

**ACCT:2100 Introduction to Financial Accounting**  
**Statement of Cash Flow -- Example**

**Timeless Company**  
**Statements of Financial Position**  
(In thousands)

	<u>12/31/2015</u>	<u>12/31/2014</u>
Current assets:		
Cash and cash equivalents	\$25,700	\$6,000
Trading securities	2,950	2,500
Accounts receivable (net)	17,850	17,700
Notes receivable	1,500	4,000
Inventory	10,250	12,300
Prepaid income tax expense	1,350	1,100
Total current assets	<u>59,600</u>	<u>43,600</u>
Property, plant and equipment (net)	52,600	43,600
Intangible assets	250	400
Total assets	<u><u>\$112,450</u></u>	<u><u>\$87,600</u></u>
Current liabilities		
Trade accounts payable	\$5,150	\$5,500
Accrued wages payable	3,200	5,350
Interest payable	1,300	800
Current portion of note payable	1,500	
Total current liabilities	<u>11,150</u>	<u>11,650</u>
Notes payable	5,750	
Deferred revenue	7,500	4,500
Long-term debt	28,500	27,500
Total liabilities	<u>52,900</u>	<u>43,650</u>
Stockholders' equity:		
Common stock, no par	30,000	20,000
Retained earnings	31,550	23,950
Treasury shares	(2,000)	
Total stockholders' equity	<u>59,550</u>	<u>43,950</u>
Total liabilities and stockholders' equity	<u><u>\$112,450</u></u>	<u><u>\$87,600</u></u>

**Timeless Company**  
**Statement of Income**  
**For the Year Ended December 31, 2015**  
(In thousands)

Sales	\$143,650
Cost of sales	(102,900)
Gross profit	<u>40,750</u>
Salaries and commissions	(16,900)
Bad debt expense	(2,000)
Depreciation and amortization	<u>(4,450)</u>
Operating income	17,400
Interest expense	(6,350)
Unrealized gain on investment	450
Gain on sale of facility	800
Interest revenue	550
Loss from patent infringement lawsuit	<u>(150)</u>
Income before taxes	12,700
Provision for income taxes	<u>5,100</u>
Net income	<u><u>\$7,600</u></u>

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The following additional information is provided (thousands):

- a) Wrote off \$3500 of accounts receivable when a customer filed for bankruptcy. The allowance for doubtful accounts was \$6,000 and \$4,500 at December 31 2014 and 2015 respectively.
- b) Collected payments of \$1000 on a note receivable for the sale of inventory and \$1500 on a note receivable for the sale of equipment. Both transactions occurred in 2013. Interest on these notes through December 31 totaling \$550 was also collected.
- c) Sold a facility with a book value of \$5,200 and original cost of \$7,500 for \$6,000 cash.
- d) Constructed a new facility for its own use and placed it in service. Accumulated expenditures during the year totaled \$10,000.
- e) Purchased new equipment in exchange for a note payable of \$8,500. Principal payments on the note totaled \$1,250.
- f) Issued \$6,000 of subordinated long-term debt.

- g) Depreciation totaled \$4,300. The accumulated depreciation balance was \$4,000 at 12/31/14 and \$6,000 at 12/31/15.
- h) Amortization of intangible assets totaled \$150.
- i) Paid \$150 to settle a patent infringement lawsuit.
- j) Issued \$10,000 of additional common stock of which \$5,000 was issued for cash and \$5,000 was issued upon conversion of long-term debt.

**Required: Using the data provided, prepare the 2015 statement of cash flow using both the direct and indirect formats for operating cash flows.**