

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	(-) 118995
Depreciation	+ 61625
Amortization	+ 25000
Sale of equipment	- 24250
Accounts Receivable	- 70030
Raw material Inventory	- 20450
finished goods Inventory	- 104680
Adjustment position	+ 5000
Prepaid Insurance	- 65000
Taxes payable	- 950
Deferred Taxes	+ 26730
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	- 48010

Investing activity

Purchase of land & building	= (-) 425000
Purchase of new machinery	= (-) 520000
Sale of old machinery	= + 215500
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	- 729500

Financial Activity

Long term debt	+ 510000
Short term borrowing	+ 200000
Dividend payments	- 10000
Repurchase of treasury	- 26000
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	+ 674000

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

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] \rightarrow [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
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	(+) 1099000

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