



FOTAMAT

Check list

Video	Done	Comment
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		

1**Usefulness of statement of cash flows:**

To assess the:

- The entities ability to generate future cash flows.
- The entities ability to pay dividends and meet obligations.
- The reasons for the difference between net income and net cash provided (used) by operating activities.
- The cash investing and financing transactions during the period.

Activities:

- Operating activities.
- Investing activities.
- Financing activities.

<u>Operating activities.</u> (income statement items)	<u>Investing activities.</u> (Changes in investment and non-current asset)	<u>Financing activities.</u> (Changes in non-current liability and equity)
Cash inflows		
Sales of good or services.	Sale of P,P,E.	Sale of ordinary shares
Interest received.	sale of investment in debt or other securities.	Issuance of long term debt (loan or note)
Dividends received.	Collection of principles on loans to other entities	
Cash outflows		
Suppliers for inventory.	Purchase PPE	Shareholders as dividends
Employees for services.	Purchase of investment in debt or other securities	Redeem long term debt or reaquire ordinary share (treasury shares)
Government for taxes.	Make loans to other entities	
Lenders for interest.		
Others for expenses.		

Non-cash activities:

- Direct issuance of ordinary shares to purchase assets.
- Conversion of bonds into ordinary shares.
- Direct issuance of debt to purchase assets.
- Exchange of plant assets.

1-The statement of cash flows should help investors and creditors assess each of the following **except** the

- a. **entity's ability to generate future income.**
- b. entity's ability to pay dividends.
- c. reasons for the difference between net income and net cash provided by operating activities.
- d. cash investing and financing transactions during the period.

2-The statement of cash flows

- a. must be prepared on a daily basis.
- b. **summarizes the operating, financing, and investing activities of an entity.**
- c. is another name for the income statement.
- d. is a special section of the income statement.

3-Which one of the following items is **not** generally used in preparing a statement of cash flows?

- a. **Adjusted trial balance**
- b. Comparative statements of financial position
- c. Current income statement
- d. Additional information

4-The primary purpose of the statement of cash flows is to

- a. provide information about the investing and financing activities during a period.
- b. prove that revenues exceed expenses if there is a net income.
- c. **provide information about the cash receipts and cash payments during a period.**
- d. facilitate banking relationships.

5-By examining the statement of cash flows, investors can make predictions of the

- a. amounts of future cash flows.
- b. timing of future cash flows.
- c. uncertainty of future cash flows.
- d. **All of these answer choices are correct.**

6-In addition to the three basic financial statements, which of the following is also a required financial statement?

- a. the "Cash Budget"
- b. **the Statement of Cash Flows**
- c. the Statement of Cash Inflows and Outflows
- d. the "Cash Reconciliation"

7-The statement of cash flows will **not** report the

- a. **amount of checks outstanding at the end of the period.**
- b. sources of cash in the current period.
- c. uses of cash in the current period.
- d. change in the cash balance for the current period.

INDIRECT METHOD.

Statement of cash flow	
name	
date	
<u>Cash flows from operating activities</u>	
Net income	XX
<u>Adjustments to reconcile net income to net cash provided by operating activities</u>	
Depreciation expense.	XX
Loss on sale of equipment.	XX
Decrease in account receivable.	XX
Increase in account receivable.	(XX)
Increase in merchandise inventory.	(XX)
Increase in prepaid expense.	(XX)
Decrease in prepaid expense.	XX
Increase in account payable.	XX
Decrease in account payable.	(XX)
Decrease in income tax payable.	(XX)
Increase in accrued expenses payable.	XX
Net cash provided by operating activities	XX
<u>Cash flow from investing activities</u>	
Purchase of building or equipment or land.	(XX)
Sale of building or equipment or land.	XX
Sale of investment.	XX
Net cash provided by investing activities.	XX
<u>Cash flow from financing activities.</u>	
Issuance of ordinary shares.	XX
Payment of cash dividends.	(XX)
Redemption of bonds.	(XX)
Payment of long term note payable.	(XX)
Net cash provided by financing activities.	
Net increase in cash.	XX
Cash at the begging of the period.	XX
Cash at the end of the period.	XX
<u>Note 1</u>	
Non-cash investing and financing activities.	XX
Issuance of bonds payable to purchase land.	XX
Issuance of ordinary shares to purchase land.	XX

