

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
<b>Stock dividend</b> declared and issued		340
Retained earnings - December 31, 2016		\$3,500

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

Assets	2016	2015
<b>Current assets</b>		
Cash	\$2,729	\$1,050
U.S. Treasury notes (Available-for-sale)	105	350
Accounts receivable	765	450
Inventory	748	650
<b>Total current assets</b>	<b>4,347</b>	<b>2,500</b>
<b>Long-term assets</b>		
Land	450	100
Buildings and equipment	1,680	700
Accumulated depreciation	(672)	(420)
Patents (less amortization)	105	120
<b>Total long-term assets</b>	<b>1,563</b>	<b>500</b>
<b>Total assets</b>	<b>\$5,910</b>	<b>\$3,000</b>

**Liabilities and Stockholders' Equity**

<b>Current liabilities</b>		
Accounts payable	\$522	\$870
Income taxes payable	48	80
Notes payable	250	250
<b>Total current liabilities</b>	<b>1,440</b>	<b>1,200</b>
<b>Long-term notes payable - due 2016</b>	<b>400</b>	<b>400</b>
<b>Total liabilities</b>	<b>1,840</b>	<b>1,600</b>
<b>Stockholders' equity</b>		
Common stock outstanding	1,190	850
Retained earnings	3,500	550
<b>Total stockholders' equity</b>	<b>4,690</b>	<b>1,400</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$5,910</b>	<b>\$3,000</b>

**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.