

Assignment II

1)

The following data relate to the L. Heckenmueller Co. for 2004.

Net income	\$ 75,000
Increase in accounts receivable	7,000
Decrease in prepaid expenses	3,200
Increase in accounts payable	5,000
Decrease in taxes payable	900
Gain on sale of investment	1,700
Depreciation	3,500
Loss on sale of equipment	600

Instructions

Compute the net cash provided by operating activities for 2004.

2)

The comparative balance sheets of Spencer Corporation at the beginning and end of year 2004 appear below.

**Spencer Corporation
Balance Sheets**

	Dec. 31 <u>2004</u>	Dec. 31 <u>2003</u>	<u>Inc./Dec.</u>
ASSETS			
Cash	\$10,500	\$7,100	Inc. 3,400
Accounts receivable	18,000	9,400	Inc. 8,600
Prepaid expenses	2,700	3,200	Dec. 500
Investments	-0-	11,300	Dec. 11,300
Equipment	56,000	42,000	Inc. 14,000
Less: Accumulated depreciation	<u>(10,000)</u>	<u>(5,000)</u>	<u>Dec. 5,000</u>
Total	<u>\$77,200</u>	<u>\$68,000</u>	<u>Inc. 9,200</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Accounts payable	\$ 4,900	\$ 4,500	Inc. 400
Unearned revenue	1,700	6,000	Dec. 4,300
Common stock	14,000	10,000	Inc. 4,000
Retained earnings	<u>56,600</u>	<u>47,500</u>	<u>Inc. 9,100</u>
Total	<u>\$77,200</u>	<u>\$68,000</u>	<u>Inc. 9,200</u>

During the year 2004, Spencer purchased equipment for \$14,000 cash, declared and paid cash dividends of \$11,200, sold investments for \$19,000, and reported net income of \$20,300.

Instructions

Prepare a statement of cash flows for Spencer Corporation for the year ending December 31, 2004.

3)

(L.O. 4) For 2004, Selma Co. had beginning inventory of \$75,000, ending inventory of \$90,000 and net income of \$120,000, using the LIFO inventory method. If the FIFO method had been used, beginning inventory would have been \$85,000, ending inventory would have been \$105,000 and net income would have been:

- a. \$125,000.
- b. \$115,000.
- c. \$145,000.
- d. \$95,000.

4)

(L.O. 2, 4) The following facts pertain to the cost of one product carried in the merchandise inventory of the Herara Store:

Inventory on hand, January 1	200 units @ \$20 =	\$ 4,000
Purchase, March 18	600 units @ \$24 =	14,400
Purchase, July 20	800 units @ \$26 =	20,800
Purchase, October 31	400 units @ \$30 =	12,000

A physical count of the inventory on December 31 reveals that 500 units are on hand. If the FIFO cost method is used with a periodic inventory system, the inventory should be reported on the balance sheet at:

- a. \$40,000.
- b. \$36,600.
- c. \$14,600.
- d. \$11,200.
- e. None of the above.

5)

Closing cash	?
Repayment of long-term debt	207,997
Amortization	171,998
Issuance of common shares to finance land acquisition	28,350
Decrease in inventories	68,432
Capital expenditures	200,404
Proceeds from issuance of common shares	14,739
Decrease in accounts and taxes payable	63,000
Income before extraordinary items	54,048
Dividends paid	28,614
Net proceeds from expropriation of land	68,420
Opening cash	81,700
Decrease in prepaid expenses	462
Net proceeds from sale of a long-term investment	196,014
Decrease in long-term borrowings	21,172
Increase in accounts receivable	46,963
Acquisition of land in exchange for common shares	28,350

Required

Using the above information, prepare a statement of cash flows in good format,

6)

On November 15, 20x2, a fire destroyed McCleod Corporation's warehouse, where golf clubs are stored. It is estimated that \$20,000 can be realized from the sale of usable damaged inventory. The accounting records concerning golf club reveal the following:

Inventory at November 1, 20x2	\$240,000
Purchases from Nov 1/x2 to Nov 15/x2	280,000
Net sales from Nov 1/x2 to Nov 15/x2	400,000

Based on recent history, the gross margin has averaged 35% of net sales.

7)

If \$71,178 can be invested now, what annual interest rate must be earned in order to accumulate \$100,000 three years from now?

8)

If \$1,000 is deposited into an account at the end of every year for six years, what will be the balance in the account after the sixth deposit if all amounts on deposit earn 6% interest?