Peer Assisted Learning (PAL)
ACCT 2121

April 29, 2020
PAL Leader: Ahmad Hill
Agenda

- Chapter 11 (1-2pm)
  - Issuance of stock
  - Stockholders’ equity statement analysis
  - Dividends
  - Key ratios

- Chapter 12 (2-3pm)
  - Indirect and direct method
  - Net cash provided by three business activities
Mnemonic for Debits

D.E.A.D.

DEBIT
EXPENSES
ASSETS
DIVIDENDS

DEBIT (INCREASE)
CREDIT (DECREASE)
Mnemonic for Credits

C.L.E.A.R.

- CREDIT
- LIABILITIES
- EQUITY
- ACCUMULATED DEPRECIATION
- REVENUES

CREDIT (INCREASE)

DEBIT (DECREASE)
Chapter 11: Equity Financing

1. Review journal entries for the issuance of common, preferred and treasury stock

2. Analyze an expanded Stockholders’ Equity statement

3. Review journal entries for cash and stock dividends as well as stock splits
Buying Stock

Give cash

Receive stock

YOU
Issuing Stock

YOU

Issue/give the stock/“paper”

Receive cash
Issuance of Common Stock (a)

- Stock issued at par or stated value:

On April 20, 2020, The Bed&Bath Company issued 5,000 shares of $1 par value common stock for $1 per share. Prepare the journal entry for this transaction:

<table>
<thead>
<tr>
<th>Date</th>
<th>Account Titles and Explanation</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>To Record Cash Received from Issuance of Stock</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Issuance of Common Stock (b)

• Stock issued at more than par or stated value:

On April 21, 2020, The Bed&Bath Company issued 5,000 shares of $1 par value common stock for $5. Prepare the journal entry for this transaction:

<table>
<thead>
<tr>
<th>Date</th>
<th>Account Titles and Explanation</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>To Record Cash Received from Issuance of Stock</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Issuer of Preferred Stock (a)**

- Stock issued at par or stated value:

On April 22, 2020, The Bed&Bath Company issued 1,000 shares of $7 par value preferred stock for $7 per share. Prepare the journal entry for this transaction:

<table>
<thead>
<tr>
<th>Date</th>
<th>Account Titles and Explanation</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>To Record Cash Received from Issuance of Stock</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- For the issuance of preferred stock, record the cash received as the debit to the Cash account and the credit to the Preferred Stock account.
Issuance of Preferred Stock (b)

- Stock issued at more than par or stated value:

On April 23, 2020, The Bed&Bath Company issued 1,000 shares of $7 par value preferred stock for $12. Prepare the journal entry for this transaction:

<table>
<thead>
<tr>
<th>Date</th>
<th>Account Titles and Explanation</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>To Record Cash Received from Issuance of Stock</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

To Record Cash Received from Issuance of Stock
Acquiring of Treasury Stock

- Stock issued at par or stated value:

On April 24, 2020, The Bed&Bath Company acquired 500 shares of $1 par value common stock for $5 per share. Prepare the journal entry for this transaction:

<table>
<thead>
<tr>
<th>Date</th>
<th>Account Titles and Explanation</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>To Record Acquisition of Treasury Stock</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
BED&BATH INC.
Balance Sheet (partial)

Stockholders' equity

Paid-in capital

Capital stock

10% preferred stock, $7 par value, cumulative, 5,000 shares authorized, 2,000 shares issued and outstanding 14,000
Common stock, no par, $1 stated value, 15,000 shares authorized, 10,500 shares issued, 10,000 shares outstanding 10,500
Total capital stock 24,500

Additional paid-in capital

In excess of par value -- preferred stock 10,000
In excess of stated value -- common stock 42,000
Total additional paid-in capital 52,000

Total paid-in capital 76,500

Retained earnings 25,000

Total paid-in capital and retained earnings 101,500

Less: Treasury stock -- common (500 shares) 2,500

Total stockholders' equity 99,000
Key Terms from SOE

• Shares Authorized- the maximum number of shares that can be issued (as set by board of directors or other authority)
• Shares Issued- the number of shares sold/distributed
• Shares Outstanding- the number of shares sold/distributed less the stock self-purchased by the company (i.e. treasury stock)
• Par Value- the legal value of the stock, often stated in the corporate charter
• Stated Value- when a par value is absent, board of directors can set this value
• Paid-in capital- the use of capital (e.g. money) for the purchasing stock (or something else)
• ***The percentage for the preferred stock indicates the dividend per share is such percentage multiplied by the par value
Types of Dividends

