

Problem - 1: (Operating Activities - Direct Method)

Charlotte Company uses the direct method to prepare its statement of cash flows. Charlotte had the following cash flows during 2020:

Cash receipts from issuance of ordinary shares	P800,000
Cash receipts from customers	400,000
Cash receipts from dividends on long term investments	60,000
Cash receipts from repayment of loan made to another company	440,000
Cash payments for wages & other operating expenses	240,000
Cash payments for insurance	20,000
Cash payments for dividends	40,000
Cash payments for taxes	80,000
Cash payments to purchase land	160,000

What is the net cash provided (used) from operating activities?

			0		
a)	(P40,000)			c)	P 80,000
b)	P60,000			d)	P120,000

Problem - 2: (Investing Activities - Direct Method)

Caravan Company uses the direct method to prepare its statement of cash flows. Caravan had the following cash flows during 2020:

Cash receipts from sale of an old van	P 160,000
Cash receipts from issuance of ordinary shares	2,000,000
Cash receipts from issuance of 10%, 10-year bonds	1,500,000
Cash receipts from customers	1,000,000
Cash receipts from repayment of loan made to other company	1,200,000
Cash receipts for dividends	150,000
Cash receipts as interest	150,000
Cash payments for operating expenses	650,000
Cash payments for taxes	300,000
Cash payments for equity securities bought	900,000
Cash payments for equipment purchased	300,000
Cash payments for land acquired	1,200,000

What is the net cash provided (used) from investing activities?

a)	(P1,040,000)	c)	P1,940,000
b)	P1,640,000	d)	(P2,240,000)

Problem - 3: (Financing Activities - Direct Method)

Purple Company uses the direct method to prepare its statement of cash flows. Purple had the



following cash flows during 2020:

Cash receipts from issuance of bonds	P 800,000
Cash receipts from issuance of ordinary shares	1,400,000
Cash receipts from customers	700,000
Cash receipts from dividends on long term investments	105,000
Cash receipts from repayment of loan made to another company	660,000
Cash payments for wages & other operating expenses	420,000
Cash payments for reacquisition of treasury shares	250,000
Cash payments for dividends	70,000
Cash payments for taxes	140,000
Cash payment to purchase land	280,000

What is net cash provided (used) from financing activities?

a)	P1,530,000	c)	P1,880,000
b)	P1,670,000	d)	P1,950,000

Problem - 4: (Operating Activities - Indirect Method)

Robotics reported a net income of P1,250,000 for the year ended June 30, 2020. The following date were gathered:

Impairment loss on available for sale	P 2,500
Depreciation expense	30,000
Bad debts expense	12,500
Loss on sale of land	50,000
Gain on early extinguishment of debt	175,000
Purchase of long term investment	137,500
Increase in balance of accounts receivable during 2020	20,000

How much was the cash provided by operating activities?

a)	P1,150,000	c)	P1,272,500
b)	P1,190,000	d)	P1,435,000

Problem - 5: (Operating - Direct and Indirect)

The following information is available about the transactions of Marvin Company for the year ended December 31, 2020:

Depreciation	P 880,000
Cash paid for expenses	2,270,000
Increase in inventories	370,000
Cash paid to employees	2,820,000



Decrease in receivables	280,000
Cash paid to suppliers	4,940,000
Decrease in payables	390,000
Cash received from customers	12,800,000
Net profit before taxation	2,370,000

Marvin Company has no interest payable or investment income.

Question 1: What is the amount of net cash flows from operating activities using the indirect approach?

a)	P2,270,000	c)	P3,250,000
b)	P2,770,000	d)	P3,730,000

Question 2: How much is the net cash flows from operating activities using the direct approach?

a)	P2,270,000	c)	P3,250,000
b)	P2,770,000	d)	P3,730,000

Problem - 6: (Operating activity)

On January 2, 2020, Graciano Company, a property developer, purchase a land and buildings which the company will redevelop and sell. The cost of buying the land and building was P20,000,000. Additional cost incurred in relation to the acquisition of the assets totaled P500,000. In the statement of cash flows, how should the acquisition be disclosed?

- a) as an investing activity outflow of P20,500,000
- b) as an operating activity outflow of P20,500,000
- c) as a financing activity outflow of P20,500,000
- d) as an investing activity outflow of P20,500,000 and operating activity outflow of P500,000.

Problem - 7: (Operating Activity)

Ding's Company (a property investor) purchased a land and building for P50,000,000 on June 1, 2020. The land and the building were purchased for the purpose of earning rental income from the properties.

In the statement of cash flows, how should Ding's Company present the purchase of the land and building?

