2013? For the year ended December 31, 2012?

(b) What was the amount of increase or decrease in cash and cash equivalents for the year ended December 31, 2013? For the year ended December 31, 2012?

(c) Which method of computing net cash provided by operating activities does TSMC use?

(d) From your analysis of the 2013 statement of cash flows, did the change in accounts and notes receivable require or provide cash? Did the change in inventories require or provide cash? Did the change in accounts payable and other current liabilities require or provide cash?

(e) What was the net outflow or inflow of cash from investing activities for the year ended December 31, 2013?

(f) What was the amount of interest paid in the year ended December 31, 2013? What was the amount of income taxes paid in the year ended December 31, 2013?

**BYP13-2. Comparative Analysis Problem: Nestlé SA (CHE) vs. Petra Foods Ltd. (SGP)**

Nestlé's financial statements are presented in Appendix B. Financial statements of Petra Foods are presented in Appendix C.

***Instructions***

(a) Based on the information contained in these financial statements, compute free cash flow for each company for the most recent fiscal year shown.

(b) What conclusions concerning the management of cash can be drawn from these data?

**BYP13-3. Real-World Focus**

Purpose: Learn about the U.S. Securities and Exchange Commission (SEC).

***Address:* www.sec.gov** or go to **www.wiley.com/college/weygandt**

From the SEC homepage, choose **About**.

***Instructions***

Answer the following questions.

(a) How many enforcement actions does the SEC take each year against securities law violators? What are typical infractions?

(b) After the Depression, Congress passed the Securities Acts of 1933 and 1934 to improve investor confidence in the markets. What two “common sense” notions are these laws based on?

(c) Who was the President of the United States at the time of the creation of the SEC? Who was the first SEC Chairperson?

**BYP13-4.** Purpose: Use the Internet to view U.S. SEC filings.

***Address:* finance.yahoo.com** or go to **www.wiley.com/college/weygandt**

***Steps:***

1. Type in a company name.

2. Choose **Profile**.

3. Choose **SEC Filings**. (This will take you to Yahoo-Edgar Online.)

***Instructions***

Answer the following questions.

(a) What company did you select?

(b) Which filing is the most recent? What is the date?

(c) What other recent SEC filings are available for your viewing?

Critical Thinking

**BYP13-5. Decision-Making Across the Organization**

Norman Roads and Sara Mesa are examining the following statement of cash flows for Del Carpio Company, SLU for the year ended January 31, 2017.

|  |  |
| --- | --- |
| **DEL CARPIO COMPANY, SLU**  **Statement of Cash Flows**  **For the Year Ended January 31, 2017** | |
| Sources of cash |  |
| From sale of merchandise | €350,000 |
| From sale of ordinary shares | 405,000 |
| From sale of investment (purchased below) | 85,000 |
| From depreciation | 75,000 |
| From issuance of note for truck | 25,000 |
| From interest on investments | 6,000 |
| Total sources of cash | 946,000 |
| Uses of cash |  |
| For purchase of fixtures and equipment | 320,000 |
| For merchandise purchased for resale | 245,000 |
| For operating expenses (including depreciation) | 160,000 |
| For purchase of investment | 75,000 |
| For purchase of truck by issuance of note | 25,000 |
| For purchase of ordinary shares | 15,000 |
| For interest on note payable | 5,000 |
| Total uses of cash | 845,000 |
| Net increase in cash | €101,000 |

Norman claims that Del Carpio's statement of cash flows is an excellent portrayal of a superb first year with cash increasing €101,000. Sara replies that it was not a superb first year. Rather, she says, the year was an operating failure, the statement is presented incorrectly, and €101,000 is not the actual increase in cash. The cash balance at the beginning of the year was €140,000.

***Instructions***

With the class divided into groups, answer the following.

(a) Using the data provided, prepare a statement of cash flows in proper form using the indirect method. The only non-cash items in the income statement are depreciation and the gain from the sale of the investment.

(b) With whom do you agree, Norman or Sara? Explain your position.

**BYP13-6. Communication Activity**

Bart Sampson, the owner-president of Computer Services Company, is unfamiliar with the statement of cash flows that you, as his accountant, prepared. He asks for further explanation.

