Review Problem
Cash Flow Statement

ance sheets for 20x8 and 20x7 are presented on the following pages. The company's records for 20x8 provide this additional information:

a. Sold long-term investments that cost $70,000 for a gain of $12,500; made other long-term investments in the amount of $20,000.
b. Purchased five acres of land to build a parking lot for $25,000.
c. Sold equipment that cost $37,500 and that had accumulated depreciation of $25,300 at a loss of $2,300; purchased new equipment for $30,000.
d. Repaid notes payable in the amount of $100,000; borrowed $30,000 by signing new notes payable.
e. Converted $100,000 of bonds payable into 6,000 shares of common stock.
f. Reduced the Mortgage Payable account by $20,000.
g. Declared and paid cash dividends of $50,000.
h. Purchased treasury stock for $10,000.

Northwest Corporation
Income Statement
For the Year Ended December 31, 20x8

Net sales		$1,650,000
Cost of goods sold		920,000
Gross margin		$ 730,000
Operating expenses (including depreciation expense of $12,000 on buildings and $23,100 on equipment and amortization expense of $4,800)		470,000
Operating income		$ 260,000
Other income		
Interest expense	$ (55,000)	
Dividend income	3,400	
Gain on sale of investments	12,500	
Loss on disposal of equipment	(2,300)	(41,400)
Income before income taxes		$ 218,600
Income taxes		52,200
Net income		$ 166,400

Northwest Corporation
Comparative Balance Sheets
December 31, 20x8 and 20x7

	20x8	20x7	Change	Increase or Decrease
	Assets			
Cash	$ 105,850	$ 121,850	$ (16,000)	Decrease
Accounts receivable (net)	296,000	314,500	(18,500)	Decrease
Inventory	322,000	301,000	21,000	Increase
Prepaid expenses	7,800	5,800	2,000	Increase
Long-term investments	36,000	86,000	(50,000)	Decrease
Land	150,000	125,000	25,000	Increase
Buildings	462,000	462,000	—	—
Accumulated depreciation, buildings	(91,000)	(79,000)	(12,000)	Increase
Equipment	159,730	167,230	(7,500)	Decrease
Accumulated depreciation, equipment	(43,400)	(45,600)	2,200	Decrease
Intangible assets	19,200	24,000	(4,800)	Decrease
Total assets	$1,424,180	$1,482,780	$ (58,600)	

	A	B	C	D	E
19		20x8	20x7	Change	Increase or Decrease
20	Liabilities and Stockholders' Equity				
21	Accounts payable	$ 133,750	$ 233,750	$ (100,000)	Decrease
22	Notes payable (current)	75,700	145,700	(70,000)	Decrease
23	Accrued liabilities	5,000	—	5,000	Increase
24	Income taxes payable	20,000	—	20,000	Increase
25	Bonds payable	210,000	310,000	(100,000)	Decrease
26	Mortgage payable	330,000	350,000	(20,000)	Decrease
27	Common stock, $10 par value	400,000	340,000	60,000	Increase
28	Additional paid-in capital	90,000	50,000	40,000	Increase
29	Retained earnings	209,730	93,330	116,400	Increase
30	Treasury stock	(50,000)	(40,000)	(10,000)	Increase
31	Total liabilities and stockholders' equity	$1,424,180	$1,482,780	$ (58,600)	

Required

1. Prepare a statement of cash flows using the indirect method.
2. ~~Compute cash flow yield, cash flows to sales, cash flows to assets, and free cash flow for 20x8~~