

Presented below are the balance sheet accounts of Kern, Inc. as of December 31, 1988 and 1987 and their net changes.

Kern, Inc.
BALANCE SHEETS
December 31, 1998 and 1997

	1998	1997	Net Change
Assets			
Cash	\$ 471,000	\$ 307,000	\$ 164,000
Marketable securities, at cost (Trading)	150,000	250,000	(100,000)
Allowance to reduce marketable securities to market	(10,000)	(25,000)	15,000
Accounts receivable, net	550,000	515,000	35,000
Inventories	810,000	890,000	(80,000)
Investment in Word Corp., at equity	420,000	390,000	30,000
Property, plant and equipment	1,145,000	1,070,000	75,000
Less accumulated depreciation	(345,000)	(280,000)	(65,000)
Patent, net	109,000	118,000	(9,000)
Total assets	<u>\$ 3,300,000</u>	<u>\$ 3,235,000</u>	<u>\$ 65,000</u>
Liabilities and Stockholders' Equity			
Accounts payable and accrued expenses	\$ 845,000	\$ 960,000	\$ (115,000)
Note payable, long-term	600,000	900,000	(300,000)
Deferred income taxes	190,000	190,000	--
Common stock, par value \$10	850,000	650,000	200,000
Additional paid-in capital	230,000	170,000	60,000
Retained earnings	585,000	365,000	220,000
Total liabilities and stockholders' equity	<u>\$ 3,300,000</u>	<u>\$ 3,235,000</u>	<u>\$ 65,000</u>

Additional Information

- On January 2, 1988, Kern sold equipment costing \$45,000, with a carrying amount of \$28,000, for \$18,000 cash.
- On March 31, 1988, Kern sold one of its (trading) marketable equity security holdings for \$119,000 cash. There were no other transactions involving marketable equity securities.
- On April 15, 1988, Kern issued 20,000 shares of its common stock for cash at \$13 per share.
- On July 1, 1988, Kern purchased equipment for \$120,000 cash.
- Kern's net income for 1988 is \$305,000. Kern paid a cash dividend of \$85,000 on October 26, 1988.
- Kern acquired a 20% interest in Word Corp.'s common stock during 1985. There was no goodwill attributable to the investment which is appropriately accounted for by the equity method. Word reported net income of \$150,000 for the year ended December 31, 1988. No dividend was paid on Word's common stock during 1988.

Required:

Prepare a statement of cash flows for Kern, Inc. for the year ended December 31, 1988 using the indirect method. A worksheet is **not** required. (Use "T" account analysis)