- a) an outflow of P50,000,000 in the investing activity.
- b) an outflow of P50,000,000 in the financing activity.
- c) an outflow of P50,000,000 in the operating activity.
- d) only a disclosure is required in the notes to financial statement.



Problem - 8: (Investing Activities)

Dynasty Company, a parent company pays P20,000,000 in cash and issues P80,000,000 in shares to acquire subsidiary with a cash balance of P30,000,000 and other net assets including goodwill of P70,000,000. In the statement of cash flows, how should Dynasty Company present the acquisition of the subsidiary?

- a) an outflow of P20,000,000 in the investing activity.
- b) an inflow of P30,000,000 in the investing activity.
- c) an outflow of P20,000,000 in the operating activity.
- d) a net inflow of P10,000,000 from investing activity despite the transaction being an acquisition.

Problem - 9: (Investing Activities)

Torque Company acquired a subsidiary. As part of the purchased agreement the subsidiary's shareholders authorized a P5,000,000 dividend, pre-acquisition, that is payable to the former shareholders (the vendor). The purchase consideration payable for the acquisition was reduced by the amount of the dividend. The dividend was paid after the date of acquisition. In the statement of cash flows, how should Torque Company present the payment of dividend?

- a) an outflow of P5,000,000 in the investing activity.
- b) an outflow of P5,000,000 in its operating activity.
- c) an outflow of P5,000,000 in its financing activity.
- d) is not presented in any of the activity.

Problem - 10: (Investing Activities)

Vixen Company sold its heavy equipment of P15,000,000 on December 31, 2020 but immediately leased it back for a period of 5 years. The equipment has a carrying value of P10,000,000 on December 31, 2020

Question 1: If the leaseback is treated as an operating lease, how should Vixen Company present the sale in its cash flow statement?

- a) an inflow of P15,000,000 in the investing activity.
- b) an outflow of P15,000,000 from financing activity.
- c) an inflow of P15,000,000 from investing and outflow of 5,000,000 operating activity (indirect method).
- d) an inflow of P15,000,000 from financing and outflow of P5,000,000 operating activity (indirect method).

Question 2: If the leaseback is treated as finance lease, how should Vixen Company present the sale in its cash flow statement?

- a) an inflow of P15,000,000 in the investing activity.
- b) an outflow of P15,000,000 from financing activity.
- c) an inflow of P15,000,000 from investing and outflow of 5,000,000 operating activity



(indirect method).

d) an inflow of P15,000,000 from financing and outflow of P5,000,000 operating activity (indirect method).

Problem - 11: (Investing Activities)

In 2020, a typhoon completely destroyed a building belonging to Carrier Corporation. The building cost P2,500,000 and had accumulated depreciation of P1,200,000 at the time of the loss. Carrier received a cash settlement from the insurance company and reported a loss of P525,000. In Carrier's 2020 cash flow statement, how much would be the net changes that would be reported in the cash flows from investing activities section?

- a) P250,000 increase c) P775,000 increase
- b) P525,000 increase d) P1,300,000 increase

Problem - 12: (Investing Activities)

A flood damaged a building and its contents. Floods are unusual and infrequent in this area. The receipts from insurance companies totaled P200,000, which was P60,000 less than the book values. The tax rate is 32%. How should the receipts from insurance companies be shown in the statement of cash?

- a) Addition to net income of 136,000.
- b) Inflow from investing activities of P136,000.
- c) Inflow from investing activities of P200,000.
- d) Not to be shown.

Problem - 13: (Operating, Investing & Financing)

The net changes in the balance sheet accounts of Bravo Corporation for the year 2020 are shown below:

Accounts	<u>Debit</u>	<u>Credit</u>
Cash	P 82,000	
Available for sale securities		P121,000
Accounts receivable	83,200	
Allowance for doubtful accounts		13,300
Inventory	74,200	
Prepaid Expenses		17,800
Investment in wholly owned subsidiary		
at equity		20,000
Plant and equipment	210,000	
Accumulated depreciation		130,000
Accounts payable	80,700	
Accrued liabilities		21,500
Deferred tax liability	15,500	



8% serial bonds		80,000
Ordinary share capital, P10 par		90,000
Share Premium		150,000
Accumulated Profits-Appropriation for		
bonded indebtedness	60,000	
Accumulated Profits-Unappropriated	38,000	
	<u>P643,600</u>	P643,600

An analysis of the Accumulated Profits-Unappropriated account follows:

Accumulated profits-unappropriated, 12/31/13		P1,300,000
Add: Net income for 2019		327,000
Transfer from appropriation for bonded indebtedness		60,000
Total		P1,687,000
Deduct: Cash dividends	P185,000	
Share dividends	_240,000	425,000
Accumulated profits-unappropriated, 12/31/14		<u>P1,262,000</u>

 \Box On January 2, 2020, marketable securities (classified as available-for-sale) costing P121,000 were sold for P155,000.

