

Travis Engineering presented the following comparative balance sheet:

TRAVIS ENGINEERING		
Balance Sheet		
December 31, 20X2 and 20X3		
	20X3	20X2
Assets		
Cash	\$ 672,200	\$ 145,300
Accounts receivable	219,600	175,600
Inventories	234,500	316,900
Land	1,300,000	300,000
Building and equipment	900,000	856,000
Less: Accumulated depreciation	<u>(501,800)</u>	<u>(435,000)</u>
Total assets	<u>\$ 2,824,500</u>	<u>\$ 1,358,800</u>
Liabilities		
Accounts payable	\$ 111,100	\$ 93,400
Utilities payable	2,500	4,000
Interest payable	5,000	-
Long-term note payable	1,000,000	-
Stockholders' equity		
Common stock, \$1 par	300,000	250,000
Paid in capital in excess of par	560,000	450,000
Retained earnings	<u>845,900</u>	<u>561,400</u>
Total liabilities and equity	<u>\$ 2,824,500</u>	<u>\$ 1,358,800</u>

Additional information about transactions and events occurring in 20X3 is as follows:

Dividends of \$105,700 were declared and paid.

Accounts payable and accounts receivable relate solely to purchases and sales of inventory.

The increase in land resulted from the purchase of land via issuance of the long-term note payable. No buildings were purchased or sold. Equipment was purchased.

In January of 20X3, equipment with an original cost of \$75,000 was sold for \$50,000.

The increase in paid-in capital all resulted from issuing additional shares for cash.

The income statement for the year ending 20X3 follows:

TRAVIS ENGINEERING		
Income Statement		
For the Year Ending December 31, 20X3		
Sales		\$ 2,856,000
Cost of goods sold		<u>1,576,300</u>
Gross profit		\$ 1,279,700
Operating expenses and other		
Salaries	\$ 433,500	
Utilities	64,200	
Interest	60,000	
Depreciation	76,800	
Loss on sale of equipment	<u>15,000</u>	<u>649,500</u>
Income before income tax		630,200
Income tax		<u>240,000</u>
Net income		<u><u>\$ 390,200</u></u>

Prepare Travis Engineering's statement of cash flows for the year ending 20X3. Use the direct approach, and prepare the supplement reconciliation of net income to operating cash flows.