Dividends are proportional (to the percent of ownership) distributions to stockholders

• Types of dividends:
  • Cash dividends
  • Stock dividends
  • Stock splits
  • Property dividends (will not review)
## Important Dates for Cash Dividends

### Declaration of Dividends

<table>
<thead>
<tr>
<th>Date</th>
<th>Account Titles and Explanation</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Dr. Cash Dividends</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cr. Dividends Payable</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Declaration of Cash Dividends</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Record of Dividends (NO JOURNAL ENTRY)

### Payment of Dividends

<table>
<thead>
<tr>
<th>Date</th>
<th>Account Titles and Explanation</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Dr. Dividends Payable</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cr. Cash</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Payment of Cash Dividends</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
On April 28, 2020, the board of directors for Bed&Bath declared a $0.05 per share cash dividend on 10,000 shares outstanding of $1 par value common stock. The dividend is payable on May 31 to shareholders of record on May 15. What is the journal entry as well as the date for the declaration of dividends?

<table>
<thead>
<tr>
<th>Date</th>
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<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Declaration of Cash Dividends</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Declaration of Cash Dividends
Record of Cash Dividends

- On April 28, 2020, the board of directors for Bed&Bath declared a $0.05 per share cash dividend on 10,000 shares outstanding of $1 par value common stock. The dividend is payable on May 31 to shareholders of record on May 15. What is the journal entry as well as the date for the recording of dividends to shareholders?
On April 28, 2020, the board of directors for Bed&Bath declared a $0.05 per share cash dividend on 10,000 shares outstanding of $1 par value common stock. The dividend is payable on May 31 to shareholders of record on May 15. What is the journal entry as well as the date for the declaration of dividends?

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<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Payment of Cash Dividends</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Payment of Cash Dividends
Cumulative Dividends – Preferred Stock

- If a preferred stock has “cumulative” dividends, then the stockholder is expected to receive some consistent amount. If the full amount of expected dividends aren’t received during a particular year, the cumulative preferred stockholders get “first dibs” on upcoming cash dividends (before common stockholders).

Bed&Bath has 2,000 shares of 10%, $7 par value, cumulative preferred stock outstanding. If dividends are two years in arrears, preferred stockholders are entitled to receive what amount of dividends during the current year?
• Issuance of additional shares of stock as a dividend:

Bed&Bath issued a 15% stock dividend on its $1 par value common stock when 10,000 shares were outstanding. The market price was $5 per share. What is the net change to Total Paid-in Capital for stocks?
Stock Dividends (b)

• Issuance of additional shares of stock as a dividend:

Bed&Bath issued a 15% stock dividend on its $1 par value common stock when 10,000 shares were outstanding. The market price was $5 per share. What is the net change to Stockholders’ Equity?
Stock Dividends (c)

- Issuance of additional shares of stock as a dividend:
  Bed&Bath issued a 15% stock dividend on its $1 par value common stock when 10,000 shares were outstanding. The market price was $5 per share. What is the new amount of outstanding shares?
Stock Splits

• Performing stock splits... there is no journal entry:

Assume that instead of issuing a stock dividend, Bed&Bath splits its 10,000 shares of common stock outstanding with $1 par value on a 2-for-1 basis. Following the split, what is the common stock outstanding and par value? Also, what is the total paid-in capital before and after the split?
## Effects of Stock Dividends vs Splits

<table>
<thead>
<tr>
<th>Item</th>
<th>Stock Dividend</th>
<th>Stock Split</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total paid-in capital</td>
<td>Increase</td>
<td>No change</td>
</tr>
<tr>
<td>Total retained earnings</td>
<td>Decrease</td>
<td>No change</td>
</tr>
<tr>
<td>Total par value (common stock)</td>
<td>Increase</td>
<td>No change</td>
</tr>
<tr>
<td>Par value per share</td>
<td>No change</td>
<td>Decrease</td>
</tr>
<tr>
<td>Shares outstanding</td>
<td>Increase</td>
<td>Increase</td>
</tr>
<tr>
<td>Total stockholders' equity</td>
<td>No change</td>
<td>No change</td>
</tr>
</tbody>
</table>
Chapter 11 Ratios

• Earnings per share = \( \frac{\text{Net Income} - \text{Preferred Dividends}}{\text{Weight-Average Common Shares Outstanding}} \)

