Solutions

2.1

- (a) Financing. (b) Operating. (c) Investing. (d) Financing. (e) Operating (and no cash moves until paid).

2.2

- The prepaid rent: −9,000, the largest plank.
- Timing engine: cash moved a year ahead of the expense.
- (Growth owns inventory; capital structure owns the 35,000.)

2.3

- Operating cash rises by 9,000 to 31,400.
- The prepayment plank disappears; every other plank is unchanged.
- Cash at the year end becomes 60,400 – same profit, different cash: timing, not performance.

3.1

- Operating: 15,145 + 2,125 + 800 + 180 + 1,250 − 6,000 − 2,600 − 8,000 = 2,900.
- Investing: equipment −9,000.
- Financing: capital +20,000, loan +25,000.
- Net: 2,900 − 9,000 + 45,000 = 38,900.
- Equals the balance sheet's cash ✓ – the statements close against each other.

3.2

- Timing: the 8,000 rent prepayment and 6,000 receivables against the 2,230 of accruals – working capital absorbed 14,000 of cash that profit already counts as earned or matched.
- Narrowing action: invoice café customers on delivery with the 24-day term enforced (receivables 6,000 → near zero releases up to 6,000).
- Or negotiate monthly rent – either act is a timing fix, not a performance one.