

B-16.07

Gainesville Corporation's income statement revealed sales of \$700,000; gross profit of \$300,000; selling and administrative costs of \$140,000; and income taxes of \$45,000. The selling and administrative expenses included \$10,000 for depreciation. The company's operating activities generated positive cash flow of \$129,000. Use the "direct" approach to demonstrate how this amount was calculated. The following additional information is available:

	<u>Beginning of Period Balance</u>	<u>End of Period Balance</u>
Account receivable	\$70,000	\$82,000
Inventory	50,000	41,000
Accounts payable	37,000	44,000