Class 25  Key Concepts:  Cash Flow from Operations – Direct Method
CHAPTER 14

Peterson Corporation had the following accounts on their Trial Balance at the end of the fiscal years, December 31, 2011 and 2010:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Receivable</td>
<td>$ 80,000</td>
<td>$ 95,000</td>
</tr>
<tr>
<td>Merchandise Inventory</td>
<td>200,000</td>
<td>360,000</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>1,000</td>
<td>9,000</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>60,000</td>
<td>120,000</td>
</tr>
<tr>
<td>Accrued expenses payable</td>
<td>12,000</td>
<td>32,000</td>
</tr>
<tr>
<td>Sales revenue</td>
<td>780,000</td>
<td></td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>450,000</td>
<td></td>
</tr>
<tr>
<td>Operating expenses (excluding depreciation)</td>
<td>160,000</td>
<td></td>
</tr>
</tbody>
</table>

Required:

1. Calculate the cash receipts from customers.

2. Calculate the cash payments to suppliers.

3. Calculate the cash payments for operating expenses.
ANSWERS TO CLASS 25 REVIEW QUIZ:

1. $795,000
2. $350,000
3. $172,000