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|  | **ACC1020H: Accounting for Business OBJECTIVE TEST 6:**  **W14 Statement of Cash Flows**  **Week Beginning: 22 July 2024**  **10 marks: 12 minutes** | % |
| NAME: | | |
| STUDENT NUMBER: | | |
| TUTORIAL GROUP NUMBER: | | |

1. Which method of reporting cash generated from operations enables users of financial statements to calculate and assess the quality of sales? **(1 marks)**

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1. Explain what is meant by cash items and cash equivalent items **(2 marks)**
2. What is the difference between the accrual basis of accounting and the cash basis of accounting? **(2 mark)**
3. Under which section of the statement of cash flows would the following transactions appear **(3 mark)**
4. Proceeds on the sale of property, plant and equipment

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1. Borrowings repaid

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1. Dividend received

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1. List two non-cash items that may be present in the statement of comprehensive income **(2 mark)**

**ACC1020H - Accounting for Business**

**OBJECTIVE TEST 6: W14 Statement of Cash Flows**

**Week Beginning: 22 July 2024**

**SUGGESTED SOLUTION**

1. Which method of reporting cash generated from operations enables users of financial statements to calculate and assess the quality of sales? **(1 marks)**

**The direct method.**

1. Explain what is meant by cash items and cash equivalent items **(2 marks)**

* **Cash comprises notes, coins and demand deposits (i.e. current accounts)**
* **whereas cash equivalents are “short term highly liquid investments readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value” (i.e.3 months fixed deposit)**

1. What is the difference between the accrual basis of accounting and the cash basis of accounting? **(2 mark)**

* **Accrual basis:** a transaction is recorded when it occurs, regardless of whether cash was received or paid. (1)
* **Cash basis**: a transaction is only recorded when cash has been paid or received (1)

1. Under which section of the statement of cash flows would the following transaction appear **(3 mark)**
2. Proceeds on the sale of property, plant and equipment

**Cash flow from investing activities**

1. Borrowings repaid

**Cash flow from financing activities**

1. Dividend received

**Cash flow from operating activities or cash flow from investing activities**

1. List two non-cash items that may be present in the statement of comprehensive income **(2 mark)**

* **Depreciation**
* **Amortization**
* **Impairment**
* **Profit/loss on sale of PPE**
* **Foreign exchange gains/loss**