

ANSWERS TO QUIZ REVIEW PROBLEMS

Question #1

(a) Contribute Capital:

$$\begin{aligned}\text{Total Assets} &= \text{Total Liabilities} + \text{Total Shareholders' Equity} \\ (\$300 + 200 + 500 + 100 + 700) &= (200 + 500) + (\text{Contributed Capital} + 400)\end{aligned}$$

$$\text{Contributed Capital} = \$700$$

(b) Net Income:

$$\begin{aligned}\text{Net Income} &= \text{Sales} - \text{Expenses} \\ &= \$1,000 - 400 \\ &= \$600\end{aligned}$$

(c) Dividends:

$$\begin{aligned}\text{Ending retained earnings} &= \text{Beginning retained earnings} + \text{Net income} - \text{Dividends} \\ \$400 &= \$0 + 600 - \text{Dividends}\end{aligned}$$

$$\text{Dividends} = \$200$$

Question #2

COMPANY XY
CONSOLIDATED STATEMENT OF CASH FLOWS

Cash Flow from Operating Activities	
Net Income	240
Non Cash Adjustment	
Increase in Depreciation	10
Decrease in Accounts Receivable	30
Decrease in Accounts Payable	(100)
Net Cash Increase from Operating Activities	180
Cash Flow from Investing Activities	
Sale of Property, Plant, and Equipment	20
Net Cash Increase from Investing Activities	20
Cash Flow from Financing Activities	
Payment of Long Term Debt	(70)
Issuance of Stocks	20
Dividends Paid	(50)
Net Cash Increase from Financing Activities	(100)
Total Cash Increase during the year 1997	100
Beginning Cash Balance	300
Ending Cash Balance	400