

Capítulo 2 Statement of Cash Flows

Exercise 11-1 (LO 11-1, 11-2, 11-3, 11-4, 11-5, 11-6)

Items

- e 1. Operating activities
- f 2. Investing activities
- d 3. Financing activities
- g 4. Noncash activities
- a 5. Indirect method
- h 6. Direct method
- b 7. Depreciation expense
- c 8. Cash return on assets

Descriptions

- a. Begins with net income and then lists adjustments to net income in order to arrive at operating cash flows.
- b. Item included in net income, but excluded from net operating cash flows.
- c. Net cash flows from operating activities divided by average total assets.
- d. Cash transactions involving lenders and investors.
- e. Cash transactions involving net income.
- f. Cash transactions for the purchase and sale of long-term assets.
- g. Purchase of long-term assets by issuing stock to seller.
- h. Shows the cash inflows and outflows from operations such as cash received from customers and cash paid for inventory, salaries, rent, interest and taxes.

Problem 11-1A (LO 11-1)

Type of Activity	Cash Inflow or Outflow	Transaction
O	CO	1. Payment of employee salaries.
I	CI	2. Sale of land for cash.
O	CO	3. Purchase of rent in advance.
O	CI	4. Collection of an account receivable.
F	CI	5. Issuance of common stock.
O	CO	6. Purchase of inventory.
I	CI	7. Collection of notes receivable.
O	CO	8. Payment of income taxes.
NC	NE	9. Sale of equipment for a note receivable.
F	CI	10. Issuance of bonds.
I	CO	11. Loan to another company.
F	CO	12. Payment of a long-term note payable.
F	CO	13. Purchase of treasury stock.
O	CO	14. Payment of an account payable.
I	CI	15. Sale of equipment for cash.

Problem 11-4A (LO 11-2, 11-3, 11-4, 11-5)

Video Phones, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2021

Cash Flows from Operating Activities

Net income	\$104,000	
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation expense	37,000	
Loss (on sale of land)	9,000	
Increase in accounts receivable	(22,000)	
Decrease in inventory	40,000	
Increase in prepaid rent	(7,200)	
Decrease in accounts payable	(16,000)	
Decrease in interest payable	(5,000)	
Increase in income tax payable	1,000	
Net cash flows from operating activities	<u>140,800</u>	\$140,800

Cash Flows from Investing Activities

Purchase investment in bonds	(115,000)	
Proceeds from sale of land	31,000	
Net cash flows from investing activities	<u>(84,000)</u>	(84,000)

Cash Flows from Financing Activities

Payment of cash dividends	(30,000)	
Net cash flows from financing activities	<u>(30,000)</u>	(30,000)
Net increase (decrease) in cash		<u>26,800</u>
Cash at the beginning of the period		<u>227,800</u>
Cash at the end of the period		<u>\$254,600</u>

Note: Noncash Activities

Purchase equipment issuing a note payable	<u>\$70,000</u>
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