 \Box The company paid a cash dividend on February 1, 2020.

□ Accounts receivable of P16,200 and P19,400 were considered uncollectible and written off in 2020 and 2019, respectively.

□ Major repairs of P33,000 to the equipment were debited to the Accumulated Depreciation account during the year. No assets were retired during 2020.

 \Box The wholly owned subsidiary reported a net loss for the year of P20,000. The parent recorded the loss.

 \Box At January 1, 2020, the cash balance was P166,000.

Question 1: How much should be the amount of net cash flows from operating activities?

a)	(P275,000)	c)	(P296,500)
b)	P275,000	d)	P296,500

Question 2: How much should be the amount of net cash flows from investing activities?

a)	(P88,000)	c)	(P121,000)
b)	P88,000	d)	P121,000

Question 3: How much should be the amount of net cash flows from financing activities?

a)	(P105,000)	c)	(P185,000)
b)	P105,000	d)	P185,000



Problem - 14: (Operating, Investing & Financing)

The balance sheet date of Sugar Company at the end of 2019 and 2020 follow:

	<u>2020</u>	<u>2019</u>
Cash	250,000	350,000
Accounts receivable, net	600,000	450,000
Merchandise inventory	700,000	450,000
Prepaid expenses	100,000	250,000
Building and equipment	900,000	750,000
Accumulated depreciation	(180,000)	(80,000)
Land	900,000	400,000
TOTALS	<u>P3,270,000</u>	<u>P2,570,000</u>
	<u>2020</u>	<u>2019</u>
Accounts payable	680,000	550,000
Accrues expenses	120,000	180,000
Notes payable, bank (long term)		400,000
Mortgage payable	300,000	
Ordinary share capital, P10 par	2,090,000	1,590,000
Accumulated Profits/Losses (deficit)	80,000	(150,000)
TOTALS	<u>P3,270,000</u>	<u>P2,570,000</u>

Land was acquired for P500,000 in exchange for ordinary share, par P500,000 during the year. All equipment purchased was for cash. Equipment costing P50,000 was sold for P20,000, with book value of P40,000. Cash dividends of P100,000 were charged to Accumulated Profits and Losses and was the only entry in this account.

In the December 31, 2020 statement of cash flows of the company, how much would be the net cash provided (used) by -

<u>Question 1:</u> Operating activities?		
a) P240,000	c)	P280,000
b) P260,000	d)	P330,000
Question 2: Investing activities?		
a) P130,000	c)	(P200,000)
b) (P180,000)	d)	(P680,000)
Question 3: Financing activities?		
a) None	c)	(P200,000)

b) (P100,000) d) P300,000



Problem - 15: (Operating, Investing & Financing)

The following financial statements of Santan Corporation were made available:

		<u>12/31/2020</u>	<u>12</u>	2/31/2019
Cash		P317,600		P160,000
Accounts receivable		300,000		180,000
Merchandise inventory		320,000		400,000
Property, plant & equipment	P510,000		P800,000	
Accumulated depreciation	(270,000)	240,000	(250,000)	_550,000
		P1,177,600		P1,290,000
Accounts payable		P150,000		P80,000
Income taxes payable		290,000		330,000
Bonds payable		300,000		500,000
Ordinary share capital		180,000		180,000
Accum. Profits		257,600		200,000
		P1,177,600		P1,290,000
Sales Cost of sales Gross profit Selling expenses Administrative expenses Income from operations Interest expense			P500,000 _160,000	P7,000,000 <u>5,960,000</u> P1,040,000 <u>660,000</u> P 380,000 <u>60,000</u>
Income before taxes				P 320,000
Income taxes				102,400
Net income				P 217,600

The following additional data were provided:

• Dividends for the year 2020 were P160,000.

• During the year, equipment was sold for P200,000. This equipment originally cost P290,000 and had a book value of P240,000 at the time of sale. The loss on sale was incorrectly charged to cost of sales.

• All depreciation expenses were in the selling expenses category.



In the December 31, 2020 statement of cash flows (direct method) of Santan Company, how much should be reported as:

Question 1	Net cash provided by operating a	ctivities?	
a)	P170,000	c)	P240,000
b)	P200,000	d)	P317,600

Question 2: Net cash provided (used) by investing activities?

a) P 40,000	c)	(P240,000)
b) P200,000	d)	(P290,000)
Question 3: Cash received from customers	?	
a) P6,880,000	c)	P7,030,000
b) P7,000,000	d)	P7,120,000
Question 4: Total taxes paid?		
a) P40,000	c)	P 80,000
b) P50,000	d)	P142,400