

## 11-1A – Basic Cash Flow Statement

The financial statements of Bait and Tackle are presented below:

<b>Bait and Tackle Balance Sheet As at December 31</b>		
	2017	2016
Cash	\$39,000	\$24,000
Accounts receivable	64,000	50,000
Inventory	58,000	88,000
Equipment	325,000	250,000
Accumulated depreciation	<u>(92,000)</u>	<u>(125,000)</u>
Total assets	<u>\$394,000</u>	<u>\$287,000</u>
Accounts payable	\$32,000	\$40,000
Income taxes payable	10,000	11,000
Bank loan payable	20,000	0
Common shares	60,000	50,000
Retained earnings	<u>272,000</u>	<u>186,000</u>
Total liabilities and shareholders' equity	<u>\$394,000</u>	<u>\$287,000</u>

<b>Bait and Tackle Income Statement For the Year Ended December 31, 2017</b>	
Sales	\$635,000
Cost of goods sold	<u>320,000</u>
Gross profit	315,000
Operating expenses	<u>135,000</u>
Operating income	180,000
Interest expense	<u>1,000</u>
Income before taxes	179,000
Income taxes	<u>43,000</u>
Net income	<u>\$136,000</u>

Additional information:

- 1.) Operating expenses are composed of: Depreciation \$12,000; Salaries \$50,000; Loss on Sale of Equipment \$9,000; other operating expenses \$64,000.
- 2.) Other operating expenses are cash expenses.
- 3.) Equipment was purchased during the year for \$135,000 cash.
- 4.) Equipment was sold for cash during the year. The original cost of the equipment was \$60,000, and the accumulated depreciation was \$45,000.
- 5.) Dividends were declared and paid during the year.

### Required:

Prepare a cash flow statement using the direct method or indirect method or both (depending on what your instructor assigns).