

6/8/25

Case Study: Maynard Company:-

31/8/25 FRA Assignment 2.

1) Cash flow statement using the indirect method:-

Operating activity

Net Income	(-) 18995
Depreciation	+ 61625
Ammortization	+ 25000
Sale of equipment	- 24250
Accounts Receivable	- 70030
Rawmaterial Inventory	- 20450
finished goods Inventory	- 104680
Adjustment position	+ 5000
Prepaid Insurance	- 65000
Taxes payable	- 950
Deferred Taxes	+ 26730
	<hr/>
	- 48010

Investing activity

Purchase of land & building	= (-) 425000
Purchase of new machinery	= (-) 520000
Sale of old machinery	= + 215500

---

  
- 729500

Financial Activity

Long term debt	+ 510000
Short term borrowing	+ 205000
Dividend payments	- 10000
Repurchase of treasury	- 26000

---

  
+ 674000

$$\text{Total Cash} = \text{Cash in 2004} + (\text{Cashflow in 2005}) = 113000 - 103510 = 9490$$

End cash  
in 2005



## Cashflow Statement using the direct method:-

Cash receipts from customers = 1816920 ( $1886250 - 70030$ )  
(Sales - A/R Increase)

### Operating

#### Operating Activity

Customer (Sales - A/R)  $\rightarrow (1886250 - 70030) = +1816250$

#### Suppliers & Employees

Material expense + Inc in raw material Labor + Utilities + Rent + Selling & Admin R&D + Insurance + Inc in prepaid insurance	$452700 + 20450$ $660000 + 82000 + 25000$ $+ 195750 + 63250 + 32500$ $+ 65000$
--	---

↓  
1596650

#### Advertising

-70000

Finished products ( $104680 - 5000$ ) = (+) 99680

Interest (-) 58750

#### Income tax

(-) 39150

(-) 48010

#### Investing Activity

Purchase of land & building (-) 850000

Purchase of new machinery (-) 520000

Sale of old machinery (+) 215500

(-) 1154500

## Financial Activity.

Notes payable	+ 425000
Long term debt	+ 510000
Short term borrowing	+ 200000
Dividend payment	(-) 10000
Repurchase of treasury stock	(-) 26000
	<u>(+) 1099 000</u>

$$\begin{aligned}\text{Cash flow} &= \text{Beginning cash in 2004} \\ &\quad + (\text{Cash flow in 2005}) \left[ \begin{matrix} 1099000 - 1154500 \\ -48010 \end{matrix} \right] \\ &= 113000 - 103510 \\ &= 9490 \\ &\quad \downarrow \\ &\quad (\text{End cash in 2005})\end{aligned}$$