

Cash Flow Statement – Intermediate Question*

PREVIEW: solve this question in minutes by taking this course

The comparative balance sheets of Grey 31 Ltd. as at December 31st, 2017 and 2018 is presented below:

Grey 31 Ltd.		
Balance Sheet		
As at December 31st, 2018		
Assets	2018	2017
Cash	\$ 54,000	\$ 37,000
Accounts receivable	68,000	26,000
Inventory	54,000	40,000
Supplies	4,000	6,000
Land	45,000	70,000
Property, plant, and equipment, net	276,000	179,000
Intangible assets	28,000	28,000
Total assets	<u>\$529,000</u>	<u>\$386,000</u>
Liabilities and shareholders' equity		
Accounts payable	\$17,000	\$ 40,000
Income tax payable	6,000	1,000
Accrued liabilities	10,000	-
Long-term notes payable	110,000	150,000
Contributed capital	200,000	60,000
Retained earnings	186,000	135,000
Total liabilities and shareholders' equity	<u>\$529,000</u>	<u>\$386,000</u>

The income statement of Grey 31 Ltd. for the year ended December 31st, 2018 is presented on the next page.

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Grey 31 Ltd.
Income Statement
For the year ended December 31st, 2018

Sales		\$750,000
Cost of sales	\$329,000	
Depreciation expense—property, plant, and equipment	33,000	
Operating expenses	225,000	
Interest expense	<u>10,000</u>	<u>\$597,000</u>
Earnings before income taxes		153,000
Income tax expense		<u>48,000</u>
Net earnings		<u><u>105,000</u></u>

Notes:

- a. Land was sold for cash at its carrying amount.
- b. Cash dividends were declared and paid in 2018.
- c. New equipment costing \$166,000 was purchased for cash.
- d. Equipment was sold for cash during 2018 at its carrying amount.
- e. Long-term notes of \$10,000 were paid in cash.
- f. \$30,000 of long-term notes was converted into shares.

Required:

Prepare a cash flow statement for Grey 31 Ltd. for the year ended December 31st, 2018.