

The Kerfuffle Company
Income Statement
For the Year Ended June 30, 2016

Net Sales		\$ 620,000
Cost of Goods Sold		<u>359,600</u>
Gross Profit on Sales		260,400
<u>Operating Expenses</u>		
Selling Expenses		
Sales Commissions	\$ 45,000	
Shipping Expense	<u>4,000</u>	
Total Selling Expenses		49,000
General and Administrative Expenses		
Depreciation (a)	49,700	
Rent Expense	18,000	
Salaries and Wages Expense	30,000	
Supplies Expense	2,475	
Office Expense	2,465	
Utilities Expense	<u>8,260</u>	
Total General and Administrative Expenses		<u>110,900</u>
Total Operating Expenses		<u>159,900</u>
Net Income from Operations		100,500
<u>Other Income</u>		
Gain on Sale of Equipment	8,200	
Dividend Income	<u>700</u>	
Total Other Income		8,900
<u>Other Expenses</u>		
Bond Interest Expense	6,000	
Other Interest Expense	<u>5,235</u>	
Total Other Expenses		<u>11,235</u>
Net Income before Income Taxes		98,165
Income Tax Expense		<u>36,500</u>
Net Income after Income Taxes		<u>\$ 61,665</u>

The Kerfuffle Company
Balance Sheet
June 30, 2016

	2016	2015	Increase (Decrease)
Assets			
Current Assets			
Cash	\$88,700	\$67,250	\$21,450
Investments	50,000	- 0 -	50,000
Accounts Receivable	87,800	56,000	31,800
Inventory	100,900	92,400	8,500
Prepaid Expenses	<u>22,900</u>	<u>20,900</u>	<u>2,000</u>
Total Current Assets	350,300	236,550	113,750
Property, Plant, and Equipment			
Land	45,000	45,000	- 0 -
Building	240,000	240,000	- 0 -
Less Accumulated Depreciation—Building	(76,700)	(67,000)	9,700
Equipment	155,000	222,200	(67,200)
Less Accum. Depr.—Equipment	(57,000)	(36,000)	21,000
Total Property, Plant, and Equipment	<u>306,300</u>	<u>404,200</u>	<u>(97,900)</u>
Total Assets	<u>\$656,600</u>	<u>\$640,750</u>	<u>\$15,850</u>
Liabilities and Stockholders' Equity			
Current Liabilities			
Accounts Payable	\$89,600	\$92,400	\$(2,800)
Income Taxes Payable	<u>36,500</u>	<u>34,700</u>	<u>1,800</u>
Total Current Liabilities	126,100	127,100	(1,000)
Long-Term Liabilities			
6% Bonds Payable, 2017	100,000	100,000	- 0 -
Mortgage Payable	<u>42,000</u>	<u>51,000</u>	<u>(9,000)</u>
Total Long-Term Liabilities	<u>142,000</u>	<u>151,000</u>	<u>(9,000)</u>
Total Liabilities	268,100	278,100	(10,000)
Stockholders' Equity			
Common Stock (\$1 par, 100,000 authorized issued and outstanding: 10,000 shares)	120,000	120,000	- 0 -
Retained Earnings	<u>268,500</u>	<u>242,650</u>	<u>25,850</u>
Total Stockholders' Equity	<u>388,500</u>	<u>362,650</u>	<u>25,850</u>
Total Liabilities and Stockholders' Equity	<u>\$656,600</u>	<u>\$640,750</u>	<u>\$ 15,850</u>

Additional information:

Plant assets that originally cost \$67,200 were sold for **\$56,400**, resulting in a gain of \$8,200. Dividends of \$35,815 were declared and paid. There were no dividends declared in 2015.

Using the information provided, **prepare the cash flows from investing activities** for The Kerfuffle Company.

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Equipment	155,000	222,200	(67,200)
Less Accum. Depr.—Equipment	(57,000)	(36,000)	21,000 (c)
Total Property, Plant, and Equipment	<u>306,300</u>	<u>404,200</u>	<u>(97,900)</u>
Total Assets	<u>\$656,600</u>	<u>\$640,750</u>	<u>\$15,850</u>
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Cash Flows from Investing Activities

Purchase of Investments	\$(50,000)	
Proceeds from sale of equipment	<u>56,400</u>	
Net cash provided by investing activities		6,400

AACSB: Analytic

AICPA BB: Critical Thinking

Difficulty: 2 Medium

A 2nd Question to try:

What was the accumulated depreciation on the plant assets sold?

	A	B	C	D	E	F
1						
2	General Journal					
3	Page 3					
4		date	description	post ref.	Dr.	Cr.
5	1		Cash		\$ 56,400	
6	2		Accum Depreciation		?	
7	3		Plant Assets			\$ 67,200
8	4		Gain on Sale			\$ 8,200
9	5					
10	6					
11	7		Accum Depreciation has to be \$19,000			
12	8					

A 3rd Question to try:

What was the accumulated depreciation on the plant assets sold?

ACCUMULATED DEPRECIATION

(a) Depreciation Expense \$49,700
See income statement

\$9,700 – building (b) on balance sheet

\$21,000 – equipment (c) on balance sheet

\$19,000 – Sold Equipment (back into this)