

- b. Net income or net loss as found on the income statement.
 c. The difference in cash when reviewing the comparative balance sheet.
 d. None of the above.

For answers to the Multiple-Choice Questions see page Q1 located in the last section of the book.

MINI-EXERCISES



LO 12-1, 12-5

M12-1 Identifying Companies from Cash Flow Patterns

Based on the cash flows shown, classify each of the following cases as a growing start-up company (S), a healthy established company (E), or an established company facing financial difficulties (F).

	Case 1	Case 2	Case 3
Cash provided by (used for) operating activities	\$ 3,000	\$(120,000)	\$ 80,000
Cash provided by (used for) investing activities	(70,000)	10,000	(40,000)
Cash provided by (used for) financing activities	75,000	75,000	(30,000)
Net change in cash	8,000	(35,000)	10,000
Cash position at beginning of year	2,000	40,000	30,000
Cash position at end of year	<u>\$ 10,000</u>	<u>\$ 5,000</u>	<u>\$ 40,000</u>

LO 12-1, 12-2

M12-2 Matching Items Reported to Cash Flow Statement Categories (Indirect Method)

The Buckle, Inc.

The Buckle, Inc., operates 420 stores in 41 states, selling brand name apparel like Lucky jeans and Fossil belts and watches. Some of the items included in its 2010 statement of cash flows presented using the indirect method are listed here. Indicate whether each item is disclosed in the operating activities (O), investing activities (I), or financing activities (F) section of the statement or use (NA) if the item does not appear on the statement.

- | | |
|--|-------------------------------------|
| ___ 1. Purchase of investments. | ___ 4. Depreciation. |
| ___ 2. Proceeds from issuance of stock. | ___ 5. Accounts payable (decrease). |
| ___ 3. Purchase of property and equipment. | ___ 6. Inventories (increase). |

LO 12-2

M12-3 Determining the Effects of Account Changes on Cash Flows from Operating Activities (Indirect Method)

Indicate whether each item would be added (+) or subtracted (-) in the computation of cash flows from operating activities using the indirect method.

MINI-EXERCISES

M13-1 Calculations for Horizontal Analyses

Using the following income statements, perform the calculations needed for horizontal analyses. Round percentages to one decimal place.

LOCKEY FENCING CORPORATION		
Income Statements		
For the Years Ended December 31		
	2013	2012
Net Sales	\$100,000	\$75,000
Cost of Goods Sold	<u>58,000</u>	<u>45,000</u>
Gross Profit	42,000	30,000
Selling, General, and Administrative Expenses	<u>9,000</u>	<u>4,500</u>
Income from Operations	33,000	25,500
Interest Expense	<u>3,000</u>	<u>3,750</u>
Income before Income Tax	30,000	21,750
Income Tax Expense	<u>9,000</u>	<u>6,525</u>
Net Income	<u>\$ 21,000</u>	<u>\$15,225</u>

M13-2 Calculations for Vertical Analyses

LO 13-3

Refer to M13-1. Perform the calculations needed for vertical analyses. Round percentages to one decimal place.

M13-3 Interpreting Horizontal Analyses

LO 13-5

Refer to the calculations from M13-1. What are the two most significant year-over-year changes in terms of dollars and in terms of percentages? Give one potential cause of each of these changes.

M13-4 Interpreting Vertical Analyses

LO 13-5