**Question 1**(1 point)

Daveco's Net Income for 20X1 was $460. During the year, Inventory decreased by $35. Based only this information, what should Daveco report as Total Cash Flow from Operations?

Your Answer:

Question 1 options:

|  |
| --- |
|  |
| Answer |
| Hide hint for Question 1 | |
|  |  |
| No great intuition here. If a Current Asset goes down, we add the change from NI to get to CFO! | |

**Question 2**(1 point)

Daveco's Net Income for 20X1 was $400. During the year, Accrued Expenses increased by $25. Based only this information, what should Daveco report as Total Cash Flow from Operations?

Your Answer:

Question 2 options:

|  |
| --- |
|  |
| Answer |
| View hint for Question 2 |

**Question 3**(1 point)

Daveco's Net Income for 20X1 was $500. During the year, Accounts Receivable increased by $25. Based only this information, what should Daveco report as Total Cash Flow from Operations?

Your Answer:

Question 3 options:

|  |
| --- |
|  |
| Answer |
| Hide hint for Question 3 | |
|  |  |
| Remember that an Increase in Accounts Receivable means we recognized sales but did not yet get paid! Net Income is higher than CFO! | |

**Question 4**(1 point)

Daveco's Net Income for 20X1 was $490. During the year, Accounts Receivable decreased by $30. Based only this information, what should Daveco report as Total Cash Flow from Operations?

Your Answer:

Question 4 options:

|  |
| --- |
|  |
| Answer |
| Hide hint for Question 4 | |
|  |  |
| Remember that a Decrease in Accounts Receivable means we got paid in cash more than we recognized in sales. CFO is higher than Net Income! | |

**Question 5**(1 point)

Daveco's Net Income for 20X1 was $500. This included a Gain on the Sale of a Fixed Asset of $25. Based only this information, what should Daveco report as Total Cash Flow from Operations?

Your Answer:

Question 5 options:

|  |
| --- |
|  |
| Answer |
| View hint for Question 5 |

**Question 6**(1 point)

Daveco's Net Income for 20X1 was $460. During the year, Accounts Payable decreased by $25. Based only this information, what should Daveco report as Total Cash Flow from Operations?

Your Answer:

Question 6 options:

|  |
| --- |
|  |
| Answer |
| View hint for Question 6 |

**Question 7**(7 points)

Question 7 options:

The following information comes from Daveco's 20X1 and 20X2 Financial Statements

|  |  |
| --- | --- |
| Sales | $   1,000 |
| Cost of Goods Sold | 700 |
| Gross Profit | 300 |
| Operating Expenses | 200 |
| Operating Income | 100 |
| Gain on Asset Disposal | 25 |
| Net Income | $     125 |

|  |  |  |  |
| --- | --- | --- | --- |
|  | 20X2 |  | 20X1 |
| Cash | $    30 |  | $      15 |
| Accounts Receivable (net) | 20 |  | 25 |
| Inventory | 50 |  | 30 |
| Total Current Assets | 100 |  | 70 |
| Fixed Assets (net) | 110 |  | 95 |
| Total Assets | 210 |  | 165 |
|  |  |  |  |
| Accounts Payable | 40 |  | 20 |
| Noncurrent Liabilities | 60 |  | 70 |
| Total Liabilities | 100 |  | 90 |
|  |  |  |  |
| Common Stock | 50 |  | 50 |
| Retained Earnings | 60 |  | 25 |
| Total Equity | 110 |  | 75 |
| Total Liabilities and Equity | $   210 |  | $      165 |

The Operating Expenses in the Income Statement include $15 of Depreciation Expense

Below, please assemble the Operating Section of a Statement of Cash Flows

What was Net Income?



How should Depreciation be dealt with in the Indirect Method (please use a - sign to indicate  subtraction.



How should the Gain on Asset Sale be dealt with in the Indirect Method (please use a - sign to indicate  subtraction.



How should the Decrease in Accounts Receivable be dealt with in the Indirect Method (please use a - sign to indicate  subtraction.



How should Increase in Inventory be dealt with in the Indirect Method (please use a - sign to indicate  subtraction.



How should the Increase in Accounts Payable be dealt with in the Indirect Method (please use a - sign to indicate  subtraction.



What is total Cash Flow from Operations? This should be the sum of all the blanks above