Free cash flow

Free cash flow= CF provided by operating activities – capital expenditures – cash dividends

1-The statement of cash flows reports each of the following except

- a. cash receipts from operating activities.
- b. cash payments from investing activities.
- c. the net change in cash.
- d. **cash sales.**

2-Each of the following are particularly interested in the statement of cash flows except

- a. creditors.
- b. employees.
- c. shareholders.
- d. **government agencies.**

3-Lending money and collecting the loans are

- a. operating activities.
- b. **investing activities.**
- c. financing activities.
- d. Non-cash investing and financing activities.

4-The best measure of a company's ability to generate sufficient cash to continue as a going concern is net cash provided by

- a. financing activities.
- b. investing activities.
- c. **operating activities.**
- d. processing activities.

5-The acquisition of land by issuing ordinary shares is

- a. **a non-cash transaction which is not reported in the body of a statement of cash flows.**
- b. a cash transaction and would be reported in the body of a statement of cash flows.
- c. a non-cash transaction and would be reported in the body of a statement of cash flows.
- d. only reported if the statement of cash flows is prepared using the direct method.

6-The order of presentation of activities on the statement of cash flows is

- a. **operating, investing, and financing.**
- b. operating, financing, and investing.
- c. financing, operating, and investing.
- d. financing, investing, and operating.

7-Financing activities include

- a. lending money.
- b. acquiring investments.
- c. issuing debt.**
- d. acquiring non-current assets.

8-Investing activities include

- a. collecting cash on loans made.**
- b. obtaining cash from creditors.
- c. obtaining capital from owners.
- d. repaying money previously borrowed.

9-Generally, the most important category on the statement of cash flows is cash flows from

- a. operating activities.**
- b. investing activities.
- c. financing activities.
- d. significant non-cash activities.

10-The category that is generally considered to be the best measure of a company's ability to continue as a going concern is

- a. cash flows from operating activities.**
- b. cash flows from investing activities.
- c. cash flows from financing activities.
- d. usually different from year to year.

11-Cash receipts from interest and dividends are classified as

- a. financing activities.
- b. investing activities.
- c. operating activities.**
- d. either financing or investing activities.

12-Each of the following is an example of a significant non-cash activity **except**

- a. conversion of bonds into ordinary shares.
- b. exchanges of plant assets.
- c. issuance of debt to purchase assets.
- d. share dividends.**

13-Of the items below, the one that appears first on the statement of cash flows is

- a. non-cash investing and financing activities.
- b. net increase (decrease) in cash.**
- c. cash at the end of the period.
- d. cash at the beginning of the period.

3

E14-7 Meera Ltd.'s comparative statements of financial position are presented below.

MEERA LTD.		
Comparative Statements of Financial Position		
December 31		
	<u>2017</u>	<u>2016</u>
Land	£ 20,000	£ 26,000
Buildings	70,000	70,000
Accumulated depreciation—buildings	(15,000)	(10,000)
Accounts receivable	20,800	23,400
Cash	17,660	10,700
Total	£113,460	£120,100
Share capital—ordinary	£ 75,000	£ 72,000
Retained earnings	26,090	20,000
Accounts payable	12,370	28,100
Total	£113,460	£120,100

Additional information:

1. Net income was £22,590. Dividends declared and paid were £16,500.
2. All other changes in non-current account balances had a direct effect on cash flows, except the change in accumulated depreciation. The land was sold for £5,000.

Instructions

1. Prepare a statement of cash flows for 2017 using the indirect method.
2. Compute free cash flow.

1-If a company has both an inflow and outflow of cash related to property, plant, and equipment, the

- a. two cash effects can be netted and presented as one item in the investing activities section.
- b. cash inflow and cash outflow should be reported separately in the investing activities section.**
- c. two cash effects can be netted and presented as one item in the financing activities section.
- d. cash inflow and cash outflow should be reported separately in the financing activities section.

2-Which of the following transactions does **not** affect cash during a period?

