

QUESTION 19 (20 MARKS)

Sage Corporation accountants have assembled the following data for the year ended December 31, 2009:

	December 31,	
	2009	2008
Current Accounts:		
Current Assets:		
Cash & Cash equivalents.....	\$105,600	\$26,000
Accounts Receivable	64,200	69,300
Inventories.....	85,000	83,000
Current Liabilities:		
Accounts Payable.....	57,800	56,000
Income tax payable.....	15,000	16,700

Transaction data for 2009:

Issuance of common stock for cash	\$37,000
Depreciation expense	18,000
Purchase of equipment	71,000
Acquisition of land by issuing long-term note payable	118,000
Proceeds from sale of building	60,500
Payment of note payable	45,100
Payment of cash dividends	51,000
Gain on sale of building	4,500
Issuance of Note Payable to borrow cash	60,000
Net Income	72,500

Required:

- a) Prepare a Statement of Cash Flows for Sage Corporation for the year ended December 31, 2009, using the *indirect method* to report operating activities. Include an accompanying schedule of non-cash investing and financing activities.
(14 marks)
- b) Briefly explain, *with the aid of journal entries*, the difference between a cash dividend and a stock dividend. What impact would a declaration of a *stock dividend* have on the retained earnings and the total common shareholders' equity of an entity?
(6 marks)