

Misty Company
Statement of Cash Flows
For the Year Ended December 31, 20X1

Operating Activities

Net Income	\$	14,000
Adjustments to Net Income:		
Add: Depreciation Expense		10,000
Changes in:		
Increase in Accounts Receivable		(10,000)
Decrease in Inventory		20,000
Decrease in Prepaid Rent		3,000
Increase in Accounts Payable		10,000
Decrease in Salaries Payable		(10,000)
Increase in Interest Payable		5,000
Increase in Taxes Payable		3,000
Cash Provided by Operating Activities		45,000

Investing Activities

Purchases of Equipment	\$	(30,000)
Payment of Security Deposit		(1,000)
Cash Used for Investing Activities		(31,000)

Financing Activities

Payment on Long-Term Debt		(30,000)
Issued Common Stock		40,000
Payment of Dividends		(4,000)
Cash Provided by Financing Activities		6,000

Net Increase in Cash		20,000
Cash Balance, Beginning		10,000
Cash Balance, Ending		\$30,000

Supplemental Cash Flow Information

Cash payments for income taxes	\$	3,000
Cash payments for interest		1,000

Misty Company

Revenues	200,000
Less Expenses	<u>(180,000)</u>
Taxable Income	20,000
Tax rate	<u>x 30%</u>
Tax Expense	6,000
Paid half this year	<u>x 50%</u>
Taxes Payable	3,000

Net Income = 20,000 - 6,000 = 14,000

Dividend Paid:

Beginning Retained Earnings	114,000
+ Net Income	<u>14,000</u>
Sub-Total	128,000
- Ending Retained Earnings	<u>(124,000)</u>
= Dividends	4,000

Cash payments for:

	Taxes	Interest
Expense	<u>#REF!</u>	6,000
+ Payable, Last Year	0	0
- Payable, This Year	<u>(3,000)</u>	(5,000)
= Cash Paid	#REF!	1,000

Sales - Expenses	200,000 - 180,000
Taxable Income	20,000
Tax Expense	6,000 (20,000 x 30%)
Net Income	14,000
Taxes Payable	3,000 (6,000 / 2)