- a. Write-off of an uncollectible account**
- b. Collection of an accounts receivable
- c. Sale of treasury shares
- d. Exercise of the call option on bonds payable

3-Significant non-cash transactions would **not** include

- a. conversion of bonds into ordinary shares.
- b. asset acquisition through bond issuance.
- c. treasury share acquisition.**
- d. exchange of plant assets.

4-In preparing a statement of cash flows, a conversion of bonds into ordinary shares will be reported in

- a. the financing section.
- b. the operating section.
- c. a separate note or supplementary schedule to the financial statements.**
- d. the equity section.

5-Indicate where the transaction of paying income taxes would appear, if at all, on the statement of cash flows.

- a. Operating activities section**
- b. Investing activities section
- c. Financing activities section
- d. Does not represent a cash flow

6-Accounts receivable arising from sales to customers amounted to ¥800,000 and ¥700,000 at the beginning and end of the year, respectively. Income reported on the income statement for the year was ¥2,600,000. Exclusive of the effect of other adjustments, the cash flows from operating activities to be reported on the statement of cash flows is

- a. ¥2,600,000.
- b. ¥2,700,000.**
- c. ¥3,300,000.
- d. ¥2,500,000.

7-Accounts receivable arising from sales to customers amounted to ¥350,000 and ¥400,000 at the beginning and end of the year, respectively. Income reported on the income statement for the year was ¥1,800,000. Exclusive of the effect of other adjustments, the cash flows from operating activities to be reported on the statement of cash flows is

- a. ¥1,800,000.
- b. ¥1,850,000.
- c. ¥2,150,000.
- d. **¥1,750,000.**

8-Wilton Company reported net income of \$70,000 for the year. During the year, accounts receivable decreased by \$7,000, accounts payable increased by \$3,000 and depreciation expense of \$5,000 was recorded. Net cash provided by operating activities for the year is

- a. \$60,000.
- b. **\$85,000.**
- c. \$69,000.
- d. \$65,000.

9-Buster Company reported a net loss of \$9,000 for the year ended December 31, 2014. During the year, accounts receivable increased \$21,000, inventory decreased \$15,000, accounts payable decreased by \$30,000, and depreciation expense of \$15,000 was recorded. During 2014, operating activities

- a. **used net cash of \$30,000.**
- b. used net cash of \$42,000.
- c. provided net cash of \$42,000.
- d. provided net cash of \$27,000.

10-The net income reported on the income statement for the current year was ¥2,750,000. Depreciation recorded on plant assets was ¥380,000. Accounts receivable and inventories increased by ¥20,000 and ¥80,000, respectively. Prepaid expenses and accounts payable decreased by ¥10,000 and ¥110,000 respectively. How much cash was provided by operating activities?

- a. ¥2,550,000
- b. **¥2,930,000**
- c. ¥2,750,000
- d. ¥3,090,000

11-The net income reported on the income statement for the current year was ¥2,700,000. Depreciation was ¥500,000. Account receivable and inventories decreased by ¥100,000 and ¥300,000, respectively. Prepaid expenses and accounts payable increased, respectively, by ¥10,000 and ¥80,000. How much cash was provided by operating activities?

- a. ¥3,310,000
- b. **¥3,670,000**
- c. ¥3,510,000
- d. ¥3,590,000

4

E14-9 Cassandra SA's comparative statements of financial position are presented below.

CASSANDRA SA Comparative Statements of Financial Position December 31		
	<u>2017</u>	<u>2016</u>
Equipment	€ 60,000	€ 70,000
Accumulated depreciation—equipment	(14,000)	(10,000)
Investments	20,000	13,000
Accounts receivable	25,200	22,300
Cash	17,000	17,700
Total	€108,200	€113,000
Share capital—ordinary	€ 50,000	€ 45,000
Retained earnings	33,600	24,900
Bonds payable	10,000	30,000
Accounts payable	14,600	13,100
Total	€108,200	€113,000

Additional information:

1. Net income was €23,300. Dividends declared and paid were €14,600.
2. Equipment that cost €10,000 and had accumulated depreciation of €1,800 was sold for €3,500.
3. All other changes in non-current account balances had a direct effect on cash flows, except the change in accumulated depreciation.

