

Problem 1:(30%)

Prepare the 2005 statement of cash flows for A&A Corporation, using the indirect method to report cash flows from operating activities. In a separate schedule, report noncash investing and financing activities.

	December 31,	
	2005	2004
Current Assets:		
Cash and cash equivalents.....	\$19,000	\$ 3,000
Accounts receivable.....	22,000	23,000
Inventories.....	34,000	31,000
Prepaid expenses.....	1,000	3,000
Current Liabilities:		
Notes payable (for inventory purchases).....	\$11,000	\$ 7,000
Accounts payable.....	24,000	19,000
Accrued liabilities.....	7,000	9,000
Income tax payable.....	10,000	10,000

Transaction data for 2005:

Purchase of equipment.....	\$98,000	Depreciation expense.....	\$ 7,000
Payment of cash dividends.....	18,000	Sale of building.....	74,000
Net income.....	26,000	Issuance of common stock for cash.....	19,000
Issuance of common stock to retire bonds payable.....	13,000	Issuance of long-term note payable to borrow cash.....	7,000
Purchase of long-term investment.....	8,000	Amortization expense.....	3,000
Issuance of long-term note payable to purchase patent.....	37,000	Purchase of treasury stock.....	5,000
Loss on sale of building.....	2,000		

Problem 2:(30%)

Evelyn Company applies process costing and has the following activity in its Finishing department during May. Prepare a cost of production report for May using the FIFO method.

Units:

Beginning work in process, April 30 (20% complete as to direct materials, 70% complete as to conversion work).....	4,000 units
Transferred in from Forming department during May.....	16,000 units
Completed and transferred out to Finished Goods Inventory during May.....	15,000 units
Ending work in process, May 31 (36% complete as to direct materials, 80% complete as to conversion work).....	5,000 units

Costs:

Work in process, April 30 (Transferred-in costs, \$11,982; direct materials costs, \$488; conversion costs, \$5,430).....	\$18,000
Transferred in from Forming department during May.....	38,400
Direct materials added during May.....	6,400
Conversion costs added during May.....	24,300