CHAPTER 12

SOLUTIONS TO EXERCISES—SET B

EXERCISE 12-1B

1. (a) Cash 16,000

Land 12,000

Gain on Disposal of Plant Assets 4,000

(b) The cash receipt ($16,000) is reported in the investing section. The gain ($4,000) is deducted from net income in the operating section.

2. (a) Cash 25,000

Common Stock 25,000

(b) The cash receipt ($25,000) is reported in the financing section.

3. (a) Depreciation Expense 20,000

Accumulated Depreciation—Equipment 20,000

(b) Depreciation expense ($20,000) is added to net income in the operating section.

4. (a) Salaries and Wages Expense 12,000

Cash 12,000

(b) Salaries and wages expense is not reported separately on the statement of cash flows. It is part of the computation of net income in the income statement, and is included in the net income amount on the statement of cash flows.

5. (a) Equipment 12,000

Common Stock 1,000

Paid-in Capital in Excess of Par—

  Common Stock 11,000

(b) The issuance of common stock for equipment ($12,000) is reported as a noncash financing and investing activity at the bottom of the statement of cash flows.

EXERCISE 12-1B (Continued)

6. (a) Cash 2,000

Loss on Disposal of Plant Assets 1,000

Accumulated Depreciation—Equipment 7,000

Equipment 10,000

(b) The cash receipt ($2,000) is reported in the investing section. The loss ($1,000) is added to net income in the operating section.

EXERCISE 12-2B

NAPOLI COMPANY

Partial Statement of Cash Flows

For the Year Ended December 31, 2022

Cash flows from operating activities

Net income $155,000

Adjustments to reconcile net income to net

  cash provided by operating activities:

Depreciation expense $25,000

Loss on sale of equipment   5,000

Decrease in accounts receivable  10,000

Decrease in prepaid expenses   4,000

Increase in accounts payable  12,000   56,000

Net cash provided by operating activities $211,000

EXERCISE 12-3B

HALLIDAY INC.

Partial Statement of Cash Flows

For the Year Ended December 31, 2022

Cash flows from operating activities

Net income $123,000

Adjustments to reconcile net income to net

  cash provided by operating activities:

Depreciation expense $14,000 )

Increase in accounts receivable (16,000 )

Decrease in inventory  19,000 )

Increase in prepaid expenses   (5,000 )

Increase in accrued expenses payable  10,000 )

Decrease in accounts payable (12,000 )   10,000

Net cash provided by operating activities $133,000

EXERCISE 12-4B

CARPENTER CORP

Partial Statement of Cash Flows

For the Year Ended December 31, 2022

Cash flows from operating activities

Net income $ 57,000)

Adjustments to reconcile net income

  to net cash provided by operating

  activities:

Depreciation expense $ 23,000 )

Loss on sale of equipment    5,000 )   28,000)

Net cash provided by operating

  activities  85,000)

Cash flows from investing activities

Sale of equipment 11,000 \*

Purchase of equipment (70,000 )

Construction of equipment (58,000 )

Net cash used by investing activities (117,000)

Cash flows from financing activities

Payment of cash dividends  (19,000)

\*Cost of equipment sold $ 46,000 )

\*Accumulated depreciation (30,000 )

\*Book value  16,000 )

\*Loss on sale of equipment   (5,000 )

\*Cash proceeds $ 11,000 )

EXERCISE 12-5B

(a) MANFIELD CORPORATION

Statement of Cash Flows

For the Year Ended December 31, 2022

Cash flows from operating activities

Net income $ 27,630)

Adjustments to reconcile net income

  to net cash provided by operating activities:

Depreciation expense $ 5,000 )

Loss on sale of land   2,100

Decrease in accounts receivable 2,200

Decrease in accounts payable (13,730 )   (4,430)

Net cash provided by operating activities 23,200

Cash flows from investing activities

Sale of land  3,900

Cash flows from financing activities

Issuance of common stock $ 6,000

Payment of dividends (24,500 )

Net cash used by financing activities (18,500)

Net increase in cash   8,600 )

Cash at beginning of period 10,700 )

Cash at end of period $ 19,300

(b) $23,200 – $0 – $24,500 = ($1,300)

EXERCISE 12-6B

HAMPTON COMPANY

Statement of Cash Flows

For the Year Ended December 31, 2022

Cash flows from operating activities

Net income $ 93,000 )

Adjustments to reconcile net income

  to net cash provided by operating

  activities:

Depreciation expense $29,000 )

Increase in accounts receivable  (9,000 )

Decrease in inventory  14,000 )

Decrease in accounts payable (8,000 )   26,000 )

Net cash provided by operating

  activities  119,000 )

Cash flows from investing activities

Sale of land  25,000 )

Purchase of equipment (50,000 )

Net cash used by investing

  activities  (25,000 )

Cash flows from financing activities

Issuance of common stock  52,000 )

Redemption of bonds (50,000 )

Payment of cash dividends (35,000 )

Net cash used by financing

  activities  (33,000 )

Net increase in cash   61,000 )

Cash at beginning of period   22,000 )

Cash at end of period $ 83,000 )

EXERCISE 12-7B

(a) PINKSTON CORPORATION

Statement of Cash Flows

For the Year Ended December 31, 2022

Cash flows from operating activities

Net income $ 28,300 )

