Microline Corporation
Statement of Cash Flows
for the Period Ending December 31, 2011

Cash flows from operating activities:	
Net income	$ 3,250
Depreciation	2,500
Loss on sale of machinery	900
Unrealized revaluation of equity investments	250
Gain on sale of land	(1,500)
Undistributed affiliate income	(1,000)
Increase in accounts receivable (net)	(2,050)
Increase in inventory	(1,500)
Decrease in prepaid interest expense	400
Increase in accounts payable	1,000
Decrease in unearned rent revenue	(1,000)
Net cash from operating activities	$ 1,250
Cash flows from investing activities:	
Purchases of plant and equipment	$(10,000)
Purchases of land	(4,000)
Proceeds from sale of machinery	5,100
Proceeds from sale of land	4,000
Net cash used by investing activities	(4,900)
Cash flows from financing activities:	
Increases in long-term notes (net)	$ 7,000
Dividend payments	(1,750)
Net cash from financing activities	5,250
Increase in cash and short-term equity investments	$ 1,600
Beginning balance in cash and short-term equity investments	2,100
Ending balance in cash and short-term equity investments	$ 3,700

time of the acquisition and uses the equity method to account for this investment. During 2010, Ellery reported income of $1,000 and declared and paid dividends of $400.

LAND. Microline deals in land as an investment. The land is carried on the balance sheet at cost. As of December 31, 2011, the market value of the land was approximately equal to its cost. As of December 31, 2010, the market value of the land was approximately $1,500 in excess of its cost. Land values remained constant throughout 2011. Near the end of the year, Microline sold one parcel of land and immediately purchased another similar parcel.

PROPERTY, PLANT, AND EQUIPMENT. Microline depreciates its plant and equipment using accelerated rates for both financial reporting and income tax purposes.

GOODWILL. Microline has acquired only one company, Littleton Enterprises, since its inception. Goodwill was recognized on the acquisition in the amount by which the purchase price exceeded the fair market value of the individual assets and liabilities of Littleton. At the time of the acquisition, the net fair market value of the assets and liabilities of Littleton was $7,500.