***Instructions***

Write him a brief memo explaining the form and content of the statement of cash flows as shown in Illustration 13-14 (pages 659-660).

**BYP13-7. Ethics Case**

Babbit Ltd. is a medium-sized wholesaler of automotive parts. It has 10 shareholders who have been paid a total of £1 million in cash dividends for 8 consecutive years. The board's policy requires that, for this dividend to be declared, net cash provided by operating activities as reported in Babbit's current year's statement of cash flows must exceed £1 million. President and CEO Milton Williams's job is secure so long as he produces annual operating cash flows to support the usual dividend.

At the end of the current year, controller Jerry Roberts presents president Milton Williams with some disappointing news: The net cash provided by operating activities is calculated by the indirect method to be only £970,000. The president says to Jerry, “We must get that amount above £1 million. Isn't there some way to increase operating cash flow by another £30,000?” Jerry answers, “These figures were prepared by my assistant. I'll go back to my office and see what I can do.” The president replies, “I know you won't let me down, Jerry.”

Upon close scrutiny of the statement of cash flows, Jerry concludes that he can get the operating cash flows above £1 million by reclassifying a £60,000, 2-year note payable listed in the financing activities section as “Proceeds from bank loan—£60,000.” He will report the note instead as “Increase in payables—£60,000” and treat it as an adjustment of net income in the operating activities section. He returns to the president, saying, “You can tell the board to declare their usual dividend. Our net cash flow provided by operating activities is £1,030,000.” “Good man, Jerry! I knew I could count on you,” exults the president.

***Instructions***

(a) Who are the stakeholders in this situation?

(b) Was there anything unethical about the president's actions? Was there anything unethical about the controller's actions?

(c) Are the board members or anyone else likely to discover the misclassification?

A LOOK at U.S. GAAP

As in IFRS, the statement of cash flows is a required statement for GAAP. In addition, the content and presentation of a GAAP statement of cash flows is similar to the one used for IFRS. However, the disclosure requirements related to the statement of cash flows are more extensive under GAAP. *IAS 7* (“Cash Flow Statements”) provides the overall IFRS requirements for cash flow information.

**Key Points**

**Similarities**

* + Companies preparing financial statements under both GAAP and IFRS must prepare a statement of cash flows as an integral part of the financial statements.
  + Both IFRS and GAAP require that the statement of cash flows should have three major sections—operating, investing, and financing—along with changes in cash and cash equivalents.
  + Similar to IFRS, the statement of cash flows can be prepared using either the indirect or direct method under GAAP. Companies choose for the most part to use the indirect method for reporting net cash flows from operating activities.

**Differences**

* + The definition of cash equivalents used in GAAP is similar to that used in IFRS. A major difference is that in certain situations, bank overdrafts are considered part of cash and cash equivalents under IFRS (which is not the case in GAAP). Under GAAP, bank overdrafts are classified as financing activities in the statement of cash flows and are reported as liabilities on the statement of financial position.
  + IFRS requires that non-cash investing and financing activities be excluded from the statement of cash flows. Instead, these non-cash activities should be reported elsewhere. This requirement is interpreted to mean that non-cash investing and financing activities should be disclosed in the notes to the financial statements instead of in the financial statements. Under GAAP, companies may present this information on the face of the statement of cash flows.
  + One area where there can be substantial differences between IFRS and GAAP relates to the classification of interest, dividends, and taxes. The following table indicates the differences between the two approaches.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Item** |  | **IFRS** |  | **GAAP** |
| Interest paid |  | Operating or financing |  | Operating |
| Interest received |  | Operating or investing |  | Operating |
| Dividends paid |  | Operating or financing |  | Financing |
| Dividends received |  | Operating or investing |  | Operating |
| Taxes paid |  | Operating—unless specific |  | Operating |
|  |  | identification with financing |  |  |
|  |  | or investing activity |  |  |

* + Under IFRS, some companies present the operating section in a single line item, with a full reconciliation provided in the notes to the financial statements. This presentation is not seen under GAAP.
  + Similar to IFRS, under GAAP companies must disclose the amount of taxes and interest paid. Under GAAP, companies disclose this in the notes to the financial statements. Under IFRS, some companies disclose this information in the notes, but others provide individual line items on the face of the statement. In order to provide this information on the face of the statement, companies first add back the amount of interest expense and tax expense (similar to adding back depreciation expense) and then further down the statement they subtract the cash amount paid for interest and taxes. This treatment can be seen in the statement of cash flows provided for Petra Foods in Appendix C.

