XYZ Company:
An Exercise for Preparing the Statement of Cash Flows
Using the Direct and Indirect Methods

Transactions at 1/1/99:
(T1) Issues stock and receives $1,000 in cash.
(T2) Issues 10%, 2-year bond for $2,000 cash. Part of the principle ($1,000) is due on 12/31/99. Interest is not paid until 12/31/00.
(T3) Buys equipment, issuing an 8% note payable, for $1,500. There is no expected salvage value, and the estimated useful life is 3 years.
(T4) Buys inventory for $1,000 cash.

Transactions during the year:
(T5) Sells inventory with original cost of $600 for $5,000 on account.
(T6) Collects $500 of the receivables noted in T5.

Transactions at 12/31/99:
(T7) Pays $1,000 of the bond principle.
(T8) Records interest accrued on the bond of $200 (10% of $2,000).
(T9) Records and pays interest on the note payable of $120 (8% of $1,500).
(T10) Records depreciation of $500 on the equipment.
(T11) Sells equipment for $1,800 cash.
(T12) Pays dividend to shareholder of $2,000 cash.

Required:
1. Record the Balance Sheet Equation (BSE) effects of these 12 transactions.

Background reading: Pratt, Chapter 14 and/or Understanding the Statement of Cash Flows from the Course Pack. Some students find that the latter provides a more intuitive explanation of the Indirect method.
### Transactions Template for XYZ Company

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SCF -- Direct Method

Cash from Operations:
- Cash Received from Customers: ______
- Cash Paid to Suppliers: ______
- Cash Paid for Interest: ______
- Total: ______

Cash from Investing:
- Proceeds from Selling PP&E: ______
- Total: ______

Cash from Financing:
- Issuing Stock: ______
- Issuing Bonds: ______
- Repayments of Bonds: ______
- Payment of Dividends: ______
- Total: ______

Total Change in Cash: ______