

FA Module 5: The Cash Flow Statement – homework assignment

(The attached PDF file has better formatting.)

Homework assignment: Cash flow indirect method

A firm's financial statements show the following amounts:

	<i>Calendar Year 20X1</i>	<i>Calendar Year 20X2</i>
Cost of goods sold	375	400
Net revenue	950	1000
Depreciation expense	55	65
Net income	225	250
Shareholder dividends	75	90
	<i>December 31, 20X1</i>	<i>December 31, 20X2</i>
Accounts receivable	130	170
Inventory	90	110
Accounts payable	85	115

Fifty percent of the firm's sales are on credit. The only current entries on the balance sheet are cash and marketable securities, accounts receivable, accounts payable, and inventory. For calendar year 20X2:

- A. What is the receivables turnover?
- B. What is the cash received from customers?
- C. What is the gross profit margin?
- D. What is the inventory turnover?
- E. What is the inventory bought?
- F. What is the cash paid to suppliers?
- G. What is the payables turnover?
- H. What is the operating cash flow? (Assume shareholder dividends are a *financing* cash flow, not an operating cash flow.)
- I. What is the change in retained earnings?

Check your work with the practice problem on the NEAS discussion forum. The accounting entries differ for the homework assignment, but the formulas are the same as for the practice problem.