**Week 11 (Statement of Cash Flow) Questions**

1. Activities that obtain the cash needed to launch and sustain a company are…

a. marketing activities.

b. income activities.

c. investing activities.

d. financing activities.

Answer: D

|  |  |  |  |
| --- | --- | --- | --- |
| Net Income | $50,000 | Increase in Accounts Payable | $9,000 |
| Depreciation expense | $10,000 | Acquisition of equipment | $35,000 |
| Payment of dividends | $1,000 | Sale of treasury shares | $4,000 |
| Increase in accounts receivable | $8,000 | Payment of long-term debt | $16,000 |
| Collection of long-term  notes receivable | $5,000 | Proceeds from sale of land | $40,000 |
| Loss on sale of land (not OCI) | $15,000 | Decrease in inventories | $3,000 |

2. Under the indirect method, net cash provided by operating activities would be… (assume dividends paid are financing activities)

a. $84,000.

b. $76,000.

c. $79,000.

d. $89,000.

Answer: C ($50,000 net income + $10,000 depreciation expense - $8,000 increase in A/R + $15,000 loss on sale of land + $9,000 increase in A/P + $3,000 decrease in inventory)

|  |  |  |  |
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| Increase in accounts receivable | $8,000 | Payment of long-term debt | $16,000 |
| Collection of long-term  notes receivable | $5,000 | Proceeds from sale of land | $40,000 |
| Loss on sale of land (not OCI) | $15,000 | Decrease in inventories | $3,000 |

3. Net cash provided by (used for) investing activities would be… (assume dividends paid are financing activities)

a. $20,000

b. $10,000

c. ($15,000)

d. ($10,000).

Answer: B ($5,000 collection of note receivable - $35,000 acquisition of equipment + $40,000 sale of land)

|  |  |  |  |
| --- | --- | --- | --- |
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| Depreciation expense | $10,000 | Acquisition of equipment | $35,000 |
| Payment of dividends | $1,000 | Sale of treasury shares | $4,000 |
| Increase in accounts receivable | $8,000 | Payment of long-term debt | $16,000 |
| Collection of long-term  notes receivable | $5,000 | Proceeds from sale of land | $40,000 |
| Loss on sale of land (not OCI) | $15,000 | Decrease in inventories | $3,000 |

4. Net cash provided by (used for) financing activities would be… (assume dividends paid are financing activities)

a. $3,000

d. $1,000

c. $(21,000)

b. $(13,000)

Answer: B (-$1,000 payment of dividends + $4,000 sale of treasury shares - $16,000 payment of debt)

|  |  |  |  |
| --- | --- | --- | --- |
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| Payment of dividends | $1,000 | Sale of treasury shares | $4,000 |
| Increase in accounts receivable | $8,000 | Payment of long-term debt | $16,000 |
| Collection of long-term  notes receivable | $5,000 | Proceeds from sale of land | $40,000 |
| Loss on sale of land (not OCI) | $15,000 | Decrease in inventories | $3,000 |

5. The NAV of land sold must have been…

a. $40,000

b. $55,000

c. $25,000

d. cannot be determined from the data given

Answer: B ($40,000 Cash received + $15,000 loss on sale)

6. Sweet Treat Ice Cream began the year with $60,000 in accounts receivable and ended the year with $50,000 in accounts receivable. If sales for the year were $700,000, the cash collected from customers during the year amounted to…

a. $690,000

b. $760,000

c. $750,000

d. $710,000.

Answer: D ($60,000 Beginning A/R + $700,000 Sales - $50,000 Ending A/R)

7. Nassau Farms, Ltd., made sales of $750,000 and had cost of goods sold of $410,000. Inventory decreased by $10,000 and accounts payable decreased by $12,000. Operating expenses were $180,000. How much was Nassau Farms's net income for the year?

a. $150,000

b. $160,000

c. $148,000

d. $340,000

Answer: B ($750,000 revenue - $410,000 COGS - $180,000 operating expenses)

8. In 20X6, PMW Corporation borrowed $110,000, paid dividends of $34,000, issued 10,000 shares for $45 per share, and purchased land for $240,000. Net income was $150,000, and depreciation for the year totaled $8,000. How much should be reported as net cash provided by operating activities by the indirect method? Assume dividends dividends paid are financing cash outflows.

a. $194,000

b. $158,000

c. $234,000

d. $134,000

Answer: B ($150,000 net income + $8,000 depreciation expense)