Instructions

1. Prepare a statement of cash flows for 2017 using the indirect method.
2. Compute free cash flow.

1-Indicate where the transaction of issuing ordinary shares for cash would appear, if at all, on the indirect statement of cash flows.

- a. Operating activities section
- b. Investing activities section
- c. Financing activities section**
- d. Does not represent a cash flow

2-Indicate where the transaction of purchasing land for cash would appear, if at all, on the indirect statement of cash flows.

- a. Operating activities section
- b. Investing activities section**
- c. Financing activities section
- d. Does not represent a cash flow

3-Indicate where the transaction of purchasing land and a building with a mortgage would appear, if at all, on the indirect statement of cash flows.

- a. Operating activities section
- b. Investing activities section
- c. Financing activities section
- d. Does not represent a cash flow**

4-Joy Elle's Vegetable Market had the following transactions during 2014:

- 1. Issued \$75,000 of par value ordinary shares for cash.
- 2. Repaid a 6 year note payable in the amount of \$33,000.
- 3. Acquired land by issuing ordinary shares of par value \$150,000.
- 4. Declared and paid a cash dividend of \$3,000.
- 5. Sold a non-current investment (cost \$63,000) for cash of \$9,000.
- 6. Acquired an investment in IBM shares for cash of \$18,000.

What is the net cash provided by financing activities?

- a. \$39,000**
- b. \$75,000
- c. \$42,000
- d. \$27,000

What is the net cash provided by investing activities?

- a. \$18,000
- b. \$48,000
- c. (\$9,000)**
- d. \$9,000

5-If a gain of \$15,000 is incurred in selling (for cash) office equipment having a book value of \$120,000, the total amount reported in the cash flows from investing activities section of the statement of cash flows is

- a. \$105,000.
- b. \$135,000.**
- c. \$120,000.
- d. \$15,000.

6-If a loss of \$30,000 is incurred in selling (for cash) office equipment having a book value of \$120,000, the total amount reported in the cash flows from investing activities section of the statement of cash flows is

- a. \$90,000.**
- b. \$120,000.
- c. \$150,000.
- d. \$30,000.

7-Harbor Company reported net income of \$70,000 for the year ended December 31, 2014. During the year, inventories decreased by \$12,000, accounts payable decreased by \$18,000, depreciation expense was \$20,000 and a gain on disposal of equipment of \$9,000 was recorded. Net cash provided by operating activities in 2014 using the indirect method was

- a. \$129,000.
- b. \$75,000.**
- c. \$87,000.
- d. \$65,000.

8-The third (final) step in preparing the statement of cash flows is to

- a. analyze changes in non-current asset and liability accounts.
- b. compare the net change in cash with the change in the cash account reported on the statement of financial position.**
- c. determine net cash provided by operating activities.
- d. list the non-cash activities.

9-Which one of the following items is **not** necessary in preparing a statement of cash flows?

- a. Determine the change in cash
- b. Determine the cash provided by operations
- c. Determine cash from financing and investing activities
- d. Determine the cash in all bank accounts**

10-If accounts receivable have increased during the period,

- a. revenues on an accrual basis are less than revenues on a cash basis.
- b. revenues on an accrual basis are greater than revenues on a cash basis.**
- c. revenues on an accrual basis are the same as revenues on a cash basis.
- d. expenses on an accrual basis are greater than expenses on a cash basis.

حل ذاتي ثم تأكد من اجابتك

P14-7A Presented below are the financial statements of Rajesh Company

RAJESH COMPANY LTD.		
Comparative Statements of financial position December 31		
<u>Assets</u>	<u>2017</u>	<u>2016</u>
Property plant and equipment	60,000	78,000
Accumulated depreciation	(29,000)	(24,000)
Merchandise inventory	27,000	20,000
Accounts receivable	33,000	14,000
cash	37,000	20,000
<u>total</u>	<u>131,000</u>	<u>108,000</u>
<u>Equity and liability</u>		
Share capital - ordinary	18,000	14,000
Retained earnings	50,000	38,000
Bonds payable	27,000	33,000
Account payable	29,000	15,000
Income tax payable	7,000	8,000
<u>total</u>	<u>131,000</u>	<u>108,000</u>

