

Prepare journal entries to record the following transactions of Daisy King Ice Cream Company.
If an entry is not required, state "No Entry."

1. Started business by issuing 10,000 shares of capital stock for \$20,000.
2. Signed a franchise agreement to pay royalties of 5% of sales.
3. Leased a building for three years at \$500 per month and paid six months' rent in advance.
4. Purchased equipment for \$5,400, paying \$1,000 down and signing a two-year, 10% note for the balance.
5. Purchased \$1,800 of supplies on account.
6. Recorded cash sales of \$800 for the first week.
7. Paid weekly salaries and wages, \$320.
8. Paid for supplies purchased in item (5).
9. Paid royalties due on first week's sales.
10. Recorded depreciation on equipment, \$50.

1.	Cash	20,000	
	Capital stock		20,000
2.	No Entry.		
3.	Prepaid rent	3,000	
	Cash		3,000
4.	Equipment	5,400	
	Cash		1,000
	Notes payable		4,400
5.	Supplies inventory	1,800	
	Accounts payable		1,800
6.	Cash	800	
	Sales revenue		800
7.	Salaries and wages expense	320	
	Cash		320
8.	Accounts payable	1,800	
	Cash		1,800
9.	Royalty expense	40	
	Cash		40
10.	Depreciation expense	50	
	Accumulated depreciation		50

The following information is for Redwood Inc. for the year ended December 31, 2016.
 Redwood had a cash and cash equivalents balance of \$5,200 on January 1, 2016.

Cash received from:	
Customers	\$ 1,900
Interest on investments	200
Sale of land	100
Sale of common stock	600
Issuance of debt securities	2,000
Cash paid for:	
Interest on debt	\$ 300
Income tax	80
Debt principal reduction	1,500
Purchase of equipment	4,100
Purchase of inventory	1,000
Dividends on common stock	200
Operating expenses	500

Required:

Prepare a statement of cash flows for the year using the direct method for operating activities.

Redwood Inc.
Statement of Cash Flows
For the Year Ended December 31, 2016

Cash flows from operating activities		
Collections from customers	1,900.00	
Interest on investments	200.00	
Interest on debt	(300.00)	
Payment of income tax	(80.00)	
Purchase of inventory	(1,000.00)	
Payment of operating expenses	(500.00)	
Net cash inflows from operating activities		220.00
Cash flows from investing activities		
Sale of land	100.00	
Purchase of equipment	4,100.00	
Net cash outflows from investing activities		(4,000.00)
Cash flows from financing activities		
Issuance of common stock	600.00	
Issuance of debt securities	2,000.00	
Payment on debt	(1,500.00)	
Payment on dividends	(200.00)	
Net cash inflows from financing activities		900.00
Net decrease in cash		(2,880.00)
Cash and cash equivalents, January 1		5,200.00
Cash and cash equivalents, December 31		2,320.00

The following information, based on the 12/31/16 Annual Report to Shareholders of Krafty Foods (\$ in millions):

Accounts payable	1,897
Accounts receivable (net)	3,131
Accrued liabilities and taxes	4,105
Cash and cash equivalents	162
Cost of sales	17,531
Current payables to parent and affiliates	1,652
Current portion of long-term debt	540
Deferred income taxes and other liabilities	10,311
Earnings retained in the business as of 12/31/16	2,391
Goodwill and other intangible assets (net)	35,957
Income tax expense	1,565
Interest and other debt expense, net	1,437
Inventories	3,026
Long-term debt	8,134
Long-term notes payable to parent and affiliates	5,000
Marketing, general and administration expenses	11,460
Operating revenues	33,875
Other current assets	687
Other noncurrent assets	3,726
Other stockholders' equity	(2,568)
Paid-in capital for common and preferred stock	23,655
Property, plant and equipment (net)	9,109
Short-term borrowings	681

Based on the information presented above, prepare the 12/31/16 Balance Sheet for Krafty Foods.

