

E4-1

The data for this exercise are identical to that in Problem 3-5. The cash t-account for that problem is:

Cash			
BB	0		
a	3,000	1,000	c
b	20,000	20,000	d
f	20,500	3,000	g
		50	h
		1,800	i
EB	17,650		

Analyzing this t-account, we find that:

Operating items:

d is payments to suppliers of magazines

f is collections from customers

g is payment of a salary

i is payment of interest

Investing item:

c is purchase of a bicycle

Financing items:

a is issuance of common stock

b is taking out a loan from a bank

h is a dividend payment

(Note: Items e and j are required to do proper accrual accounting, but do not affect cash flows.)

The direct method cash flow statement is:

Miloslav's Magazines

Statement of Cash Flows for the Year Ended Dec. 31, 2004

Cash flows from operations:

Collections from customers	\$20,500
Payments to suppliers	(20,000)
Payment of salary	(3,000)
Payment of interest	(1,800)
Total cash flow from (used by) operations	\$(4,300)

Cash flows used for investing:

Purchase of equipment (bicycle) \$ (1,000)

Cash flows from financing:

Issuance of common stock \$ 3,000

Loan from bank 20,000

Payment of dividends (50)

Cash flow from financing \$ 22,950

Change in cash \$ 17,650

E4-2

The data for this exercise are identical to that in Problem 3-6. The cash t-account for that problem is (amounts in thousands):

Cash			
BB	0.0		
a	100.0	10.0	b
c	50.0	100.0	e
i	30.0	20.0	f
j	84.0	15.0	g
		19.0	h
EB	100.0		

Analyzing this t-account, we find that:

Operating items:

b is a payment for inventory items

c is a receipt of cash for services

e is payment of wages

f is payment of rent

g is partly the payment of interest

i is a receipt of cash from customers

j is a receipt of cash from customers

Total collections from customers: \$50.0 + \$30.0 + \$84.0 = \$164.0

Payment (g):

From the answer to Problem 3-6, the entry for g is:

g.	Interest Expense	9,000	
	Notes Payable	6,000	
	Cash		15,000

Note: The holder would first take any interest owed off the note, then reduce

the principal. The interest owed at December 31, 2004 is:
 $8\% \times \$150,000 \times (9/12) = 9,000.$

Investing items: None

Financing items:

a is issuance of common stock

g is partly a repayment of debt

h is a dividend payment

Noncash transactions:

b is partly a noncash transaction

(Note: Item d is not used.)

The direct method cash flow statement is:

Ofer's Office Designs

Statement of Cash Flows for the Year Ended Dec. 31, 2004 (amounts in thousands)

Cash flows from operations:

Collections from customers	\$164.0
Payments to suppliers	(10.0)
Payment of salary	(100.0)
Payment of rent	(20.0)
<u>Payment of interest</u>	<u>(9.0)</u>
Total cash flow from (used by) operations	\$ 25.0

Cash flows used for investing:

None	\$ 0.0
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Cash flows from financing:

Issuance of common stock	\$100.0
Repayment of debt	(6.0)
<u>Payment of dividends</u>	<u>(19.0)</u>
Cash flow from financing	\$ 75.0

Change in cash	\$100.0
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E4-3

The data for this exercise are identical to that in Problem 3-7. The cash t-account for that problem is (amounts in thousands):

Cash

BB	0	
a	100,000	60,000 b
f	20,000	4,000 c
i	30,000	25,000 e
j	50	15,000 h
		6,000 k
	<u>40,050</u>	

Analyzing this t-account, we find that:

Operating items:

c is payment of rent

h is a payment to suppliers

i is collections from customers

j is another collection from a customer

k is payment of salaries and wages

Investing items:

b is purchase of equipment

e is purchase of a short-term investment

Financing items:

a is issuance of common stock

f is issuance of a bond

(Note: Items d, g, l and m are required to do proper accrual accounting, but do not affect cash flows.)

The direct method cash flow statement is:

Ralph's Business

Cash Flow Statement for Nine Months Ended 12/31/04

Operations:

Collections from customers	\$ 30,050.0
Payments to suppliers	(15,000.0)
Payments for salaries	(6,000.0)
<u>Payments for rent</u>	<u>(4,000.0)</u>
Cash Flows from Operations	\$ 5,050.0

Investing:

Investments	\$(25,000.0)
<u>Purchased equipment</u>	<u>(60,000.0)</u>
Cash Flows for Investing	\$(85,000.0)

(in thousands)

Operations:

Net Loss	\$ (2.35)
Depreciation	3.00
Increase in accounts receivable	(9.00)
Increase in inventory	(10.00)
Increase in prepaid expenses	(2.25)
Increase in accounts payable	4.00
Increase in wages payable	2.00
<u>Increase in interest payable</u>	<u>0.60</u>
Cash Flow from Operations	\$ (14.00)

Investing:

<u>Purchased equipment</u>	<u>\$ (60.00)</u>
Cash Flow for Investing	\$ (60.00)

Financing:

Issued common stock	\$110.00
Took out a loan	20.00
<u>Cash Flow from Financing</u>	<u>\$130.00</u>
Change in Cash	\$ 56.00