32 ANALYZING STATEMENTS OF CASH FLOWS I

1. Given the following information, what is the adjustment to net income when calculating cash flow from operations using the indirect method?
   - Increase in accounts payable of $ 25.
   - Sold one share of stock for $15.
   - Paid dividends of $10 to shareholders.
   - Depreciation expense of $100.
   - Increase in inventory of $20.

   (A) -$ 50.
   (B) -$ 95.
   (C) +$105.

2. What is the impact on accounts receivable if sales exceed cash collections and what is the impact on accounts payable if cash paid to suppliers exceeds purchases?

   (A) Only accounts payable will increase.
   (B) Both accounts payable and accounts receivable will increase.
   (C) Only accounts receivable will increase.

3. Use the following information to calculate cash flows from operations using the indirect method.
   - Net Income: $12,000
   - Depreciation Expense: $1,000
   - Loss on sale of machinery: $ 500
   - Increase in Accounts Receivable: $ 2,000
   - Decrease in Accounts Payable: $1,500
   - Increase in Income taxes payable: $ 500
   - Repayment of Bonds: $ 3,000

   (A) Increase in cash of $ 10,500.
   (B) Increase in cash of $ 7,500.
   (C) Increase in cash of $ 9,500.

4. Selected information from Rockway, Inc.'s U.S. GAAP financial statements for the year ended December 31, included the following (in $):

	2004	2005
Sales	17,000,000	21,000,000
Cost of Goods Sold	11,000,000	15,000,000
Interest Paid	800,000	1,000,000
Current Income Taxes Paid	700,000	1,000,000
Accounts Receivable	3,000,000	2,500,000
Inventory	2,400,000	3,000,000
Property, Plant & Equip.	2,000,000	16,000,000
Accounts Payable	1,000,000	1,400,000
Long-term Debt	8,000,000	9,000,000
Common Stock	4,000,000	5,000,000

Using the direct method, cash provided or used by operating activities(CFO) in the year 2005 was

(A) $ 5,300,000.

(B) $ 4,300,000.

(C) $ 6,300,000.

5. To compute cash collections from customers when converting a statement of cash flows from the indirect to the direct method, an analyst begins with:
cost of goods sold, subtracts any increase in accounts payable, adds any increase in inventory, and subtracts any inventory write-offs.

(A) cost of goods sold, subtracts any increase in accounts payable, adds any increase in inventory, and subtracts any inventory write-offs.

(B) sales, subtracts any increase in accounts receivable, and adds any increase in unearned revenue.

(C) net income and adds back non-cash expenses.

6. Favor, Inc.'s capital and related transactions during 20X5 were as follows:

- On January 1, $1,000,000 of 5-year 10% annual interest bonds were issued to Cover Industries in exchange for old equipment owned by Cover.
- On June 30, Favor paid $50,000 of interest to Cover.
- On July 1, Cover returned the bonds to Favor in exchange for $1,500,000 par value 6% preferred stock.
- On December 31, Favor paid preferred stock dividends of $ 45,000 to Cover.

Favor, Inc.'s cash flow from financing (CFF) for 20X5 (assume U.S. GAAP) is:

(A) –$ 1,045,000.

(B) –$ 45,000.

(C) –$ 95,000.

7. An analyst compiled the following information for Universe, Inc. for the year ended December 31, 20X4:
   - Net income was $ 850,000.
   - Depreciation expense was $ 200,000.
   - Common stock was sold for $100,000.
   - Preferred stock (eight percent annual dividend) was sold at par value of $125,000.
   - Common stock dividends of $ 25,000 were paid.
   - Preferred stock dividends of $10,000 were paid.
   - Equipment with a book value of $50,000 was sold for $100,000.

   Using the indirect method and assuming U.S. GAAP, what was Universe Inc.'s cash flow from operations (CFO) for the year ended December 31, 20X4?
   (A) $1,050,000.
   (B) $1,015,000.
   (C) $1,000,000.

8. To calculate cash received from customers, an analyst would most appropriately:
   (A) add the change in accounts receivable to credit sales.
   (B) subtract accounts receivable from gross sales.
   (C) subtract the change in accounts receivable from net sales.