• Payout Ratio = \( \frac{\text{Cash Dividends Declared on Common Stock}}{\text{Net Income}} \)

• Return on Common SOE = \( \frac{\text{Net Income} - \text{Preferred Dividends}}{\text{Average Common SOE}} \)

Bed&Bath reported net income of $80,000, declared dividends of $35,000 (with $15,000 recorded for preferred shareholders), and ending common shares outstanding for the prior year of 1,000 and the current year of 10,000. The ending common stockholders’ equity value for the prior year was $125,000 and $175,000 for the current year. What is the earnings per share? What is the payout ratio? What is the return on SOE?
Chapter 12: Statement of Cash Flows

1. Review the flow of the financial statements

2. Review the direct and indirect methods for statement of cash flows when solving for net cash provided by operating activities

3. Reviewing the cash flow from investing and financing activities
Income Statement

Rev
(Revenues)

- 

Exp
(Expenses)

= 

NI / NL
Net Income (Loss)
Retained Earnings Statement

Beg RE
(Beginning Retained Earnings)

Add: NI
(Net Income (Subtract a Net Loss))

Less: D
(Dividends)

End RE
(Ending Retained Earnings)
Balance Sheet

A
(Assets)

CA
(Current Assets)

LTI
(Long-Term Investments)

PPE
(Property, Plant & Equipment)

IA
(Intangible Assets)

= 

L
(Liabilities)

+ 

SOE
(Stockholders’ Equity)

CL
(Current Liabilities)

LTL
(Long-Term Liabilities)

CS
(Common Stock)

RE
(Ending Retained Earnings)

Basic SOE = Common Stock + End RE
Statement of Cash Flow Methods (Direct Method)

A
(Assets)

CA
(Current Assets)

Cash

Acc. Receivables

Inventory

Supplies

Prepaid Expense

Other CA

Operating
- Cash changes resulting from the day-to-day operations of the business
  - Examples:
    - Cash received from operations (inflow)
    - Cash used to pay suppliers (outflow)

Investing
- Cash changes resulting from the purchasing of resources a company needs to operate
  - Examples:
    - Purchasing equipment (outflow)
    - Proceeds from the sale of equipment (inflow)

Financing
- Cash changes resulting from the raising of outside funds for the business
  - Two primary sources:
    - Debt (borrowing money) (inflow)
    - Equity (issuing shares of stock for cash) (inflow)
Statement of Cash Flow Methods (for Net Operating Activities)

**Direct Method**
Operating cash receipts and payments. It is prepared by adjusting each item in the income statement from the accrual basis to the cash basis.

**Indirect Method**
Adjusts net income for items that do not affect cash to determine net cash provided by operating activities.
Indirect Method – Statement of Cash Flow

Indirect Method

Adjusts net income for items that do not affect cash to determine net cash provided by operating activities.

Net Cash Provided by Operating Activities

1. Find the Net Income for current year
2. Add back depreciation and amortization expenses as well as loss on disposal of assets
   (Deduct gain on disposal of assets)
3. Report changes in current assets and current liabilities accounts and how they impact net cash provided by operating activities
Common Cash Expenses

- Maintenance work performed on a truck for $600:

<table>
<thead>
<tr>
<th>Date</th>
<th>Account Titles and Explanation</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Dr. Maintenance Expense</td>
<td>600</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cr. Cash</td>
<td></td>
<td>600</td>
</tr>
<tr>
<td></td>
<td><strong>To Record Maintenance Work Completed</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
You calculate a truck depreciated $5,000 during the year:

<table>
<thead>
<tr>
<th>Date</th>
<th>Account Titles and Explanation</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Dr. Depreciation Expense</td>
<td>5,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cr. Accumulated Depreciation</td>
<td></td>
<td>5,000</td>
</tr>
<tr>
<td></td>
<td><strong>To Record Depreciation on Company Truck</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Common Non-Cash Expenses (b)

- Your company’s patent declines by $10,000 in value:

<table>
<thead>
<tr>
<th>Date</th>
<th>Account Titles and Explanation</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Dr. <strong>Amortization Expense</strong></td>
<td>10,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cr. Accumulated Amortization - Patent</td>
<td></td>
<td>10,000</td>
</tr>
</tbody>
</table>

To Record Amortization of Patent
You sold the equipment for $10,000, which incurred at a loss of $5,000:

<table>
<thead>
<tr>
<th>Date</th>
<th>Account Titles and Explanation</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Dr. Cash</td>
<td>10,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dr. Loss on Disposal of Asset</td>
<td>5,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cr. Equipment</td>
<td></td>
<td>15,000</td>
</tr>
</tbody>
</table>

