

In the space provided, write the word or words to either replace the question mark or answer the question.

1. In a statement of cash flows, cash receipts and cash payments are classified into three types of activities. What are the three types?

2. In the statement of cash flows, receipt of cash dividends would be classified as a(n) ? activity.

3. In the statement of cash flows, a purchase of property would be classified as a(n) ? activity.

4. In the statement of cash flows, proceeds from issued stock would be classified as a(n) ? activity.

5. In the statement of cash flows, payment of cash dividends would be classified as a(n) ? activity.

6. In the statement of cash flows, issuance of long-term debt would be classified as a(n) ? activity.

7. One way of reporting net cash flows from operations is known as the ? method. This is done by starting with income from continuing operations and adjusting for changes in operating related accounts (e.g. inventory and accounts payable) and noncash expenses, revenues, losses, and gains.

Circle the letter of the best answer.

1. Which of the following would be one of the three major classifications in the statement of cash flows?
 - A. operating activities
 - B. borrowing activities
 - C. lending activities
 - D. selling activities

2. Which of the following would not be one of the three major classifications in the statement of cash flows?
 - A. operating activities
 - B. financing activities
 - C. investing activities
 - D. selling activities

3. In a statement of cash flows, receipts from sales of property, plant, and equipment and other productive assets should generally be classified as cash inflows from
 - A. operating activities
 - B. financing activities
 - C. investing activities
 - D. selling activities

4. In a statement of cash flows, interest payments to lenders and other creditors should be classified as cash outflows for
 - A. operating activities
 - B. borrowing activities
 - C. lending activities
 - D. financing activities

5. In a statement of cash flows, proceeds from issuing equity instruments should be classified as cash inflows from
 - A. lending activities
 - B. operating activities
 - C. investing activities
 - D. financing activities

6. In a statement of cash flows, payments to acquire debt instruments of other entities (other than cash equivalents) should be classified as cash outflows for
 - A. operating activities
 - B. investing activities
 - C. financing activities
 - D. lending activities

7. Which of the following should be reported when preparing a statement of cash flows?

	<u>Conversion of long-term-debt to common stock</u>	<u>Conversion of preferred stock to common stock</u>
A.	no	no
B.	no	yes
C.	yes	yes
D.	yes	no

8. The following information is available from Sand Corp.'s accounting records for the year ended December 31, 19x7:

Cash received from customers	\$870,000
Rent received	10,000
Cash paid to suppliers and employees	510,000
Taxes paid	110,000
Cash dividends paid	30,000

New cash flow provided by operations for 19x7 was

- A. \$220,000
- B. \$230,000
- C. \$250,000
- D. \$260,000

9. In a statement of cash flows (operating activities shown using indirect approach), a decrease in prepaid expenses should be

- A. reported as an inflow and outflow of cash
- B. reported as an outflow of cash
- C. deducted from net income
- D. added to net income

10. In a statement of cash flows (operating activities shown using indirect approach), a decrease in accounts receivable should be

- A. reported as an inflow and outflow of cash
- B. reported as an outflow of cash
- C. deducted from net income
- D. added to net income

11. In a statement of cash flows (operating activities shown using indirect approach), a decrease in accounts payable should be

- A. reported as an inflow and outflow of cash
- B. reported as an outflow of cash
- C. deducted from net income
- D. added to net income

12. In a statement of cash flows (operating activities shown using indirect approach), a increase in merchandise inventory should be
- A. reported as an inflow and outflow of cash
 - B. reported as an outflow of cash
 - C. deducted from net income
 - D. added to net income
13. In a statement of cash flows (operating activities shown using indirect approach), a increase in wages payable should be
- A. reported as an inflow and outflow of cash
 - B. reported as an outflow of cash
 - C. deducted from net income
 - D. added to net income

1. Dun and Bradstreet's Guide to "Your Investments" states, "The higher the amounts provided for depreciation and/or depletion, the lower the net reported income. Conversely, large deductions made for a high cash flow (the total net income plus deductions for depreciation or depletion)." Comment on the validity of the statement that large depreciation deductions make for a high cash flow. If the statement is true, indicate why it is true. If the statement is false, indicate why it is false. If it is part true and part false, indicate why.
2. Give some examples of transactions that would be included in investing activities in the statement of cash flows.
3. Give some examples of transactions that would be included in financing activities in the statement of cash flows.
4. Give some examples of transactions that would be included in the schedule of non-cash investing and financing activities.
5. Under the indirect method, what types of adjustments to net income are necessary in order to determine net cash flows from operating activities? List three adjustments.
6. The net income for the year for Polytech, Inc., is \$231,000, but the statement of cash flows indicates that the cash provided by operations is \$296,000. What might account for the difference?