

(1) Direct Method الطريقة المباشرة

Exercise No. 1 The following are the income statement and Comparative Balance sheet for Tiger Company:

Income statement for the year ended December, 31, 2018

Particular	IQD	IQD
Sales		200000
Cost of goods sold	80000	
Operating expenses	30000	(110000)
Income before income tax		90000
Income tax		(15000)
Net income		75000

Tiger Company Comparative Balance sheet (Thousands IQD) Dec., 31/12/2018

ASSETS	2017	2018	Changes	Increase /Decrease
Cash	100000	80000	-20000	Decrease
Accounts receivable	50000	90000	+40000	Increase
Furniture	20000	50000	+30000	Increase
Total	170000	220000	+50000	
Liabilities and stockholders' equity				
Accounts payable	40000	25000	-15000	Decrease
Income tax payable	5000	15000	+10000	Increase
Common stock	90000	100000	+10000	Increase
Retained Earnings	35000	80000	+45000	Increase
Total	170000	220000	+ 50000	

Additional information:

- 1) The company was declared and paid IQD 30000 as dividend in 2018.
- 2) Common stock of IQD 10000 was issued.

Required: Prepare the statement of cash flow by using Direct Method.

Solution: Working Notes :

- Accounts receivable = 50000 – 90000 = - 40000 Decrease
- Cash receipts from costumers = Revenues - Accounts receivable

$$= 200000 - 40000 = 160000$$

- Accounts payable = 40000 – 25000 = 15000 Decrease
- Cash payments to suppliers = 80000 + 15000 = 95000
- Income taxes = 15000 – 10000 = 5000

Tiger Company Statement of cash flows (Direct method) for the year ended Dec., 31, 2018

Particulars	IQD	IQD
1- Cash flows from operating activities:		
(1) Cash receipts from customers		160000
(2) Cash payments:		
To suppliers	95000	
For operating expenses	30000	
For income taxes	5000	(130000)
Net cash provided by operating activities		30000
2-Cash flows from investing activities:		
Purchase of furniture	(30000)	
Net cash used by investing activities		(30000)
3-Cash flows from financing activities:		
Issuance of common stock	10000	
Payment of cash dividends	(30000)	
Net cash used by financing activities		(20000)
Net increase in cash		(20000)
Cash at the beginning of the period		100000
Cash at the end of the period		80000

(2) Indirect Method الطريقة غير المباشرة

قاعدة : الزيادة في الموجودات المتداولة والنقص في المطلوبات المتداولة تطرح من صافي الدخل ، والانخفاض في الموجودات المتداولة والزيادة في المطلوبات المتداولة يضاف إلى صافي الدخل لغرض تحويل صافي دخل إلى صافي النقد من الأنشطة التشغيلية .

Exercise No.2

The following information's are abstracted from books Bassam Co.
(Amounts in IQD thousands) :

- 1) Net Income was IQD 120000
- 2) Bonds payable increased IQD 50000

- 3) There was a gain on sale of equipment of IQD 20000 (the equipment had a book value of IQD 30000).
- 4) Accounts Receivable decreased IQD 50000
- 5) Accounts Payable decreased IQD 20000
- 6) Prepaid Rent increased IQD 10000
- 7) Dividends totaling IQD 20000 were paid.
- 8) Depreciation was IQD 20000
- 9) Common Stock increased IQD 50000
- 10) Land increased IQD 100000 (purchased land for IQD 100000)
- 11) Beginning cash IQD 10000
- 12) Ending Cash IQD 180000

Required: Prepare the statement of cash flows by using the indirect method.

Solution:

Cash Flow Statement of Bassam Corporation For Year Ending 31/12/2018

Cash from Operations:	IQD	IQD
Net Income	120000	
+ Depreciation	20000	
- Gain on Sale	(20000)	
+ Decrease A/R	50000	
- Decrease A/P	(20000)	
-Increase Prepaid Rent	(10000)	
Total Cash from Operations		140000
Cash from Financing:		
+ Bonds Issued	50000	
-Dividends paid	(20000)	
+Stock Issued	50000	
Total Cash from Financing		80000
Cash from Investing:		
Sale of Equipment	50000	
Purchase of Land	(100000)	
Total cash from Investing		(50000)
Net Increase in Cash Flow		170000

+Beginning Cash		10000
= Ending Cash		180000

Exercise No.3

The following are the income statement and the comparative balance sheets at the beginning and the end of 2018 for Anssam's Co.(Amount in IQD thousands):

Income statement for the year ended December, 31, 2018

Revenues	100000
Less/ operating expenses	(70000)
Income before income taxes	30000
Income tax expense	(10000)
Net income	20000

ASSETS	1/1/2008	31/12/2008	Changes
cash	10000	25000	15000
accounts receivable	8000	13000	+5000
notes receivable	2000	1000	(1000)
computer equipment	5000	14000	+9000
Total	25000	53000	+28000
Liabilities and owner's equity			
accounts payable	6000	10000	+4000
notes payable	4000	3000	(1000)
long - term debt	6000	15000	+9000
owner's equity	9000	25000	16000
Total	25000	53000	28000

Additional information:

- 1) New computer equipment was purchased at the end of 2008, no depreciation.
- 2) The owner drew IQD 4000 during the year.
- 3) No additional investments by the owner.
- 4) The increase in long term debt is the issuance of bonds.

Required: Prepare the cash flows statement for the year ended December, 31, 2018 by using Indirect Method.

Solution:

Anssam's Co. Statement of cash flows (Indirect Method)

Particulars	IQD	IQD
Cash flows from operating activities:		
Net income		20000
Adjustment to reconcile net income to net cash provided by operating activities:		
Increase in accounts receivable	(5000)	
Decrease in notes receivable	1000	
Increase in accounts payable	4000	
Decrease in notes payable	(1000)	(1000)
Net cash provided by operating activities		19000
Cash flows from investing activities:		
Purchase of computer equipment	(9000)	
Net cash used by investing activities		(9000)
Cash flows from financing activities:		
Payments to the owner (Drawings)	(4000)	
Issuance of bonds	9000	
Net cash provided by financing activities		5000
Net increase in cash		15000
Cash at the beginning of the period		10000
Cash at the end of the period		25000