9. Copper, Inc., had $ 4 million in bonds outstanding that were convertible into common stock at a conversion rate of 100 shares per $1,000 bond. In 20X1, all of the outstanding bonds were converted into common stock. Copper's average share price for 20X1 was $15. Copper's statement of cash flows for the year ended December 31, 20X1, should most likely include:
   (A) cash flows from financing of +$6 million from issuance of common stock and –$4 million from retirement of bonds and cash flows from investing of –$2 million for a loss on retirement of bonds.
   (B) cash flows from financing of +$4 million from issuance of common stock and –$4 million from retirement of bonds.
   (C) a footnote describing the conversion of the bonds into common stock.

10. Which set of accounting standards allows a firm to classify interest received as a financing cash flow and interest paid as an investing cash flow on its cash flow statement?
   (A) The IFRS only.
   (B) U.S. GAAP only.
   (C) Neither the IFRS nor U.S. GAAP.

11. When calculating cash flow from operations (CFO) using the indirect method which of the following is most accurate?
    (A) When recognizing a gain on the sale of fixed assets, the amount is a deduction to operating cash flows.
    (B) The indirect method requires an additional schedule to reconcile net income to cash flow.
    (C) In using the indirect method, each item on the income statement is converted to its cash equivalent.

12. How will a firm's operating cash flow be affected by a decrease in accounts receivable and by an increase in accounts payable?
    (A) Both will decrease operating cash flow.
    (B) Both will increase operating cash flow.
    (C) One will increase operating cash flow and one will decrease operating cash flow.

13. Maverick Company reported the following financial information for 2007:

	in millions
Beginning accounts receivable	$180
Ending accounts receivable	225
Sales	11,000
Beginning inventory	2,000
Ending inventory	2,300
Purchases	8,100
Beginning accounts payable	1,600
Ending accounts payable	1,200

Calculate Maverick's cost of goods sold and cash paid to suppliers for 2007.

	Cost of goods sold	Cash paid to suppliers
(A)	$ 7,800 million	$ 8,500 million
(B)	$ 7,800 million	$ 7,100 million
(C)	$ 3,800 million	$ 8,500 million

14. An analyst has gathered the following information about a company:

Income Statement for the Year 20X5		
Sales		$1,500
Expenses		
COGS	$1,300	
Depreciation	20	
Goodwill	10	
Int. Expenses	40	
Total expenses		1,370
Income from cont. op		130
Gain on sale		30
Income before tax		160
Income tax		64
Net Income		$96

Additional Information:

Dividends paid	30
Common stock sold	20
Equipment purchased	50
Bonds issued	80
Fixed asset sold for (original cost of $100 with accumulated depreciation of $70)	60
Accounts receivable decreased by	30
Inventory decreased by	20
Accounts payable increased by	20
Wages payable decreased by	10

What is the cash flow from investing?

(A) $130.

(B) $110.

(C) $10.

15. A company's financial statement data for the most recent year include the following:
- Net income $100
- Depreciation expense 25
- Purchase of machine 50
- Sale of company trucks 30
- Sale of common stock 45
- Decrease in accounts receivable 10
- Increase in inventory 20
- Issuance of bonds 25
- Increase in accounts payable 15
- Increase in wages payable 10

Based only on these items, cash flow from financing activities is closest to:

(A) $ 70.

(B) $ 140.

(C) $ 85.

16. What is the difference between the direct and the indirect method of calculating cash flow from operations?

(A) Balance sheet items are not included in the cash flow from operations for the direct method, while they are included for the indirect method.

(B) The direct method starts with sales and follows cash as it flows through the income statement, while the indirect method starts with net income and adjusts for noncash charges and other items.

(C) The indirect method starts with gross income and adjusts to cash flow from operations, while the direct method starts with gross profit and flows through the income statement to calculate cash flows from operations.

17. A company prepares its financial statements under International Financial Reporting Standards. The company's cash flow statement will classify interest paid as either an:
(A) operating or financing cash flow.
(B) investing or financing cash flow.
(C) operating or investing cash flow.

18. Galaxy, Inc.'s U.S. GAAP balance sheet as of December 31, 20X4 included the following information (in $):

	12-31-X3	12-31-X4
Accounts Payable	300,000	500,000
Dividends Payable	200,000	300,000
Common Stock	1,000,000	1,000,000
Retained Earnings	700,000	1,000,000

Galaxy's net income in 20X4 was $800,000. What was Galaxy's cash flow from financing (CFF) in 20X4?
(A) –$ 300,000.
(B) –$ 400,000.
(C) –$ 500,000.

