Increase in Cash is \$6,030 i.e. \$(7,750 – 1,720)

Inflow		Cash A/C	Outflow
Bal. b/f	1,720	O-…………………	5,400[b]
F+……………	12,000[a]	O-…………………	1,200[h]
O+……………	1,100[c]		600[h]
O+……………	750[d]	F-…………………	2,400[j]
F+……………	1,700[g]		
O+……………	80[i]		
Bal. b/d	7,750		

Prepared by Joan Thomas-Stone

GRAYSON ARCHITECTURE Statement of Cash Flows Period Ended May 31, 20x7		
Cash flows from Operating Activities:		
Cash received from customers	1,930	
Cash paid to suppliers	(5,400)	
Cash paid for expenses	(1,800)	
Net cash *used for* operating activities		(5,270)
Cash flows from Investing Activities:		0
Cash flows from Financing Activities:		
Additional investment by owner	13,700	
Withdrawal by owner	(2,400)	
Net cash *provided by* financing activities		11,300
Net *increase* in cash for the period		6,030
Cash balance at 1/5/20x7		1,720
Cash balance at 31/5/20x7		7,750

Using Financial Information

Evaluating Solvency

- Ability of the business to meet financial obligations as they become due i.e. S-T debt paying ability
- Measures of S-T debt paying ability:

1. **Working Capital** **= CA – CL**
   = \$(15,880 – 720)
   = \$15,160
2. **Current Ratio** **= CA/CL**
   = \$15,880/\$720
   = 22.06 times

Using Financial Information

Evaluating Profitability

- Increase in owners/shareholders equity
- Results from revenues exceeding expenses.

1. **Net Income Percentage** **= NI/Total Revenue**
   = \$4,300/\$6,100
   = 0.705 or 70.5%
2. **Return on Owner's Equity** **= NI/Average OE**
   = \$4,300/\$31,460
   = 0.137 or 13.7%

(23,660 + 39,260)/2