



FINAL EXAM

Course # 171045 Statement Of Cash Flows: Reporting And Analysis

based on the electronic .pdf file(s):

Statement Of Cash Flows: Reporting And Analysis

by: Delta CPE, 2014, 65 pages



6 CPE Credit Hours
Accounting & Auditing

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*This exam sheet is made available for your convenience in answering questions while offline.
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Instructions are provided at the end of this document.

Chapter 0 - Course Material

1. A statement of cash flows is to be presented in general-purpose external financial statements by which of the following?
 - Publicly held business enterprises only.
 - Privately held business enterprises only.
 - All business enterprises.
 - All business enterprises and not-for-profit organizations.

2. It is an objective of the statement of cash flows to
 - Disclose changes during the period in all asset and all equity accounts.
 - Disclose the change in working capital during the period.
 - Provide information about the operating, investing, and financing activities of an entity during a period.
 - None of these.

3. Bay Manufacturing Co. purchased a 3-month U.S. Treasury bill. In preparing Bay's statement of cash flows, this purchase would
 - Have no effect.
 - Be treated as an outflow from financing activities.
 - Be treated as an outflow from investing activities.
 - Be treated as an outflow from lending activities.

4. Which of the following cash flows per share should be reported in a statement of cash flows?
 - Primary cash flows per share only.
 - Fully diluted cash flows per share only.
 - Both basic and diluted cash flows per share.
 - Cash flows per share should not be reported.

5. Which of the following is a primary use of cash?
 - Borrowing
 - Investment by owners
 - Operating expenses
 - Sale of equipment

6. A reconciliation of net income to cash flow from operations is required
 - If the direct method is used.
 - If the indirect method is used.
 - A or B.
 - None of the above.

7. The only difference between the direct method and the indirect method is the presentation in the

_____ activities section of the statement of cash flows.

Operating.

Financing.

Investing.

All of the above.

8. Donnegan Company reported operating expenses of \$285,000 for 2X12. The following data were extracted from the company's financial records: On 12/31/2X11, Prepaid Expenses = \$60,000 and Accrued Expenses = \$210,000; on 12/31/2X12, Prepaid Expenses = \$69,000 and Accrued Expenses = \$255,000. On a statement of cash flows for 2X12, using the direct method, cash payments for operating expenses should be:

\$339,000.

\$321,000.

\$249,000.

\$231,000.

9. An increase in accounts receivable would be reported in a statement of cash flows using the indirect method (reconciliation method) as a(n)

Addition to net income in arriving at net cash flow from operating activities.

Deduction from net income in arriving at net cash flow from operating activities.

Cash outflow from investing activities.

Cash outflow from financing activities.

10. The amortization of bond premium on long-term debt should be presented in a statement of cash flows (using the indirect method for operating activities) as a(n)

Addition to net income.

Deduction from net income.

Investing activity.

Financing activity.

11. Crabbe Company reported \$80,000 of selling and administrative expenses on its income statement for the past year. The company had depreciation expense and an increase in prepaid expenses associated with the selling and administrative expenses for the year. Assuming use of the direct method, how would these items be handled in converting the accrual based selling and administrative expenses to the cash basis?

Both Depreciation and Increase in Prepaid Expenses would be deducted from the expense

Both Depreciation and Increase in Prepaid Expenses would be added to the expense

Depreciation would be deducted from the expense and Increase in Prepaid Expenses would be added to the expense.

Depreciation would be added to the expense and Increase in Prepaid Expenses would be deducted from the expense.

12. Xanthe Corporation had the following transactions occur in the current year: 1. Cash sale of merchandise inventory; 2. Sale of delivery truck at book value; 3. Sale of Xanthe common stock for cash; 4. Issuance of a note payable to a bank for cash; 5. Sale of a security held as an available-for-sale investment; 6. Collection of loan receivable. How many of the above items will appear as a cash inflow from investing activities on a statement of cash flows for the current year?

Five items

Four items

Three items

Two items

13. A company borrows \$10,000 and signs a 90-day nontrade note payable. In preparing a statement of cash flows (indirect method), this event would be reflected as a(n)

Addition adjustment to net income in the cash flows from operating activities section.

Cash outflow from investing activities.

Cash inflow from investing activities.

Cash inflow from financing activities.

14. A statement of cash flows typically would not disclose the effects of

Capital stock issued at an amount greater than par value.

Stock dividends declared.

Cash dividends paid.

A purchase and immediate retirement of treasury stock.

15. Declaration of a cash dividend on common stock affects cash flows from operating activities under the direct and indirect methods as follows:

Outflow for the direct method and inflow for the indirect method

Inflow for the direct method and inflow for the indirect method

Outflow for the direct method and outflow for the indirect method

No effect for either the direct method or the indirect method

16. Which of the following would be classified as a financing activity on a statement of cash flows?

Declaration and distribution of a stock dividend

Deposit to a bond sinking fund

Sale of a loan receivable

Payment of interest to a creditor

17. Which of the following information should be disclosed as supplemental information in the statement of cash flows?

Both stock dividends and conversion of bond payable to common stock.

Stock dividends, but not a conversion of bond payable to common stock.

Conversion of bond payable to common stock, but not stock dividends.

Neither stock dividends nor conversion of bond payable to common stock.

18. How should significant noncash transactions be reported in the statement of cash flows according to GAAP?

They should be incorporated in the statement of cash flows in a section labeled, "Significant Noncash Transactions."