RAJESH COMPANY LTD.	
Income Statement	
<u>For the Year Ended December 31, 2017</u>	
Sales revenue	£242,000
Cost of goods sold	175,000
Gross profit	67,000
Operating expenses	24,000
Income from operations	43,000
Interest expense	3,000
Income before income taxes	40,000
Income tax expense	8,000
Net income	£ 32,000

Additional data:

1. Depreciation expense is £13,300.
2. Dividends declared and paid were £20,000.
3. During the year, equipment was sold for £9,700 cash. This equipment cost £18,000 originally and had accumulated depreciation of £8,300 at the time of sale.

Instructions

1. Prepare a statement of cash flows using the indirect method.
2. Compute free cash flow.

Rajesh Company Statement of Cash Flows For the Year Ended December 31, 2017		
Cash flow from operating activities:		
Net income		\$32,000
Add: non-cash expenditure:		
Depreciation expense		\$13,300
Cash flow before working capital changes		\$45,300
Working capital changes:		
Increase in accounts receivable	-\$19,000	
Increase in inventory	-\$10,000	
Increase in accounts payable	\$14,000	
Decrease in income taxes payable	-\$1,000	-\$16,000
Cash flow from operating activities (A)		\$29,300
Cash flow from investing activities:		
Sale of equipment	\$9,700	
Cash flow from investing activities (B)		\$9,700
Cash flow from financing activities:		
Dividend paid	-\$20,000	
Common stock issued	\$4,000	
Repayment on bonds	-6000	
Cash flow from financing activities (C)		-\$22,000
Net cash flow for the year (A+B+C)		\$17,000
Add: Beginning cash balance		\$20,000
Ending cash balance		\$37,000

$$\begin{aligned}
 \text{Free Cash flow} &= \text{Cash from operating activities} + \text{Interest expense} - \text{Capital expenditure} \\
 &= 29300 + 8000 - 0 \\
 &= 37,300
 \end{aligned}$$

1-Miller Company purchased treasury shares with a cost of \$15,000 during 2014. During the year, the company paid dividends of \$20,000 and issued bonds payable for proceeds of \$916,000. Cash flows from financing activities for 2014 total

- a. \$896,000 net cash inflow.
- b. \$911,000 net cash inflow.
- c. \$916,000 net cash outflow.
- d. **\$881,000 net cash inflow.**

2-Cline Company issued ordinary shares for proceeds of \$392,000 during 2014. The company paid dividends of \$66,000 and issued a non-current note payable for \$90,000 in exchange for equipment during the year. The company also purchased treasury shares that had a cost of \$14,000. The financing section of the statement of cash flows will report net cash inflows of

- a. **\$312,000.**
- b. \$424,000.
- c. \$326,000.
- d. \$378,000.

3-In Gentry Company, land decreased \$180,000 because of a cash sale for \$180,000, the equipment account increased \$40,000 as a result of a cash purchase, and Bonds Payable increased \$130,000 from issuance for cash at face value. The net cash provided by investing activities is

- a. \$180,000.
- b. \$270,000.
- c. **\$140,000.**
- d. \$130,000.

4-If accounts payable have increased during a period,

- a. revenues on an accrual basis are less than revenues on a cash basis.
- b. expenses on an accrual basis are less than expenses on a cash basis.
- c. **expenses on an accrual basis are greater than expenses on a cash basis.**
- d. expenses on an accrual basis are the same as expenses on a cash basis.

5-Which one of the following affects cash during a period?

- a. Recording depreciation expense
- b. Declaration of a cash dividend
- c. Write-off of an uncollectible account receivable
- d. **Payment of an accounts payable**

6-In calculating cash flows from operating activities using the indirect method, a gain on the disposal of equipment is

- a. added to net income.
- b. **deducted from net income.**
- c. ignored because it does not affect cash.
- d. not reported on a statement of cash flows.