Adjustments to reconcile net income

  to net cash provided by operating

  activities:

Depreciation expense $ 5,200\* )

Loss on sale of equipment 4,500\*\*

Increase in accounts payable  8,500 )

Increase in accounts receivable (1,900 )    16,300 )

Net cash provided by operating activities  44,600 )

Cash flows from investing activities

Sale of equipment  4,300 )

Purchase of investments (7,000 )

Net cash used by investing activities  (2,700 )

Cash flows from financing activities

Issuance of common stock  $15,000 )

Retirement of bonds (20,000 )

Payment of dividends (26,400 )

Net cash used by financing activities  (31,400 )

Net increase in cash   10,500 )

Cash at beginning of period 17,700

Cash at end of period $ 28,200

\*[$14,000 – ($10,000 – $1,200)] \*\*[$4,300 – ($10,000 – $1,200)]

(b) $44,600 – $0 – $26,400 = $18,200

\*EXERCISE 12-8B

Revenues $172,000 )

Deduct: Increase in accounts receivable (60,000 )

Cash receipts from customers\* $112,000

Operating expenses   88,000 )

Deduct: Increase in accounts payable (23,000 )

Cash payments for operating expenses\*\*    (65,000)

Net cash provided by operating activities $ 47,000

|  |  |  |
| --- | --- | --- |
| \*\* | Accounts Receivable | |
|  | Balance, Beginning of year       0  Revenues for the year 172,000 | Cash receipts for year 112,000 |
|  | Balance, End of year  60,000 |  |

|  |  |  |
| --- | --- | --- |
| \*\* | Accounts Payable | |
|  | Payments for the year  65,000 | Balance, Beginning of year       0   Operating expenses for year  88,000 |
|  |  | Balance, End of year  23,000 |

\*EXERCISE 12-9B

(a) Cash payments to suppliers

Cost of goods sold $5,178.0 million

Less: Increase in accounts payable 15.6

Cost of purchases $5,162.4 million

Less: Decrease in inventory       5.3

Cash payments to suppliers $5,157.1 million

(b) Cash payments for operating expenses

Operating expenses exclusive

  of depreciation $9,509.5 million

  ($10,725.7 – $1,216.2)

Add: Increase in prepaid expenses $ 42.2)

Less: Increase in accrued

expenses payable (199.8)  (157.6)

Cash payments for operating expenses $9,351.9 million

\*EXERCISE 12-10B

Cash flows from operating activities

Cash receipts from

Customers $210,000\*

Dividend revenue   18,000\*

$228,000\*

Less cash payments:

To suppliers for merchandise 105,000

For operating expenses  28,000

For salaries and wages  58,000

For interest  10,000

For income taxes 8,000  209,000\*

Net cash provided by operating activities $ 19,000\*

\*$48,000 + $162,000

\*EXERCISE 12-11B

Cash payments for rentals

Rent expense $ 60,000\*

Add: Increase in prepaid rent    3,100\*

Cash payments for rent $ 63,100\*

Cash payments for salaries

Salaries expense $ 49,000\*

Add: Decrease in salaries payable    2,000\*

Cash payments for salaries $ 51,000\*

Cash receipts from customers

Revenue from sales $150,000\*

Add: Decrease in accounts receivable    9,000\*

Cash receipts from customers $159,000\*

\*EXERCISE 12-12B

ABERNATHY COMPANY

Worksheet

Statement of Cash Flows

For the Year Ended December 31, 2022

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Balance  12/31/21 |  | Reconciling Items | | |  | Balance  12/31/22 |
|  |  |  |  |  |  |  |
| Balance Sheet Accounts |  |  | Debit |  | Credit |  |
|  |  |  |  |  |  |  |  |  |
| Debits |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| Cash  Accounts receivable  Inventory  Land  Equipment  Total |  | 22,000   76,000  189,000  100,000  200,000  587,000 |  | (k)  21,000  (a)   9,000  (f)  30,000 |  | (b)   9,000  (e)  20,000 |  | 43,000   85,000  180,000   80,000  230,000  618,000 |
|  |  |  |  |  |  |  |  |  |
| Credits |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| Accumulated depreciation—equipment  Accounts payable  Bonds payable  Common stock  Retained earnings  Total |  | 42,000   47,000  200,000  164,000  134,000  587,000 |  | (c)  13,000  (h)  70,000  (g)  40,000 |  | (d)  19,000  (i)  30,000  (j) 105,000 |  | 61,000   34,000  130,000  194,000  199,000  618,000 |
|  |  |  |  |  |  |  |  |  |
| Statement of Cash Flow Effects |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| Operating activities  Net income  Increase in accounts receivable  Decrease in inventory  Decrease in accounts payable  Depreciation expense  Investing activities  Sale of land  Purchase of equipment  Financing activities  Payment of dividends  Redemption of bonds  Issuance of common stock  Totals  Increase in cash  Totals |  |  |  | (j) 105,000  (b)   9,000  (d)  19,000  (e)  20,000  (i)  30,000  366,000    366,000 |  | (a)   9,000  (c)  13,000  (f)  30,000  (g)  40,000  (h)  70,000    345,000  (k)  21,000  366,000 |  |  |