

**SIMON FRASER UNIVERSITY**  
**Financial Accounting: Assets (BUS320)**  
**Lecture 4 – An additional problem for your personal study**

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**QUESTION**

Presented below is a condensed income statement of Anderson Corporation for the year ended December 31, 20X2.

| Anderson Corporation<br>Condensed Income Statement<br>For the year ended December 31, 20X2 |                   |
|--|-------------------|
| Rental revenue   | \$ 1,430,000      |
| Gain on disposal of building   | 720,000           |
| Operating expenses   | (1,210,000)       |
| Depreciation expense   | (120,000)         |
| Interest income  | 60,000            |
| Interest expense   | (140,000)         |
| Income before income taxes   | \$ 740,000        |
| Income tax expense   | (220,000)         |
| Net income   | <u>\$ 520,000</u> |

The following balance sheet information is also available:

| Anderson Corporation<br>Balance Sheets |                     |                     |
|--|---------------------|---------------------|
|  | <u>20X1/12/31</u>   | <u>20X2/12/31</u>   |
| Cash                                   | \$ 1,050,000        | \$ 1,460,000        |
| Rent receivable                        | 700,000             | 815,000             |
| Interest receivable                    | 30,000              | 5,000               |
| Building                               | 4,600,000           | 4,950,000           |
| Accumulated depreciation               | (1,260,000)         | (1,135,000)         |
|  | <u>\$ 5,120,000</u> | <u>\$ 6,095,000</u> |
| Accounts payable                       | \$ 600,000          | \$ 935,000          |
| Interest payable                       | 30,000              | 35,000              |
| Dividends payable                      | 7,000               | 5,000               |
| Income tax payable                     | 18,000              | 10,000              |
| Bonds payable                          | 1,000,000           | 900,000             |
|  | <u>\$ 1,655,000</u> | <u>\$ 1,885,000</u> |
| Share capital                          | 1,660,000           | 1,960,000           |
| Retained earnings                      | 1,805,000           | 2,250,000           |
|  | <u>\$ 5,120,000</u> | <u>\$ 6,095,000</u> |

Additional information:

One of the buildings owned by the company was sold in February 20X2. The building had an original cost of \$1,600,000, and an accumulated depreciation balance of \$245,000 at the time of sale. In April 20X2, the company issued 2,000 new common shares when the shares were trading on the TSX at a market price of \$150 per share and used the proceeds to retire \$300,000 of bonds

payable. Later during the year, the company purchased a new building in June, issued additional bonds in September, and paid a cash dividend in December 20X2.

**Required:**

- (i) Prepare, in good form (showing essential information), a Cash Flow Statement for Anderson Corporation for the year ended December 31, 20X2 in accordance with ASPE.
- (ii) Prepare, in good form (showing essential information), a Statement of Cash Flows for Anderson Corporation for the year ended December 31, 20X2, in accordance with IFRS, assuming that management of Anderson Corporation has decided to report the amount paid for interest expense under the “Financing Activities” section and the amount received for interest income under the “Investing Activities” section of the statement.
- (iii) Prepare a Statement of Cash Flows following the same requirements as in part (ii) except that, for this statement, management of the company has decided to use the **direct method** instead of the **indirect method** for reporting Cash Flows from Operating Activities.