7-Meyer Company reported net income of €85,000 for the year. During the year, accounts receivable increased by €7,000, accounts payable decreased by €3,000 and depreciation expense of €5,000 was recorded. Net cash provided by operating activities for the year is

- a. **€80,000.**
- b. €100,000.
- c. €84,000.
- d. €85,000.

8-Flynn Company reported a net loss of \$40,000 for the year ended December 31, 2014. During the year, accounts receivable decreased \$20,000, inventory increased \$32,000, accounts payable increased by \$40,000, and depreciation expense of \$20,000 was recorded. During 2014, operating activities

- a. used net cash of \$8,000.
- b. used net cash of \$32,000.
- c. **provided net cash of \$8,000.**
- d. provided net cash of \$32,000.

9-Starting with net income and adjusting it for items that affected reported net income but which did not affect cash is called the

- a. direct method.
- b. **indirect method.**
- c. working capital method.
- d. cost-benefit method.

10-In calculating net cash provided by operating activities using the indirect method, an increase in prepaid expenses during a period is

- a. **deducted from net income.**
- b. added to net income.
- c. ignored because it does not affect income.
- d. ignored because it does not affect expenses.

11-Using the indirect method, patent amortization expense for the period

- a. is deducted from net income.
- b. causes cash to increase.
- c. causes cash to decrease.
- d. **is added to net income.**

12-Each of the following is added to net income in computing net cash provided by operating activities **except**.

- a. amortization expense.
- b. an increase in accrued expenses payable.
- c. **a gain on disposal of equipment.**
- d. a decrease in inventory.

13-Which of the following would be subtracted from net income using the indirect method?

- a. Depreciation expense
- b. An increase in accounts receivable**
- c. An increase in accounts payable
- d. A decrease in prepaid expenses

14-Which of the following would be added to net income using the indirect method?

- a. An increase in accounts receivable
- b. An increase in prepaid expenses
- c. Depreciation expense**
- d. A decrease in accounts payable

15-Which of the following would **not** be an adjustment to net income using the indirect method?

- a. Depreciation Expense
- b. An increase in Prepaid Insurance
- c. Amortization Expense
- d. An increase in Land**

16-In calculating cash flows from operating activities using the indirect method, a loss on the disposal of equipment will appear as a(n)

- a. subtraction from net income.
- b. addition to net income.**
- c. addition to cash flow from investing activities.
- d. subtraction from cash flow from investing activities.

17-Which of the following adjustments to convert net income to net cash provided by operating activities is **not** added to net income?

- a. Gain on Disposal of Equipment**
- b. Depreciation Expense
- c. Patent Amortization Expense
- d. Depletion Expense

18-Using the indirect method, if equipment is sold at a gain, the

- a. sale proceeds received are deducted in the operating activities section.
- b. sale proceeds received are added in the operating activities section.
- c. amount of the gain is added in the operating activities section.
- d. amount of the gain is deducted in the operating activities section.**

19-On the statement of cash flows using the indirect method, patent amortization expense will

- a. be added to net income in the operating section.**
- b. be deducted from net income in the operating section.
- c. appear as an inflow of cash in the investing section.
- d. appear as an outflow of cash in the investing section.

20-Which of the following adjustments to convert net income to net cash provided by operating activities is correct?

	<u>Add to Net Income</u>	<u>Deduct from Net Income</u>
a. Accounts Receivable	increase	decrease
b. Prepaid Expenses	increase	decrease
c. Inventory	decrease	increase
d. Taxes Payable	decrease	increase

21-Which of the following adjustments to convert net income to net cash provided by operating activities is **incorrect**?

	<u>Add to Net Income</u>	<u>Deduct from Net Income</u>
a. Accounts Receivable	decrease	increase
b. Prepaid Expenses	increase	decrease
c. Inventory	decrease	increase
d. Accounts Payable	increase	decrease

22-A company had net income of ¥2,400,000. Depreciation expense is ¥260,000. During the year, Accounts Receivable and Inventory increased ¥150,000 and ¥400,000, respectively. Prepaid Expenses and Accounts Payable decreased ¥20,000 and ¥40,000, respectively. There was also a loss on the sale of equipment of ¥30,000. How much cash was provided by operating activities?

