CONCEPT: FINANCING ACTIVITIES

● The ***cash flows from financing activities*** are focused on changes in ________________________

□ Note: the ***indirect*** or ***direct*** method only deal with operating activities

Cash Flows from Financing Activities	
Cash Inflows	Cash Outflows

● It is also important to be familiar with the flow of transactions through a Retained Earnings and Dividends Payable

EXAMPLE: Calculate ABC Company's net cash provided (used) by financing activities using the financial information on the previous page. Additional information includes:

1. The company sold equipment with a book value of $7,000 (cost $8,000, less accumulated depreciation of $1,000) for $4,000 cash.
2. The company issued $110,000 of long-term bonds and used the proceeds to purchase land.
3. The company purchased new equipment totaling $145,000.
4. The company issued common stock for $20,000 cash.
5. The company declared and paid a $29,000 cash dividend.

PRACTICE: Which of the following is a cash flow from financing activities?

a) The prepayment of a year's worth of rent
b) Sale of a piece of land no longer used in retail
c) Payment of dividends
d) Payment of interest

PRACTICE: The exchange of land worth $110,000 for 50,000 shares of common stock in the company would be an:

a) Operating Activity
b) Investing Activity
c) Financing Activity
d) None of the Above

PRACTICE: Turkey Company is preparing its Statement of Cash Flows and gathered the following information:

1. Since the previous year: the cash account increased by $35,000, land increased by $40,000, Equipment decreased by $15,000, Accumulated Depreciation – Equipment increased by $6,000, Retained Earnings increased by $340,000, and Bonds Payable increased by $100,000,
2. Depreciation expense for Equipment totaled $16,000.
3. Equipment with a purchase price of $15,000 was sold for a $2,000 gain.
4. Turkey loaned $24,000 to Potatoes Company signing a long-term note receivable.
5. Net income was $420,000.
6. Turkey issued 100,000 shares of $5 par value common stock. The additional paid-in capital from this transaction was $300,000.

What is Turkey Company's net cash flow from financing activities?