**Looking to the Future**

Presently, the FASB and the IASB are involved in a joint project on the presentation and organization of information in the financial statements. One interesting approach, revealed in a published proposal from that project, is that in the future the income statement and statement of financial position (balance sheet) would adopt headings similar to those of the statement of cash flows. That is, the income statement and statement of financial position would be broken into operating, investing, and financing sections.

With respect to the cash flow statement specifically, the notion of *cash equivalents* will probably not be retained. That is, cash equivalents will not be combined with cash but instead will be reported as a form of highly liquid, low-risk investment. The definition of cash in the existing literature would be retained, and the statement of cash flows would present information on changes in cash only. In addition, the FASB favors presentation of operating cash flows using the direct method only. However, the majority of IASB members express a preference for not requiring use of the direct method of reporting operating cash flows. The two Boards will have to resolve their differences in this area in order to issue a converged standard for the statement of cash flows.

**GAAP Practice**

**GAAP Self-Test Questions**

**1.** Under GAAP interest paid can be reported as:

(a) only a financing element.

(b) a financing element or an investing element.

(c) a financing element or an operating element.

(d) only an operating element.

**Answer**

(d) only an operating element.

**2.** IFRS requires that non-cash items:

(a) be reported in the section to which they relate, that is, a non-cash investing activity would be reported in the investing section.

(b) be disclosed in the notes to the financial statements.

(c) do not need to be reported.

(d) be treated in a fashion similar to cash equivalents.

**Answer**

(b) be disclosed in the notes to the financial statements.

**3.** In the future, it appears likely that:

(a) the income statement and statement of financial position (balance sheet) will have headings of operating, investing, and financing, much like the statement of cash flows.

(b) cash and cash equivalents will be combined in a single line item.

(c) the IASB will not allow companies to use the direct approach to the statement of cash flows.

(d) None of the above.

**Answer**

(a) the income statement and statement of financial position (balance sheet) will have headings of operating, investing, and financing, much like the statement of cash flows.

**4.** Under GAAP:

(a) taxes are always treated as an operating item.

(b) the income statement uses the headings operating, investing, and financing.

(c) dividends received can be either an operating or investing item.

(d) dividends paid can be either an operating or investing item.

**Answer**

(a) taxes are always treated as an operating item.

**5.** Which of the following is **correct**?

(a) Under GAAP, the statement of cash flows is optional.

(b) GAAP requires use of the direct approach in preparing the statement of cash flows.

(c) The majority of companies following GAAP and the majority following IFRS employ the indirect approach to the statement of cash flows.

(d) Cash and cash equivalents are reported as separate line items under GAAP.

**Answer**

(c) The majority of companies following GAAP and the majority following IFRS employ the indirect approach to the statement of cash flows.

**GAAP Exercises**

**GAAP13-1.** Discuss the differences that exist in the treatment of bank overdrafts under GAAP and IFRS.

**GAAP13-2.** Describe the treatment of each of the following items under IFRS versus GAAP.

(a) Interest paid.

(b) Interest received.

(c) Dividends paid.

(d) Dividends received.

**GAAP13-3.** Explain how the treatment of cash equivalents will probably change in the future.

**GAAP Financial Reporting Problem: Apple Inc.**

**GAAP13-4.** The financial statements of Apple are presented in Appendix D. The company's complete annual report, including the notes to its financial statements, is available at *http://investor.apple.com*.

**Instructions**

Use the company's financial statements to answer the following questions.

(a) What was the amount of net cash provided by operating activities for 2013? For 2012?

(b) What was the amount of increase or decrease in cash and cash equivalents for the year ended September 28, 2013?

(c) Which method of computing net cash provided by operating activities does Apple use?

(d) From your analysis of the 2013 statement of cash flows, was the change in accounts receivable a decrease or an increase? Was the change in inventories a decrease or an increase? Was the change in accounts payable a decrease or an increase?

(e) What was the net cash used by investing activities for 2013?

(f) What was the amount of interest paid in 2013? What was the amount of income taxes paid in 2013?