- a. ¥2,060,000
- b. ¥2,120,000**
- c. ¥2,960,000
- d. ¥3,080,000

23-The indirect and direct methods of preparing the statement of cash flows are identical **except** for the

- a. significant non-cash activity section.
- b. operating activities section.**
- c. investing activities section.
- d. financing activities section.

24-Land acquired from the issuance of ordinary shares is reported

- a. as a financing activity.
- b. as an investing activity.
- c. as an operating activity.
- d. in a separate note or supplementary schedule to the financial statements.**

25-In Rooney Company, Treasury Shares increased \$20,000 from a cash purchase, and Retained Earnings increased \$80,000 as a result of net income of \$124,000 and cash dividends paid of \$44,000. Net cash used by financing activities is:

- a. \$20,000.
- b. \$44,000.
- c. \$100,000.
- d. **\$64,000.**

26-In Wallace Company, net income is \$290,000. If accounts receivable increased \$140,000 and accounts payable decreased \$40,000, net cash provided by operating activities using the indirect method is:

- a. **\$110,000.**
- b. \$190,000.
- c. \$390,000.
- d. \$470,000.

27-In Shannon Company, there was an increase in the land account during the year of \$38,000. Analysis reveals that the change resulted from a cash sale of land at a cost \$120,000, and a cash purchase of land for \$158,000. In the statement of cash flows, the change in the land account should be reported in the investment section:

- a. as a net purchase of land, \$38,000.
- b. only as a purchase of land \$158,000.
- c. **as a purchase of land \$158,000 and a sale of land \$120,000.**
- d. only as a sale of land \$120,000.

28-Which of the following changes in retained earnings during a period will be reported in the financing activities section of the statement of cash flows?

- a. **Declaration of a cash dividend paid during the period.**
- b. Net income for the period.
- c. Neither declaration of a cash dividend paid during the period nor net income for the period.
- d. Both declaration of a cash dividend paid during the period and net income for the period.

29-In the Freyfogle Company, land decreased \$90,000 because of a cash sale for \$90,000, the equipment account increased \$20,000 as a result of a cash purchase, and Bonds Payable increased \$80,000 from an issuance for cash at face value. The net cash provided by investing activities is

- a. \$90,000.
- b. \$150,000.
- c. **\$70,000.**
- d. \$60,000.

30-The statement of cash flows

- a. is prepared instead of an income statement under IFRS.
- b. is used to assess an entity's ability to pay dividends and meet obligations.**
- c. is prepared from comparative income statements.
- d. reflects earnings per share figures on a cash basis and on an accrual basis in the body of the statement.

31-The following data are available for Springer Corporation.

Net income	£350,000
Depreciation expense	60,000
Dividends paid	90,000
Gain on disposal of land	15,000
Decrease in accounts receivable	30,000
Decrease in accounts payable	45,000

Net cash provided by operating activities is:

- a. £290,000.
- b. £380,000.**
- c. £410,000.
- d. £470,000.

32-The following data are available for Nichols Corporation.

Sale of land	\$300,000
Sale of equipment	150,000
Issuance of ordinary shares	210,000
Purchase of equipment	90,000
Payment of cash dividends	180,000

Net cash provided by investing activities is:

- a. \$360,000.**
- b. \$390,000.
- c. \$450,000.
- d. \$570,000.

33-The following data are available for Cole Company.

Increase in accounts payable	\$200,000
Increase in bonds payable	500,000
Sale of investments	250,000
Issuance of ordinary shares	300,000
Payment of cash dividends	150,000

Net cash provided by financing activities is:

- a. \$450,000.
- b. \$650,000.**
- c. \$800,000.
- d. \$850,000.

34-If \$350,000 of bonds are issued during the year but \$140,000 of old bonds are retired during the year, the statement of cash flows will show a(n)

- a. net increase in cash of \$210,000.
- b. net decrease in cash of \$210,000.
- c. increase in cash of \$350,000 and a decrease in cash of \$140,000.**
- d. net gain on retirement of bonds of \$210,000.

