

Which of the following are considered cash equivalents on the statement of cash flows (check all that apply)?

✓ Your answer is correct.

✓ Treasury bills

Notes receivable due in 6 months

Dividends receivable

✓ Commercial paper

Challenge

OK

The correct answer is shown.

One of the key concepts in preparing the statement of cash flows is that the operating activities section may be prepared using either the **direct** or the **indirect** method.

✔ Your answer is correct.

Challenge

OK

All transactions (other than interest payments) involving borrowing from creditors or repaying creditors as well as transactions with the company's owners are _____ activities.

✓ Your answer is correct.

investing



financing

operating

Challenge

OK

The correct answer is shown.

Transactions that involve acquiring or disposing of noncurrent assets are **investing** activities.

✓ Your answer is correct.

Challenge

OK

The correct answer is shown.

The **indirect** method of computing operating activities reconciles net income to net cash flow.

✓ Your answer is correct.

Challenge

OK

Operating activities include changes in (check all that apply):

✓ Your answer is correct.

noncurrent assets that are not included in income

current notes payable accounts

✓ current liability accounts for amounts owed to employees

✓ noncurrent assets that affect net income

Challenge

OK

Beginning balance – debits + credits = Ending balance is the basic equation for:

✓ Your answer is correct.

asset and liability accounts

✓ liability and contra-asset accounts

asset and stockholders' equity accounts

all accounts

Challenge

OK

On January 1, 2012, Ajax Corporation sold a truck for \$28,000 cash. The original purchase price was \$45,000 and accumulated depreciation at the time of sale was \$7,000. The beginning balance of the Equipment account was \$100,000 and no other Equipment transactions occurred during the year. Calculate the ending balance of the account.

✓ Your answer is correct.

\$93,000

\$72,000

✓ \$55,000

\$83,000

Challenge

OK

The correct answer is shown.

Purchases of equipment and the sale of land are transactions that would be classified as **investing** activities.

✓ Your answer is correct.

Challenge

OK

Company A reported net income of \$40,000. Included in net income was \$10,000 of depreciation expense, a gain of \$ 50,000 from the sale of a fixed asset and a \$30,000 loss from the sale of an investment. What amount of cash provided from operations would appear on the statement of cash flows?

✓ Your answer is correct.

\$80,000

\$130,000

✓ \$30,000

\$50,000

Challenge

OK

Which of the following statements is *true* when preparing a statement of cash flows?

✓ Your answer is correct.

Both financing and investing activities should be reported as net rather than gross amounts.

✓ Both financing and investing activities should be reported as gross rather than net amounts.

Investing activities should be reported as gross amounts and financing activities should be reported as net amounts.

Financing activities should be reported as gross amounts and investing activities should be reported as net amounts.

Challenge

OK

The correct answer is shown.

JVL Corporation began the year with a \$75,000 balance in retained earnings. Net income for the year was \$24,000 and the ending balance in retained earnings was \$90,000. Given this information, cash dividends paid to stockholders equaled \$9000. *(Do not include a comma in your answer.)*

✓ Your answer is correct.

Challenge

OK

Which of the following statements are *true* (check all that apply)?

✔ Your answer is correct.

✔ The direct method requires reconstructing the income statement from top to bottom.

✔ The investing section does not change when a company chooses the direct method.

Gross profit is reported as a line item when using the direct method.

Changes in deferred income taxes are not included in direct method calculations.

Challenge

OK

When preparing the operating activities section, which of the following is *true* regarding adjusting revenues for changes in accounts receivable?

✓ Your answer is correct.

Decreases are added when using the direct method and deducted when using the indirect method.

✓ Increases are deducted under both the direct and the indirect methods.

Decreases are deducted when using the direct method and added when using the indirect method.

Increases are added under both the direct and indirect methods.

Challenge

OK

The correct answer is shown.

Changes in noncash balance sheet accounts that directly affect net income are classified as **operating** activities.

✓ Your answer is correct.

Challenge

OK

Adams Inc. began the year with \$495,000 in the Equipment account. During the year they sold equipment that had originally cost \$50,000 for \$20,000. The ending balance in the Equipment account was \$650,000. Which of the following statements are *true*?

✓ Your answer is correct.

Adams will report a cash inflow from investment activities of \$50,000.

✓ Adams will report a cash inflow from investing activities of \$20,000.

✓ Adams cash outflow for the purchase of equipment is \$205,000.

Adams cash outflow for the purchase of equipment is \$155,000.

Challenge

OK

The correct answer is shown.

When a company uses the direct method to prepare the statement of cash flows, a supplementary schedule reconciling **net income** with **net** cash flows using the indirect method must be provided.

 **Your answer is correct.**

Challenge

OK

True or false: When interpreting the statement of cash flows, consideration should *not* be given to a company's specific circumstances.

✓ Your answer is correct.

True

✓ False

Challenge

OK

In 2011, Angel Corporation generated \$75,000 in cash flow from operations. Capital projects expenditures were \$50,000, and dividends of \$6,000 were paid. Calculate free cash flow.

✓ Your answer is correct.

\$56,000

\$75,000

\$31,000

✓ \$19,000

Challenge

OK

Which of the following requires that cash flows from investing and financing activities need to be shown at their gross amounts on the statement of cash flows (check all that apply)?

✓ Your answer is correct.

