

2. Using the business transactions above AND the information below, complete a Statement of Cash Flows using the **INDIRECT** method.

Martin, Inc.		
Income Statement		
For the year ended Dec 31, 20xx		
Sales		400,000
Cost of Good Sold		<u>260,000</u>
Gross Profit		140,000
Operating Expenses:		
Wages & Salaries	64,000	
Rent	18,000	
Depreciation	12,000	
Other	<u>6,000</u>	
Total Operating Expenses		<u>100,000</u>
Income from Operations		40,000
Gain/(Loss) on sale from equipment		<u>3,000</u>
Income before income taxes		43,000
Income Tax Expense		<u>17,500</u>
Net Income		<u><u>25,500</u></u>

Add'l Information:	
Beginning Cash Balance	42,000
Ending Cash Balance	72,000
Decrease in Accounts Receivable	6,000
Decrease in Accounts Payable	8,000
Increase in Income Taxes Payable	1,500
Increase in Prepaid Expenses	6,000
Decrease in Merchandise Inventor	7,000

Martin, Inc.
Statement of Cash Flows

(1 pt)

<i>Cash flows from operating activities:</i>		
Net Income		
Adjustments to reconcile net income to net cash provided by operating activities:		
Total Adjustments		
<i>Net Cash Provided by Operating Activities</i>		
<i>Cash flows from investing activities:</i>		
<i>Net cash provided/(paid) for investing activities:</i>		
<i>Cash flows from financing activities:</i>		
<i>Net cash provided/(paid) for financing activities:</i>		
Net increase/(decrease) in cash		
Beginning Cash Balance		
<i>Cash balance at current year-end</i>		\$

1. Create Journal Entries for the Business Transactions below:

- a. Sold equipment:
 - Cost \$175,000
 - Accumulated Depreciation \$148,000
 - Sales Price \$30,000

- b. Bought Equipment
 - Purchase Price \$95,000
 - Cash Paid \$45,000
 - LT Payable for Balance \$50,000

- c. Issued shares:
 - Number of shares 5,000
 - Par Value per Share \$4.00
 - Price per share \$10.00

- d. Declared & Paid
 - Number of shares \$8,000
 - Cash Dividend Price per share \$0.25
 (Prepare the JE for the DATE of PAYMENT only)

- e. Paid down a LT Note Payable \$38,000

		Debit	Credit
8	Cash	\$30,000	
	Accumulated Depreciation	\$148,000	
	Equipment		\$175,000
	Gain on Sale of Equipment		\$3,000
6	Equipment	\$95,000	
	Cash		\$45,000
	LT Note Payable		\$50,000
6	Cash	\$50,000	
	Common Stock		\$20,000
	APIC - Common Stock		\$30,000
3	Dividends Payable	\$2,000	
	Cash		\$2,000
3	LT Note Payable	\$38,000	
	Cash		\$38,000

2. Using the business transactions above AND the information below, complete a Statement of Cash Flows using the INDIRECT method.

Martin, Inc. Statement of Cash Flows For the year ended, Dec 31, 20xx		
Cash flows from operating activities:		
Net Income	\$25,500	
Adjustments to reconcile net income to net cash		
Decrease/(Increase) in Accounts Receivable	\$6,000	
Decrease/(Increase) in Inventory	\$7,000	
Decrease/(Increase) in Prepaid Expense	(\$6,000)	
Increase/(Decrease) in Accounts Payable	(\$8,000)	
Increase/(Decrease) in Taxes Payable	\$1,500	
Depreciation Expense	\$12,000	
(Gain)/Loss on Sale of Equipment	(\$3,000)	
Total Adjustments		\$9,500
Net Cash Provided by Operating Activities		\$35,000
Cash flows from investing activities:		
Cash received from sale of plant assets	\$30,000	
Cash paid for purchase of plant assets	(\$45,000)	
Net cash provided/(paid) for investing activities		(\$15,000)
Cash flows from financing activities:		
Cash received from issuing stock	\$50,000	
Cash paid to retire notes	(\$38,000)	
Cash paid for dividends	(\$2,000)	
Net cash provided/(paid) for financing activities:		\$10,000
Net increase/(decrease) in cash		\$30,000
Beginning Cash Balance		\$42,000
Cash balance at current year-end		\$72,000