## Operating Activities Cash Flows Determination

### Inflow (+) from Sales

- Assume all Sales were for Cash
- Adjust for Accounts Receivable Increases by (-)
- Adjust for Accounts Receivable Decreases by (+)
  - Inflows from Sales $480,000

### Outflow (-) from Cost of Goods Sold

- Assume all Cost of Goods Sold were Cash
- Adjust for Inventory Increases by (+)
- Adjust for Inventory Decreases by (-)
- Adjust for Accounts Payable Increases by (-)
- Adjust for Accounts Payable Decreases by (+)
  - Outflows (-) from Cost of Goods Sold $320,000

### Outflow (-) from Operating Expenses

- Assume all outflows from Operating Expenses were Cash
- Adjust for Prepaid Expense Increases by (+)
- Adjust for Prepaid Expense Decreases by (-)
- Adjust for Accrued Liability Increases by (-)
- Adjust for Accrued Liability Decreases by (+)
- Adjust for Non-Cash expenses like depreciation by (-)
  - Outflows from Operations $72,000

### Outflow (-) from Income Taxes

- Assume all income taxes were an outflow
- Adjust for Increases in income taxes payable by (-)
- Adjust for Decreases in income taxes payable by (+)
  - Outflows from Income Taxes $13,000

---

### The Computer Warehouse

#### Operating Activities Cash Flows Schedule (Direct Method)

For the Year Ended December 31, 2002

**Cash Flows from Operating Activities**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Receipts from</td>
<td>$482,000</td>
</tr>
</tbody>
</table>

**Cash Flows from Operating Activities** $264,000

---

#### The Computer Warehouse

#### Operating Activities Cash Flows Schedule (Indirect Method)

For the Year Ended December 31, 2002

**Cash Flows from Operating Activities**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income</td>
<td>$55,000</td>
</tr>
<tr>
<td>Adjustments to Income</td>
<td></td>
</tr>
</tbody>
</table>
| Decreased: 
  - Accounts Receivable | (A) |
| Increased: 
  - Inventory | (B) |
| Decreased: 
  - Accounts Payable | (C) |
| Decreased: 
  - Prepaid Expenses | (D) |
| Decreased: 
  - Accrued Liabilities | (E) |
| Decreased: 
  - Depreciation a Non-Cash Expense | (F) |
| Increased: 
  - Income Taxes Payable | (G) |
| Non-Operating Adjustments | |
| Loss on Sale of Inventory | |
| Gain on Sale of Plant Assets | $9,000 |
| **Cash Flows from Operating Activities** | $264,000 |

---

*Note: A Quick question for this Learning Unit is on page 116.*