✓ IFRS

SEC

✓ GAAP

PCAOB

Challenge

OK

The correct answer is shown.

A company's ability to fund its capital expenditures and dividends from net cash provided by operating activities is measured by **free cash** flow.

 **Your answer is correct.**

Challenge

OK

The correct answer is shown.

Net cash flows from operating activities will be identical under both the **direct** and the **indirect** methods.

✔ Your answer is correct.

Challenge

OK

The purpose of the statement of cash flows is to:

✓ Your answer is correct.

explain the change in retained earnings for the period

✓ explain the change in cash during the period

explain the net income earned during the period

report the assets and liabilities of the company

Challenge

OK

When preparing the investing activities section which accounts must be analyzed to calculate cash flows used to purchase fixed assets (check all that apply)?

✓ Your answer is correct.

Retained earnings

✓ Property plant and equipment

✓ Accumulated depreciation

Depreciation expense

Challenge

OK

The correct answer is shown.

When interpreting the statement of cash flows, the most meaningful interpretation comes from considering the **relationship** among numbers.

✓ Your answer is correct.

Challenge

OK

When reporting operating activities (check all that apply):

✓ Your answer is correct.

✓ either the direct or indirect method may be used.

✓ the debits and credits in the same balance sheet account are netted against each other.

the gross debits and credits in the same balance sheet account are both reported.

Challenge

OK

The correct answer is shown.

When using the **direct** method to compute cash provided (used) from operations, U.S. GAAP and IFRS require the **indirect** method to be disclosed in a separate schedule accompanying the statement of cash flows.

✓ Your answer is correct.

Challenge

OK

When using the direct method to construct the operating section of the statement of cash flows, gains from the sale of assets are:

✓ Your answer is correct.

deducted in the operating activities section

✓ ignored in the operating activities section

reported in the financing activities section

added in the investing activities section

Challenge

OK

Which of the following statements are *true* about the statement of cash flows (check all that apply)?

✓ Your answer is correct.

Adjustments for accounts that affect revenues are handled in opposite ways when using the direct versus the indirect method.

✓ Adjustments for accounts that affect expenses are handled in opposite ways when using the direct versus the indirect method.

Adjustments for accounts that affect expenses are handled in the same way when using both the direct and the indirect method.

✓ Adjustments for accounts that affect revenues are handled in the same way when using both the direct and the indirect method.

Challenge

OK

Which of the following is *not* one of the three steps required to prepare the operating activities section of the statement of cash flows using the indirect method?

✓ Your answer is correct.

Analyze net changes in non-cash balance sheet accounts.

✓ Adjust for dividend payments to stockholders.

This is a financing activity.

Adjust net income for depreciation charges.

Adjust for income statement gains and losses.

Challenge

OK

True or false: Cash flows from operating activities computed under the direct method may be different than those computed under the indirect method.

✓ Your answer is correct.

True



False

Challenge

OK

When analyzing a company's earnings quality, earnings are considered to be higher quality or more indicative of performance when they (check all that apply):

✓ Your answer is correct.

✓ are correlated with cash flow from operating activities

✓ are not a result of high inflation

lead to a high dividend payout to stockholders

✓ are computed using conservative estimates

Challenge

OK

Under the direct method, the operating activities section of the statement of cash flows (check all that apply):

✓ Your answer is correct.



treats cash disbursements as expenses.

adds depreciation expense to net income.

presents revenues and expenses on the accrual basis.



reports cash collected from customers instead of revenues.

Challenge

OK

Trouble for a company may be indicated when increases in inventory and accounts payable are accompanied by:

✔ Your answer is correct.

increasing sales

increasing accounts receivable

decreasing accounts receivable

✔ decreasing sales

Challenge

OK

The correct answer is shown.

Cardinal Company issues new common stock for \$50,000. This transaction is considered a(n) **financing** activity on the statement of cash flows.

✓ Your answer is correct.

Challenge

OK

When calculating net cash flows from operating activities, the change in accounts payable is subtracted from net income when accounts payable _____ during the period.

 Your answer is correct.

increases



decreases

Challenge

OK

Which section of the statement of cash flows shows the cash paid for fixed asset purchases?

✓ Your answer is correct.

Financing activities

Operating activities

✓ Investing activities

Cash activities

Challenge

OK

Given the following, calculate cash provided by operating activities:

Net income	\$20,000
Depreciation expense	\$50,000
Accounts receivable increase	\$10,000
Prepaid expense decrease	\$6,000

✓ Your answer is correct.

\$54,000

\$16,000

✓ \$66,000

\$86,000

Challenge

OK

When preparing the statement of cash flows using the indirect method, a(n) _____ on the sale of an investment asset is added back to net income.

✓ Your answer is correct.



loss

gain

Challenge

OK

The correct answer is shown.

Jay Corporation began the year with a \$153,000 balance in the accumulated depreciation account. The ending balance was \$197,000. During the year a piece of equipment with \$15,000 in accumulated depreciation was sold. Therefore, the depreciation adjustment that Jay needs to add to net income is \$59,000.

✓ Your answer is correct.

$$\$197,000 - \$153,000 + \$15,000 = \$59,000$$

Challenge

OK

Depreciation and amortization expense are _____ net income when preparing the operating activities using the _____ method.

✓ Your answer is correct.

✓ added to, indirect

subtracted from, direct

added to, direct

subtracted from, indirect

Challenge

OK