Krafty Foods
Balance Sheet
For the Year Ended December 31, 2016

(\$ in millions)		
Assets		
Cash and cash equivalents		\$162.00
Accounts receivable (net)		\$3,131.00
Inventories		\$3,026.00
Other current assets		\$687.00
Total current assets		\$7,006.00
Property, plant and equipment (net)		\$9,109.00
Goodwill and other intangible assets (net)		\$35,957.00
Other noncurrent assets		\$3,726.00
Total assets		\$55,798.00
Liabilities and Shareholder's Equity		
Accounts payable		\$1,897.00
Accrued liabilities and taxes		\$4,105.00
Short-term borrowings		\$681.00
Current payables to parent and affiliates		\$1,652.00
Current portion of long-term debt		\$540.00
Total current liabilities		\$8,875.00
Long-term debt		\$8,134.00
Deferred income taxes and other liabilities		\$10,311.00
Long-term notes payable to parent and affiliates		\$5,000.00
Total liabilities		\$32,320.00
Paid-in capital for common and preferred stock	\$23,655.00	
Earnings retained in the business	\$2,391.00	
Other stockholder's equity	(\$2,568.00)	
Total stockholder's equity		\$23,478.00
Total liabilities and stockholder's equity		\$55,798.00

Chapter Four: Statement of Cash Flows

The statement of cash flows for the year ended December 31, 2013, for Whiteside Incorporated is presented below.

Whiteside Incorporated
Statement of Cash Flows
For the Year Ended December 31, 2013

Cash flows from operating activities:		
Collections from customers	\$420,000	
Interest on note receivable	12,000	
Dividends received	4,500	
Purchase of inventory	(156,000)	
Payment of operating expenses	(83,000)	
Payment of interest on debt	<u>(16,000)</u>	
Net cash flows from operating activities		\$181,500
Cash flows from investing activities:		
Sale of investments	42,000	
Purchase of equipment	<u>(180,000)</u>	
Net cash flows from investing activities		(138,000)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	200,000	
Purchase of treasury stock	(140,000)	
Dividends paid	<u>(50,000)</u>	
Net cash flows from financing activities		<u>10,000</u>
Net increase in cash		53,500
Cash and cash equivalents, January 1		<u>68,900</u>
Cash and cash equivalents, December 31		<u>\$122,400</u>

Required:

Prepare the statement of cash flows assuming that Whiteside prepares its financial statements according to International Financial Reporting Standards. Where IFRS allows flexibility, use the classification used most often in IFRS financial statements.

Whiteside Incorporated
Statement of Cash Flows
For the Year Ended December 31, 2013

Cash flows from operating activities		
Collections from customers	\$420,000.00	
Purchase of inventory	(\$156,000.00)	
Payment of operating expenses	(\$83,000.00)	
Net cash flows from operating activities		\$181,000.00
Cash flows from investing activities		
Interest on note receivable	\$12,000.00	
Dividends received	\$4,500.00	
Sales of investments	\$42,000.00	
Purchase of equipment	(\$180,000.00)	
Net cash flows from investing activities		(\$121,500.00)
Cash flows from financing activities		
Payment of interest on debt	(\$16,000.00)	
Proceeds from issuance of long-term debt	\$200,000.00	
Purchase of treasury stock	(\$140,000.00)	
Dividends paid	(\$50,000.00)	
Net cash flows from financing activities		(\$6,000.00)
Net increase in cash		\$53,500.00
Cash and cash equivalents, January 1		\$68,900.00
Cash and cash equivalents, December 31		\$122,400.00

Meijer Inc.
Statement of Comprehensive Income
For the Year Ended December 31, 2016

Sales revenue		\$8,200,000.00
Cost of goods sold		\$6,100,000.00
Gross profit		\$2,100,000.00
Operating expenses		
Selling	\$600,000.00	
General and administrative	\$500,000.00	
Goodwill impairment loss	\$500,000.00	
Total operating expenses		\$1,600,000.00
Operating income		\$500,000.00
Other income (expense)		
Gain on sale of investments	\$120,000.00	
Interest revenue	\$60,000.00	
Interest expense	(\$30,000.00)	
Total other income, net		\$150,000.00
Income before income taxes		\$650,000.00
Income tax expense		\$260,000.00
Net income		\$390,000.00
Other comprehensive income		
Unrealized gains on investments, net of tax	\$84,000.00	
Foreign currency translation losses, net of tax	(\$96,000.00)	
Total other comprehensive loss		(\$12,000.00)
Comprehensive income		\$378,000.00
Earnings per share		1.3
Outstanding stocks	300,000	