To Record Cash Received from Issuance of Stock
Gain on Disposal of Assets

- You sold the equipment for $20,000, which incurred at a loss of $5,000:

<table>
<thead>
<tr>
<th>Date</th>
<th>Account Titles and Explanation</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Dr. Cash</td>
<td>20,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cr. Equipment</td>
<td></td>
<td>15,000</td>
</tr>
<tr>
<td></td>
<td>Cr. Gain on Disposal</td>
<td></td>
<td>5,000</td>
</tr>
</tbody>
</table>

To Record Cash Received from Issuance of Stock
Operating Activities Examples – Direct Method

- From sale of goods or services
- From interest received and dividends received

- To suppliers for inventory
- To employees for wages
- To government for taxes
- To others for expenses
# Operating Activities Examples – Indirect Method

<table>
<thead>
<tr>
<th>Account</th>
<th>Add to Cash Flow When:</th>
<th>Deduct from Cash Flow When:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Receivables</td>
<td>Decrease</td>
<td>Increase</td>
</tr>
<tr>
<td>Inventory</td>
<td>Decrease</td>
<td>Increase</td>
</tr>
<tr>
<td>Prepaid Expenses</td>
<td>Decrease</td>
<td>Increase</td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>Increase</td>
<td>Decrease</td>
</tr>
<tr>
<td>Accrued Expenses Payable</td>
<td>Increase</td>
<td>Decrease</td>
</tr>
</tbody>
</table>

## Impact to Cash Flow

- **Current Assets**
  - Add
  - Deduct

- **Current Liabilities**
  - Add
  - Deduct

*Changes in Cur. Assets and Liabilities*
Calculating Net Cash Provided by Operating Activities

For each of the following financial statement analysis, using the indirect method, determine whether there would be an increase, decrease or no change to the net cash flows provided by operating activities and then find the net cash amount:

- Net Income was $80,000
- Depreciation Expense was $15,000
- Accounts Receivables decreased $5,000
- Accounts Payables decreased $2,500
- Short-Term Notes Payables increased $10,000
- Inventory increased $12,000
Direct and Indirect Method – Statement of Cash Flow

Net Cash Provided by Investing and Financing Activities

- Report any cash inflows and outflows (direct)
- Report any changes in account balances (indirect)
Investing Activities Examples – Direct and Indirect Method

Cash Inflows

- From sale of property, plant, and equipment
- From sale of investments in debt or equity securities of other entities
- From collection of principal on loans to other entities

Cash Outflows

- To purchase property, plant, and equipment
- To purchase investments in debt or equity securities of other entities
- To make loans to other entities

Changes in LT Investments and Assets
Calculating Net Cash Provided by Investing Activities

For each of the following financial statement analysis, using the indirect method, determine whether there would be an increase, decrease or no change to the net cash flows provided by investing activities and then find the net cash amount:

- Land on the balance sheet increased by $150,000
- Equipment was sold for $50,000
Financing Activities Examples – Direct and Indirect Method

- From sale of common stock
- From issuance of debt

- To stockholders as dividends
- To redeem long-term debt or reacquire capital stock (treasury stock)

Changes in LT Liabilities and SOE
Calculating Net Cash Provided by Financing Activities

For each of the following financial statement analysis, using the indirect method, determine whether there would be an increase, decrease or no change to the net cash flows provided/used by financing activities and then find the net cash amount:

- Issued $45,000 common stock for cash
- Paid cash dividends of $5,000
- Paid off debt totaling $75,000
The current sections of Fun House Inc.'s balance sheets at December 31, 2018 and 2019 are presented here. Fun House's net income for 2019 was $130,000. Depreciation expense was $25,000.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>-$55,000</td>
<td>$55,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>24,000</td>
<td>15,000</td>
<td>CA</td>
<td>9,000</td>
<td>(9,000)</td>
</tr>
<tr>
<td>Inventory</td>
<td>120,000</td>
<td>152,000</td>
<td></td>
<td>(32,000)</td>
<td>32,000</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>3,500</td>
<td>2,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment</td>
<td>105,000</td>
<td>120,000</td>
<td></td>
<td>(15,000)</td>
<td>15,000</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(15,000)</td>
<td>(18,000)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>225,000</td>
<td>150,000</td>
<td></td>
<td>75,000</td>
<td>(75,000)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$462,500</td>
<td>$476,000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Stockholders' Equity</th>
<th>2019</th>
<th>2018</th>
<th>Change from 2018 to 2019</th>
<th>Add/Deduct Cash Flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued expenses payable</td>
<td>$12,000</td>
<td>$8,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>24,000</td>
<td>40,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds payable</td>
<td>100,000</td>
<td>120,000</td>
<td>(20,000)</td>
<td>(20,000)</td>
</tr>
<tr>
<td>Common stock</td>
<td>140,000</td>
<td>70,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retained earnings</td>
<td>200,000</td>
<td>80,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$476,000</td>
<td>$318,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Instructions: Calculate the company's net cash provided by operating activities for the year ended December 31, 2019.
Cash flows from operating activities