35-In preparing the statement of cash flows, determining the net increase or decrease in cash requires the use of

- a. the adjusted trial balance.
- b. the current period's statement of financial position.
- c. a comparative statement of financial position.**
- d. a comparative income statement.

36-To determine the net cash provided (used) by operating activities, it is necessary to analyze

- a. the current year's income statement.
- b. a comparative statement of financial position.
- c. additional information.
- d. All of these answer choices are correct.**

37-Which of the following would **not** be needed to determine net cash provided by operating activities?

- a. Depreciation expense
- b. Change in accounts receivable
- c. Payment of cash dividends**
- d. Change in prepaid expenses

38-When equipment is sold for cash, the amount received is reflected as a cash

- a. inflow in the operating section.
- b. inflow in the financing section.
- c. inflow in the investing section.**
- d. outflow in the operating section.

39-The statement of cash flows will **not** provide insight into

- a. why dividends were not increased.
- b. whether cash flow is greater than net income.
- c. the exact proceeds of a future bond issue.**
- d. how the retirement of debt was accomplished.

40-Which of the following transactions would **not** be classified as a financing activity?

- a. Purchase of treasury shares
- b. Payment of dividends
- c. Issuance of bonds at a discount
- d. Purchase of a long-term investment in bonds**

41-Which of the following steps is **not** required in preparing the statement of cash flows?

- a. Determine the net change in cash.
- b. Determine the net cash provided by operating activities.
- c. Determine cash from investing and financing activities.
- d. **Determine the change in current assets.**

42-Financing activities involve

- a. lending money to other entities and collecting on those loans.
- b. cash receipts from sales of goods and services.
- c. acquiring and disposing of productive long-lived assets.
- d. **non-current liability and equity items.**

43-The information to prepare the statement of cash flows usually comes from each of the following **except**

- a. the comparative statement of financial position.
- b. **the retained earnings statement.**
- c. additional information.
- d. the current income statement.

44-The statement of cash flows is prepared from all of the following **except**

- a. **the adjusted trial balance.**
- b. comparative statement of financial position.
- c. selected transaction data.
- d. the current income statement.

45-The information in a statement of cash flows will **not** help investors to assess the entity's ability to

- a. generate future cash flows.
- b. **obtain favorable borrowing terms at a bank.**
- c. pay dividends.
- d. pay its obligations when they become due.

46-In converting net income to net cash provided by operating activities, under the indirect method

- a. decreases in accounts receivable and increases in prepaid expenses are added.
- b. **decreases in inventory and increases in accrued liabilities are added.**
- c. decreases in accounts payable and decreases in inventory are deducted.
- d. increases in accounts receivable and increases in accrued liabilities are deducted.

47-A measure that describes the cash remaining from operations after adjustment for capital expenditures and dividends is

- a. adjusted cash from operations.
- b. cash provided by operations.
- c. free cash flow.**
- d. net cash provided by operating activities.

48-Free cash flow equals cash provided by

- a. operations less capital expenditures and cash dividends.**
- b. operations less cash dividends.
- c. investing activities less capital expenditures and cash dividends.
- d. operations less capital expenditures.

49-LF's Pest Control Products has the following information available:

Net Income	\$25,000
Cash Provided by Operations	35,000
Cash Sales	65,000
Capital Expenditures	11,000
Dividends Paid	3,000

What is LF's free cash flow?

- a. \$32,000
- b. \$24,000
- c. \$21,000**
- d. \$11,000

50-During 2014, Klugman Industries reported cash provided by operations of €890,000, cash used in investing of €1,029,000, and cash used in financing of €135,000. In addition, cash spent for fixed assets during the period was €414,000. No dividends were paid. Based on this information, what was Klugman's free cash flow?

- a. (€139,000)
- b. €1,640,000
- c. €476,000**
- d. (€688,000)

51-All of the following statements about free cash flow are false *except*:

- a. Significant free cash flow indicates less potential to finance new investments.
- b. Free cash flow is most commonly calculated by subtracting capital expenditures from cash provided by operations and then adding cash dividends.
- c. Free cash flow is not reported on the statement of cash flows.**
- d. Significant free cash flow indicates less potential to pay additional dividends.

THE END
Good luck