

1. Award: 15.00 points

The following changes took place last year in Pavolik Company's balance sheet accounts:

Asset and Contra-Asset Accounts		Liabilities and Stockholders' Equity Accounts	
Cash	\$ 32 D	Accounts payable	\$ 98 I
Accounts receivable	\$ 36 I	Accrued liabilities	\$ 36 D
Inventory	\$ 82 D	Income taxes payable	\$ 41 I
Prepaid expenses	\$ 31 I	Bonds payable	\$ 300 I
Long-term investments	\$ 33 D	Common stock	\$ 144 D
Property, plant, and equipment	\$ 575 I	Retained earnings	\$ 118 I
Accumulated depreciation	\$ 118 I		

D = Decrease; I = Increase.

Long-term investments that cost the company \$33 were sold during the year for \$70 and land that cost \$69 was sold for \$36. In addition, the company declared and paid \$30 in cash dividends during the year. Besides the sale of land, no other sales or retirements of plant and equipment took place during the year. Pavolik did not retire any bonds during the year or issue any new common stock.

The company's income statement for the year follows:

Sales		\$1,380
Cost of goods sold		614
Gross margin		<u>766</u>
Selling and administrative expenses		540
Net operating income		<u>226</u>
Nonoperating items:		
Loss on sale of land	\$(33)	
Gain on sale of investments	37	4
Income before taxes		<u>230</u>
Income taxes		82
Net income		<u>\$ 148</u>

The company's beginning cash balance was \$152 and its ending balance was \$120.

**Required:**

1. Use the indirect method to determine the net cash provided by operating activities for the year.
2. Prepare a statement of cash flows for the year.

Complete this question by entering your answers in the tabs below.

Required 1

Required 2

Use the indirect method to determine the net cash provided by operating activities for the year. (Adjustment amounts that are to be deducted should be indicated with a minus sign.)

Pavolik Company		
Statement of Cash Flows (partial)		
		0
		\$ 0

< Required 1

Required 2 >

Garrison 16e Rechecks 2017-12-01

Hints

[Hint #1](#)

References

**Worksheet** Learning Objective: 14-01  
Classify cash inflows and outflows as relating to operating, investing, or financing activities.

**Difficulty: 1 Easy** Learning Objective: 14-02  
Prepare a statement of cash flows using the indirect method to determine the net cash provided by operating activities.

Complete this question by entering your answers in the tabs below.

Required 1

Required 2

Prepare a statement of cash flows for the year. (List any deduction in cash and cash outflows as negative amounts.)

Pavolik Company		
Statement of Cash Flows		
Operating activities:		
Investing activities:		
		0
Financing activities:		
		0
		0
Beginning cash and cash equivalents		
Ending cash and cash equivalents		\$ 0

< Required 1

Required 2 >

Garrison 16e Rechecks 2017-12-01

Hints

[Hint #1](#)

References

Worksheet

Learning Objective: 14-01  
Classify cash inflows and outflows as relating to operating, investing, or financing activities.

Difficulty: 1 Easy

Learning Objective: 14-02  
Prepare a statement of cash flows using the indirect method to determine the net cash provided by operating activities.