19. The Beeline Company has the following balance sheet and income statement.

Beeline Company Balance Sheet As of December 31, 20X4					
	2003	2004		2003	2004
Cash	$ 50	$ 60	Accounts payable	$100	$150
Accounts receivable	110	100	Long-term debt	400	300
Inventory	200	180	Common stock	50	50
			Retained earnings	400	500
Fixed assets (gross)	800	900	Total liabilities and equity	$950	$1,000
Less: Accumulated depreciation	200	250			
Fixed assets (net)	600	650			
Total assets	$950	$1,000			

Beeline Company Income Statement For year ended December 31, 20X4	
Sales	$1,000
Less:	
COGS	600
Depreciation	50
Selling, general, and administrative expenses 160	160
Interest expense	23
Income before taxes	$167
Less tax	67
Net income	$100

The cash flow from operations for 2004 is:

(A) $260.

(B) $210.

(C) $150.

20. A U.S. GAAP reporting company has the following changes in its balance sheet accounts:

Net Sales	$ 500
An increase in accounts receivable	20
A decrease in accounts payable	40
An increase in inventory	30
Sale of common stock	100
Repayment of debt	10
Depreciation	2
Net Income	100
Interest expense on debt	5

The company's cash flow from financing is:

(A) -$10.

(B) $90.

(C) $100.

21. According to U.S. Generally Accepted Accounting Principles (GAAP) and International Accounting Standards (IAS) GAAP, should dividends paid be treated as a cash flow from financing (CFF) or as a cash flow from operations (CFO)?

	U.S. GAAP	IAS GAAP
(A)	CFF	CFF or CFO
(B)	CFO	CFF
(C)	CFF or CFO	CFO

22. To convert an indirect statement of cash flows to a direct basis, the analyst would:

(A) add decreases in accounts receivables to net sales.

(B) subtract increases in inventory from cost of goods sold.

(C) add increases in accounts payable to cost of goods sold.

23. In converting a statement of cash flows from the indirect to the direct method, which of the following adjustments should be made for a decrease in unearned revenue when calculating cash collected from customers, and for an inventory writedown (when market value is less than cost) when calculating cash payments to suppliers?

	Cash collections from customers:	**Cash payments to suppliers**
(A)	Cash payments to suppliers	Subtract decrease in unearned revenue
(B)	Subtract decrease in unearned revenue	Subtract decrease in unearned revenue
(C)	Subtract decrease in unearned revenue	Add an inventory write down

24. Which of the following is CORRECT about the consideration of depreciation in the operations section of a cash flow statement?

	Direct Method	Indirect Method
(A)	Considers	Considers
(B)	Does not consider	Considers
(C)	Does not consider	Does not consider

25. A firm has net sales of $3,500, earnings after taxes (EAT) of $1,000, depreciation expense of $500, cost of goods sold (COGS) of $1,500, and cash taxes of $500. Also, inventory decreased by $100, and accounts receivable increased by $300. What is the firm's cash flow from operations?
(A) $1,800.
(B) $1,200.
(C) $1,300.

26. Pacific, Inc.'s financial information includes the following, with "change" referring to the difference from the prior year (in $ millions):

Net Income	27
Change in Accounts Receivable	+4
Change in Accounts Payable	+1
Change in Inventory	+5
Loss on sale of equipment	-8
Gain on sale of real estate	+4
Change in Retained Earnings	+21
Dividends declared and paid	+4

Pacific, Inc.'s cash flow from operations (CFO) in millions was:
(A) $15.
(B) $23.
(C) $27.

27.` Determine the cash flow from investing given the following table:

Item	Amount
Cash payment of dividends	$ 30
Sale of equipment	$ 25
Net income	$ 25
Purchase of land	$15
Increase in accounts payable	$ 20
Sale of preferred stock	$ 25
Increase in deferred taxes	$ 5

(A) -$10.
(B) $10.
(C) -$ 5.

28. Which of the following statements regarding depreciation expense in the cash flow statements is CORRECT? Depreciation is added back to net income when determining CFO using:
    (A) either the direct or indirect methods.
    (B) the direct method.
    (C) the indirect method.

29. An analyst contemplates using the indirect method to create the projected statement of cash flows. She decides to research the differences between the direct and indirect methods. Which of the following is least likely a component of the statement of cash flows under the direct method?
    (A) Net income.
    (B) Payment of dividends.
    (C) Investment in Property, Plant, & Equipment.

