

Chapter 11

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.

Exercise 11-4 (LO 11-1)

1. Financing activities
2. Investing activities
3. Operating activities
4. Operating activities
5. Noncash activities
6. Financing activities
7. Investing activities
8. Operating activities

Exercise 11-5 (LO 11-1)

1. Investing activities, Operating activities (Gain on sale of land)
2. Financing activities
3. Investing activities
4. Operating activities

Exercise 11-6 (LO 11-1)

1. Investing activities
2. Investing activities
3. Financing activities
4. Financing activities

Exercise 11-8 (LO 11-3)

Cash Flows from Operating Activities		
Net income	\$165,000	
Adjustments to reconcile net income to net cash flows from operating activities:		
Gain (on sale of land)	(20,000)	
Increase in accounts receivable	(35,000)	
Increase in inventory	(20,000)	
Decrease in accounts payable	(55,000)	
Net cash flows from operating activities		\$35,000

All of the adjustments are subtracted from net income in arriving at net operating cash flows. This could be a natural occurrence in the data, or it could imply that management may be using some of these items to overstate net income.

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.

