

ACCTG331 S2017

Comprehensive Problem 3 (Cash Flow Statements)

Due Date: Thursday, March 9, 2017

Student Name: _____

ID: _____

Part 1. Indirect Method (13 points) The comparative balance sheets for BYD Corporation show the following information.

	December 31		
	2016	2015	
Cash	\$70,350	\$56,000	
Accounts receivable	56,700	42,000	
Inventory	36,400	28,000	
Investments	0	14,000	
Building	0	105,000	
Equipment	294,000	84,000	
Patent	14,700	21,000	
Totals	\$472,150	\$350,000	
Allowance for doubtful accounts	\$13,125	\$17,500	
Accumulated depreciation on equipment	8,400	21,000	
Accumulated depreciation on building	0	31,500	
Accounts payable	21,000	14,000	
Dividends payable	0	24,500	
Notes payable, short-term (nontrade)	26,250	35,000	
Long-term notes payable	184,800	84,000	
Common stock	131,950	91,000	
Retained earnings	86,625	31,500	
Totals	\$472,150	\$350,000	

Additional data related to 2016 are as follows:

1. Equipment that had cost \$37,800 and was 80% depreciated at time of disposal was sold for \$9,450.
2. \$40,950 of the long-term note payable was paid by issuing common stock.
3. Cash dividends \$24,500 were paid.
4. On January 1, 2016, the building was completely destroyed by a flood. Insurance proceeds on the building were \$110,250 (after netting \$8,820 taxes).
5. Investments (available-for-sale) were sold at \$6,300 above their cost. The company has made similar sales and investments in the past.
6. A long-term note for \$141,750 was issued for the acquisition of equipment.

Instructions:

Prepare a statement of cash flows using the indirect method.

Part 2. Direct Method (7 points) Cougar Company has not yet prepared a formal statement of cash flows for the 2016 fiscal year. Comparative balance sheets as of December 31, 2015, and 2016, and a statement of income and retained earnings for the year ended December 31, 2016, are presented below.

COUGAR COMPANY
Statement of Income and Retained Earnings
For The Year Ended December 31, 2016
(\$000 Omitted)

Sales		\$10,000
Expenses		
Cost of goods sold	\$1,800	
Salaries and benefits	1,200	
Heat, light, and power	600	
Depreciation	252	
Property taxes	350	
Patent amortization	15	
Miscellaneous expenses	50	
Interest	250	4,517
Income before income taxes		5,483
Income taxes		2,193
Net income		3,290
Retained earnings - January 1, 2016		550
		3,840
Stock dividend declared and issued		340
Retained earnings - December 31, 2016		\$3,500

COUGAR COMPANY
Comparative Balance Sheet
December 31
(\$000 Omitted)

Assets	2016	2015
Current assets		
Cash	\$2,729	\$1,050
U.S. Treasury notes (Available-for-sale)	105	350
Accounts receivable	765	450
Inventory	748	650
Total current assets	4,347	2,500
Long-term assets		
Land	450	100
Buildings and equipment	1,680	700
Accumulated depreciation	(672)	(420)
Patents (less amortization)	105	120
Total long-term assets	1,563	500
Total assets	\$5,910	\$3,000
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$522	\$870
Income taxes payable	48	80
Notes payable	250	250
Total current liabilities	1,440	1,200
Long-term notes payable - due 2016	400	400
Total liabilities	1,840	1,600
Stockholders' equity		
Common stock outstanding	1,190	850
Retained earnings	3,500	550
Total stockholders' equity	4,690	1,400
Total liabilities and stockholders' equity	\$5,910	\$3,000

Instructions:

Prepare a statement of cash flows using the direct method. Changes in accounts receivable and in accounts payable relate to sales and cost of sales.