

To prepare the statement of cash flows, accountants for Internet Guide, Inc. have summarized 20X8 activity in the Cash account as follows:

Cash			
Beginning balance	53,600	Payments on accounts payable	399,100
Receipts of interest	17,100	Payments of dividends	27,200
Collections from customers	673,700	Payments of salaries and wages	143,800
Issuance of common stock	47,300	Payments of interest	26,900
		Purchase of equipment	10,200
		Payments of operating expenses	34,300
		Payment of note payable	67,700
		Payment of income tax	18,900
Ending balance	63,600		

Required:

1. Prepare the statement of cash flows of Internet Guide, Inc., for the year ended December 31, 20X8, using the *direct* method for operating activities. [75 points]
2.
 - a. The president has reviewed these statements and has several questions. First, he would like you to explain in your own words what is the purpose of the Statement of Cash Flows. [10 points]
 - b. He also is concerned that the last 3 years of the Statement of Cash Flows have shown that there has been an increase in cash but that the company is having trouble meeting its current debts. He would like you to help explain the reason for this. In your answer, list at least five possible causes for this trouble. [15 points]
He is aware that you only have the last year's Statement of Cash Flows. Therefore, some of your answers may have to be general in nature