30. Which balance sheet accounts are most closely related to the operating activities on a firm's cash flow statement?
    (A) Working capital.
    (B) Non-current assets.
    (C) Equity and non-current liabilities.

31. The net income for Miller Bat Company was $3 million for the year ended December 31, 20X4. Additional information is as follows:
    - Depreciation on fixed assets: $1,500,000
    - Gain from cash sales of land: 200,000
    - Increase in accounts payable: 300,000
    - Dividends paid on preferred stock: 400,000

    Under U.S. GAAP, the net cash provided by operating activities in the statement of cash flows for the year ended December 31, 20X4 is:
    (A) $4,200,000.
    (B) $4,600,000.
    (C) $4,500,000.

32. Fricks Ltd. is a gold mining company headquartered in Indonesia with operations throughout the world. Fricks reports under IFRS. When subsidiaries located in the United States and Canada pay dividends to the Indonesian parent company, Fricks may classify the dividends as:
    (A) cash flow from either investing or operations.
    (B) cash flow from financing only.
    (C) cash flow from investing only.

33. Independence, Inc. reports interest received and dividends paid as part of its cash flow from operations. This treatment is acceptable under:
    (A) either IFRS or U.S. GAAP.
    (B) IFRS but not under U.S. GAAP.
    (C) U.S. GAAP but not under IFRS.

34. Determine the cash flow from operations given the following table.

Item	Amount
Cash payment of dividends	$30
Sale of equipment	$25
Net income	$25
Purchase of land	$15
Increase in accounts payable	$20
Sale of preferred stock	$25
Increase in deferred taxes	$5
Profit on sale of equipment	$15

    (A) $ 35.
    (B) $ 20.
    (C) $ 45.

35. An analyst has gathered the following information about a company that reports under U.S. GAAP:

Income Statement for the Year 20X5		
Sales		$1,500
Expenses		
COGS	$1,300	
Depreciation	20	
Goodwill	10	
Int. Expenses	40	
Total expenses		1,370
Income from cont. op		130
Gain on sale		30
Income before tax		160
Income tax		64
Net Income		$96

Additional Information:

Dividends paid	$30
Common stock issued	20
Equipment purchased	50
Bonds issued	80
Fixed asset sold for(original cost of $100 with accumulated depreciation of $70)	60
Accounts receivable decreased by	30
Inventory decreased by	20
Accounts payable increased by	20
Wages payable decreased by	10

What is the cash flow from financing?

(A) $70.

(B) $130.

(C) $110.

36. Murray Company reported the following revenues and expenses for the year ended 2007:

Sales revenue	$200,000
Wage expense	89,000
Insurance expense	17,000
Interest expense	10,400
Depreciation expense	50,000

Following are the related balance sheet accounts:

	2007	2007
Unearned revenue	$15,600	$13,200
Wages payable	5,400	6,600
Prepaid insurance	1,200	0
Interest payable	500	500
Accumulated depreciation	95,000	45,000

Calculate cash collections and cash expenses.

	Cash collections	Cash expenses
(A)	$197,600	$119,900
(B)	$ 202,400	$ 58,100
(C)	$ 202,400	$119,900

37. Noncurrent assets on the balance sheet are most closely linked to which part of the cash flow statement?

(A) Financing cash flows.

(B) Investing cash flows.

(C) Operating cash flows.

38. Juniper Corp. has the following transactions in 20X5.
    - Juniper's equipment with a book value of $55,000 was sold for $85,000 cash.
    - A parcel of land was purchased for $100,000 worth of Juniper common stock.
    - ABC company paid Juniper preferred dividends of $40,000.
    - Juniper declared and paid a $100,000 cash dividend.

    Under U.S. GAAP, what is cash flow from financing (CFF) for Juniper for 20X5?
    (A) –$100,000.
    (B) –$115,000.
    (C) –$60,000.

39. To convert an indirect statement of cash flows to a direct basis, the analyst would:
    (A) increase cost of goods sold by any depreciation that was included.
    (B) reduce cost of goods sold by any decreases in accounts payable.
    (C) reduce cost of goods sold by any decreases in inventory.