Such transactions should be incorporated in the section (operating, financing, or investing) that is most representative of the major component of the transaction.

These noncash transactions are not to be incorporated in the statement of cash flows. They may be summarized in a separate schedule at the bottom of the statement or appear in a separate supplementary schedule to the financials.

They should be handled in a manner consistent with the transactions that affect cash flows.

19. The first step in the preparation of the statement of cash flows requires the use of information included in which comparative financial statements?

- Statements of cash flows
- Balance sheets
- Income statements
- Statements of retained earnings

20. If common stock was issued to acquire an \$8,000 machine, how would the transaction appear on the statement of cash flows?

- It would depend on whether you are using the direct or the indirect method.
- It would be a positive \$8,000 in the financing section and a negative \$8,000 in the investing section.
- It would be a negative \$8,000 in the financing section and a positive \$8,000 in the investing section.
- It would not appear on the statement of cash flows but rather on a schedule of noncash investing and financing activities.

21. Lohmeyer Corporation reports: Cash provided by operating activities = \$250,000; Cash used by investing activities = \$110,000; Cash provided by financing activities = \$140,000; Beginning cash balance = \$70,000. What is Lohmeyer's ending cash balance?

- \$280,000.
- \$350,000.
- \$500,000.
- \$570,000.

22. During 2X12 the DLD Company had a net income of \$50,000. In addition, selected accounts showed the following changes: Accounts Receivable = \$3,000 increase; Accounts Payable = \$1,000 increase; Building = \$4,000 decrease; Depreciation Expense = \$1,500 increase; Bonds Payable = \$8,000 increase. What was the amount of cash provided by operating activities?

- \$49,500
- \$50,000
- \$51,500
- \$59,500

23. Harding Corporation reports the following information: Net income = \$500,000; Depreciation expense = \$140,000; Increase in accounts receivable = \$60,000. Harding should report cash provided by operating activities of

- \$300,000.
- \$420,000.
- \$580,000.
- \$700,000.

24. The following information on selected cash transactions for 2X12 has been provided by Mancuso Company: Proceeds from sale of land = \$160,000; Proceeds from long-term borrowings = \$400,000; Purchases of plant assets = \$144,000; Purchases of inventories = \$680,000; Proceeds from sale of Mancuso common stock = \$240,000. What is the cash provided (used) by investing activities for the year ended December 31, 2X12, as a result of the above information?

- \$16,000
- \$256,000.
- \$160,000.
- \$800,000.

25. Selected information from Dinkel Company's 2X12 accounting records is as follows: Proceeds from issuance of common stock = \$400,000; Proceeds from issuance of bonds = \$1,200,000; Cash

dividends on common stock paid = \$160,000; Cash dividends on preferred stock paid = \$60,000; Purchases of treasury stock = \$120,000; Sale of stock to officers and employees not included above = \$100,000. Dinkel's statement of cash flows for the year ended December 31, 2X12, would show net cash provided (used) by financing activities of

\$60,000.

\$(220,000).

\$160,000.

\$1,360,000.

26. Hager Company sold some of its plant assets during 2011. The original cost of the plant assets was \$750,000 and the accumulated depreciation at date of sale was \$700,000. The proceeds from the sale of the plant assets were \$105,000. The information concerning the sale of the plant assets should be shown on Hager's statement of cash flows (indirect method) for the year ended December 31, 2011, as a(n)

Subtraction from net income of \$55,000 and a \$50,000 increase in cash flows from financing activities.

Addition to net income of \$55,000 and a \$105,000 increase in cash flows from investing activities.

Subtraction from net income of \$55,000 and a \$105,000 increase in cash flows from investing activities.

Addition of \$105,000 to net income.

27. Net cash flow from operating activities for 2011 for Spencer Corporation was \$300,000. The following items are reported on the financial statements for 2011: Cash dividends paid on common stock = \$20,000; Depreciation and amortization = \$12,000; Increase in accounts receivables = \$24,000. Based on the information above, Spencer's net income for 2011 was:

\$312,000.

\$296,000.

\$264,000.

\$256,000.

28. Packard Corporation reports the following information: Net cash provided by operating activities = \$215,000; Average current liabilities = \$150,000; Average long-term liabilities = \$100,000; Dividends paid = \$60,000; Capital expenditures = \$110,000; Payments of debt = \$35,000. Packard's free cash flow is:

\$10,000.

\$45,000.

\$105,000.

\$155,000.

29. Net Cash Provided by Operating Activities/Average Total Liabilities is

Cash debt coverage ratio.

Free cash flow.

Current cash debt coverage ratio.

Cash flow per share.

30. Ocean Company follows IFRS for its external financial reporting. Which of the following methods of reporting are acceptable under IFRS for the items shown?

Interest Received in Operating Activities, and Dividends Received in Investing Activities

Interest Received in Investing Activities, and Dividends Received in Financing Activities

- Interest Received in Financing Activities, and Dividends Received in Investing Activities
- Interest Received in Operating Activities, and Dividends Received in Financing Activities

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- *Step 2 on the Course Syllabus page is "Take the Final Exam". Click the "Begin Final Exam" link.*
- *Enter your answers on the online exam sheet.*
- *Click the "Grade Exam" button at the bottom of the page. Your exam will be graded automatically. If your score exceeds 70%, a "Create Certificate" button will display. Otherwise, you may continue to retake the exam until you pass.*
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