Net Income

Adjustments to reconcile net income to net cash provided by

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in accounts receivables</td>
<td>$9,000</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>$(?)</td>
</tr>
</tbody>
</table>

Net cash provided by operating activities $(?)
The current sections of Fun House Inc.'s balance sheets at December 31, 2018 and 2019 are presented here. Fun House's net income for 2019 was $130,000. Depreciation expense was $25,000.

### Assets

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>Change</th>
<th>Add/Deduct Cash Flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>-</td>
<td>$55,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>24,000</td>
<td>15,000</td>
<td>9,000</td>
<td>(9,000)</td>
</tr>
<tr>
<td>Inventory</td>
<td>120,000</td>
<td>152,000</td>
<td>(32,000)</td>
<td>32,000</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>3,500</td>
<td>2,000</td>
<td>1,500</td>
<td>(1,500)</td>
</tr>
<tr>
<td>Equipment</td>
<td>105,000</td>
<td>120,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(15,000)</td>
<td>(18,000)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>225,000</td>
<td>150,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$462,500</td>
<td>$476,000</td>
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<td></td>
</tr>
</tbody>
</table>

### Liabilities and Stockholders' Equity

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>Change</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued expenses payable</td>
<td>12,000</td>
<td>8,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>24,000</td>
<td>40,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds payable</td>
<td>100,000</td>
<td>120,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock</td>
<td>140,000</td>
<td>70,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retained earnings</td>
<td>200,000</td>
<td>80,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$476,000</td>
<td>$318,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Instructions: Prepare the company's statement of cash flows for the year ended December 31, 2019.
Cash flows from investing activities

Sale of _______  
Purchase of _______  

Net cash used by investing activities  $  (?)
The current sections of Fun House Inc.'s balance sheets at December 31, 2018 and 2019 are presented here. Fun House's net income for 2019 was $130,000. Depreciation expense was $25,000.

### Assets

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>LT Liability or SOE</th>
<th>Change from 2018 to 2019</th>
<th>Add/Deduct Cash Flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>-</td>
<td>$55,000</td>
<td>0</td>
<td>$55,000</td>
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</tr>
<tr>
<td>Accounts receivable</td>
<td>24,000</td>
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<td>9,000</td>
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<td></td>
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<td>150,000</td>
<td>75,000</td>
<td>(75,000)</td>
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</tr>
<tr>
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</thead>
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<tr>
<td>Accrued expenses payable</td>
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</table>

Instructions: Prepare the company's statement of cash flows for the year ended December 31, 2019.
Cash flows from financing activities

Issuance of _______  (?)
Payment on _______ _______  (?)
Payment of _______ _______  (?)

Net cash provided by financing activities  $  (?)
Cash flows from operating activities

Net Income (?)

Adjustments to reconcile net income to net cash provided by:

- Increase in accounts receivables $ (?)
- Decrease in accounts receivables (9,000)

Net cash provided by operating activities (?)

Cash flows from investing activities

- Sale of _______ (?)
- Purchase of _______ (?)

Net cash used by investing activities $ (?)

Cash flows from financing activities

- Issuance of _______ (?)
- Payment on _______ _______ (?)
- Payment of _______ _______ (?)

Net cash provided by financing activities $ (?)

Net increase in cash $ (?)

Cash at beginning of year $ (?)

Cash at end of year $ (?)
Moving Forward

- We’ve reviewed
  - Chapter 11
    - Issuance of stock
    - Stockholders’ equity statement analysis
    - Dividends
  - Chapter 12
    - Indirect and direct method
    - Net cash provided by three business activities

- Moving Forward
  - Practice, practice, practice!!!
  - Create study groups
  - Seek out academic resources
Questions?