40. The correct set of cash flow treatments as they relate to interest paid according to U.S. generally accepted accounting principles (GAAP) and International Accounting Standards (IAS) GAAP is:

	U.S. GAAP	IAS GAAP
(A)	CFO	CFO or CFF
(B)	CFF	CFO or CFF
(C)	CFO or CFF	CFO

41. Eagle Company's financial statements for the year ended December 31, 20X5 were as follows (in $ millions):

Income Statemen	
Sales	150
Cost of Goods Sold	(48)
Wages Expense	56)
Interest Expense	(12)
Depreciation	(22)
Gain on Sale of Equipment	6
Income Tax Expense	(8)
Net Income	10

Balance Sheet		
	12-31-X4	12-31-X5
Cash	32	52
Accounts Receivable	18	22
Inventory	46	44
Property, Plant & Equip. (net)	182	160
Total Assets	278	278
Accounts Payable	28	33
Long-term Debt	145	135
Common Stock	70	70
Retained Earnings	35	40
Total Liabilities & Equity	278	278

Cash flow from operations (CFO) for Eagle Company for the year ended December 31, 20X5 was (in $ millions).

(A) $ 29.

(B) $ 37.

(C) $ 41.

42. The following information is from the balance sheet of Silverstone Company:
Net Income for 5/1/20X5 to 5/31/20X5: $8,000

Balance 5/01/20X5	Account	Balance 5/31/20X5
$ 2,000	Inventory	$1,750
$1,200	Prepaid exp.	$1,700
$ 800	Accum. Depr.	$ 975
$ 425	Accounts payable	$ 625
$ 650	Bonds payable	$ 550

Using the indirect method, calculate the cash flow from operations for Silverstone Company as of 5/31/20X5:

(A) Increase in cash of $8,125.

(B) Increase in cash of $8,025.

(C) Increase in cash of $7,725.

43. Assuming, US GAAP is applied, determine the cash flow from financing given the following table.

Item	Amount
Cash payment of dividends	$ 30
Sale of equipment	$10
Net income	$ 25
Purchase of land	$15
Increase in accounts payable	$ 20
Sale of preferred stock	$ 25
Increase in deferred taxes	$ 5
Profit on sale of equipment	$ 4

(A) -$ 5.
(B) $15.
(C) $20.

44. An analyst has gathered the following information about a company:

Income Statement for the Year 20X4		
Sales		$1,500
Expenses		
COGS	$1,300	
Depreciation	30	
Int. Expenses	40	
Total expenses		1,370
Income from cont. op.		130
Gain on sale		30
Income before tax		160
Income tax		64
Net Income		$ 96

Additional Information:

Dividends paid $ 30
Common stock sold 20
Equipment purchased 50
Bonds issued 80
Fixed asset sold for (original cost of $100 with accumulated depreciation of $70) 60
Accounts receivable decreased by 30
Inventory decreased by 20
Accounts payable increased by 20
Wages payable decreased by 10

What is the cash flow from operations?

(A) $156.
(B) $170.
(C) $150.

45. Impala Corporation reported the following financial information:

	2006	2007
Balance sheet values as of December 31:		
Prepaid insurance	$ 650,000	$ 475,000
Interest payable	250,000	300,000
Cash flows for the year ended December 31:		
Insurance premiums paid	$ 845,000	$ 750,000
Interest paid	900,000	900,000

Calculate Impala's insurance expense and interest expense for the year ended December 31, 2007.

	Insurance expense	Insurance expense
(A)	$ 925,000	$ 950,000
(B)	$ 925,000	$ 850,000
(C)	$ 1,020,000	$ 950,000

46. Darth Corporation's net income was $1,200 in the most recent period. Its depreciation expense was $800 and its accounts receivable increased by $1,000. Based only on this information, cash flow from operating activities reported by Darth should be:
(A) $1,000.
(B) $1,200.
(C) $2,200.

47. Assuming US GAAP is applies, which of the following statements about accounting procedures and their impact on the statement of cash flows is least valid? All else equal:
(A) A company that finances through common stock issues may have the same cash flow from financing (CFF) as a firm that issues debt.
(B) A nonprofitable company that uses LIFO to account for inventory will have higher total cash flow than a nonprofitable company that uses FIFO during a period of rising prices.
(C) Cash flow from financing (CFF) is higher over the life of a bond if a firm issues the bond at a premium, compared to issuing the bond at par.

48. Use the following financial data for Moose Printing Corporation, a U.S. GAAP reporting firm, to calculate the cash flow from operations (CFO) using the indirect method.

- Net income: $225
- Increase in accounts receivable: $55
- Decrease in inventory: $33
- Depreciation: $65
- Decrease in accounts payable: $25
- Increase in wages payable: $15
- Decrease in deferred taxes: $10
- Purchase of new equipment: $65
- Dividends paid: $75

(A) Increase in cash of $183.
(B) Increase in cash of $173.
(C) Increase in cash of $248.

49. Financial information for Jefferson Corp. for the year ended December 31st, was as follows:

Sales	$ 3,000,000
Purchases	1,800,000
Inventory at eginning	500,000
Inventory at Ending	800,000
Accounts Receivable at Beginning	300,000
Accounts Receivable at Ending	200,000
Accounts Payable at Beginning	100,000
Accounts Payable at Ending	100,000
Other Operating Expenses Paid	400,000

Based upon this data and using the direct method, what was Jefferson Corp.'s cash flow from operations (CFO) for the year ended December 31st?

(A) $ 900,000.
(B) $1,200,000.
(C) $ 800,000.

50. An analyst contemplates using the indirect methods to create the projected statement of cash flows. She decides to research the differences between the direct and indirect methods. Which of the following statements is most accurate? Under the:

(A) direct method, depreciation must be added to cash collections because it is a noncash expense.
(B) indirect method, changes in accounts receivable are already included in the net income figure.
(C) indirect method, depreciation must be added to net income, because it is a noncash expense.

51. Mark Industries' income statement and related notes for the year ended December 31 are as follows (in $):

Sales	42,000,000
Cost of Goods Sold	(32,000,000)
Wages Expense	(1,500,000)
Depreciation Expense	(2,500,000)
Interest Expense	(1,000,000)
Income Tax Expense	(2,000,000)
Net Income	3,000,000

During the year:

- Wages Payable increased $100,000.
- Accumulated Depreciation increased $2,500,000.
- Interest Payable decreased $200,000.
- Income Taxes Payable increased $500,000.
- Dividends of $100,000 were declared and paid.

Under U.S. GAAP, Mark Industries' cash flow from operations (CFO) for the year ended

December 31 was:

(A) $ 4,400,000.

(B) $ 5,900,000.

(C) $ 4,800,000.

52. Under IFRS, which cash flow statement classifications for dividends paid and interest received, respectively, are least likely permitted?

	Dividends paid	Interest received
(A)	Operating activity	Investing activity
(B)	Financing activity	Operating activity
(C)	Financing activity	Operating activity

53. When using the indirect method for computing cash flow from operating activities, a change in accounts payable will require which of the following?

(A) A positive (negative) adjustment to net income when accounts payable increases (decreases).

(B) A negative adjustment to net income regardless of whether accounts payable increases or decreases.

(C) A negative (positive) adjustment to net income when accounts payable increases (decreases).

54. Convenience Travel Corp.'s financial information for the year ended December 31, 20X4 included the following:

Property Plant & Equipment	$15,000,000
Accumulated Depreciation	9,000,000

The only asset owned by Convenience Travel in 20X5 was a corporate jet airplane. The airplane was being depreciated over a 15-year period on a straight-line basis at a rate of $1,000,000 per year. On December 31, 20X5 Convenience Travel sold the airplane for $10,000,000 cash. Net income for the year ended December 31, 20X5 was $12,000,000. Based on the above information, and ignoring taxes, what is cash flow from operations (CFO) for Convenience Travel for the year ended December 31, 20X5?

(A) $ 8,000,000.

(B) $11,000,000.

(C) $13,000,000.

55. Capital Corp.'s activities in the year 20X5 included the following:

- At the beginning of the year, Capital purchased a cargo plane from Aviation Partners for $10 million in exchange for $2 million cash, $3 million in Capital Corp. bonds and $5 million in Capital Corp. preferred stock.
- Interest of $150,000 was paid on the bonds, and dividends of $250,000 were paid on the preferred stock.
- At the end of the year, the cargo plane was sold for $12,000,000 cash to Standard Company. Proceeds from the sale were used to pay off the $3 million in bonds held by Aviation Partners.

On Capital Corp.'s U.S. GAAP statement of cash flows for the year ended December 31, 20X5, cash flow from investments (CFI) related to the above activities is:

(A) $ 6,750,000.

(B) $ 9,750,000.

(C) $ 10,000,000.