

CASH FLOW STATEMENT – QUESTION 1

Ben Ltd. Statement of Comprehensive Income For the Year Ended 31 December 2015

	€000
Revenue	2,553
Cost of Sales	1,814
Gross Profit	739
Distribution Costs	(125)
Administrative Expenses	(264)
Operating Profit	350
Interest Received	25
Interest Paid	75
Profit on ordinary activities before taxation	300
Taxation	140
Profit after tax	160

Ben Ltd. Statement of Financial Position At Year End 31st December 2015

	2015 €000	2014 €000
ASSETS		
Non-Current Assets		
Property, Plant & Equipment	380	305
Intangible Assets	250	200
Investments	-	25
Current Assets		
Inventory	150	102
Receivables	390	315
Short-Term Investments	50	-
Cash in Hand	2	1
Total Assets	1,222	948
EQUITY & LIABILITIES		
Equity		
Share Capital (€1 ordinary shares)	200	150
Share Premium Account	160	150
Revaluation Reserve	100	91
Retained Earnings	160	100
	620	491
Non-Current Liabilities		
Long Term Loan	170	50

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Current Liabilities		
Trade Payables	127	119
Bank Overdraft	85	98
Taxation	120	110
Dividends Proposed	100	80
	<hr/>	<hr/>
	432	407
Total Equity & Liabilities	<hr/>	<hr/>
	1,222	948

Additional Information:

- a. The proceeds of the sale of non-current asset investments amounted to €30,000.
- b. PPE (Fixtures & Fittings) with an original cost of €85,000 and a net book value of €45,000 was sold for €32,000 during the year.
- c. The following information relates to Property, Plant & Equipment:

	31/12/2015	31/12/2014
	€000	€000
Cost	720	595
Accumulated Depreciation	(340)	(290)
Net Book Value	<hr/>	<hr/>
	380	305

- d. 50,000 €1 ordinary shares were issued during the year at a premium of 20c per share.
- e. Dividends of 100 were proposed and approved before the end of the year.

REQUIRED:

Prepare the Statement of Cash Flows for Ben Ltd for the year ended 31st December 2015.

CASH FLOW STATEMENT – QUESTION 1 - SOLUTION

Ben Ltd Statement of Cash Flows For Year Ended 31 December 2015

	€000	€000
Net cash flow from operating activities		
Operating Profit	350	
Depreciation Charge	90	
Loss on sale of tangible non-current assets	13	
Profit on sale of non-current asset investments	(5)	
Increase in inventories	(48)	
Increase in receivables	(75)	
Increase in payables	8	
<i>Cash Generated from Operating Activities</i>	<u>333</u>	
Interest Received	25	
Interest Paid	(75)	
Dividends Paid (Note: or under Financing Activities)	(80)	
Tax Paid	<u>(130)</u>	
Net Cash Flow from Operating Activities		73
Cash flows from investing activities		
Payments to acquire Property, Plant & Equipment	(201)	
Payments to acquire intangible non-current assets	(50)	
Receipts from sales of Property, Plant & Equipment	32	
Receipts from sale of non-current asset investments	<u>30</u>	
Net Cash Flows from Investing Activities		(189)
Cash flows from financing activities		
Issue of share capital	60	
Long-term loan	<u>120</u>	
Net cash flows from financing		<u>180</u>
Increase in cash and cash equivalents		64
Cash and cash equivalents at 1.1.2015		<u>(97)</u>
Cash and Cash Equivalents at 31.12.2015		<u>33</u>

Notes to the Statement of Cash Flows:

Note: Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	2015 €000	2014 €000	Change in Year €000
Cash in hand	2	1	1
Short-term investments	50	-	50
Bank Overdraft	(85)	(98)	13
	<u>(33)</u>	<u>(97)</u>	64

WORKINGS

W1:

Tangible Assets

Balance b/d	595	Disposals	85
Revaluation Reserve	9		
Additions (BAL FIG)	201	Balance c/d	720
	<u>805</u>		<u>805</u>

W2:

Depreciation

Disposal	40	Balance b/d	290
Balance c/d	340	Inc Stat	90
	<u>380</u>		<u>380</u>

W3:

Disposal A/C

PPE – Tangible Assets	85	Depreciation	40
		Cash	32
		Inc Stat	13
	<u>85</u>		<u>85</u>

W4:

Taxation

Cash (BAL FIG)	130	Balance b/d	110
Balance c/d	120	Inc Stat	140
	<u>250</u>		<u>250</u>

W5:

Dividends

Cash	80	Balance b/d	80
Balance c/d	100	Inc Stat	100
	<u>180</u>		<u>180</u>

WORKINGS FOR DIRECT METHOD:

W6:

Purchases

Cost of Sales	1,814
Closing Stock	(150)
Opening Stock	102
Purchases	<u>1,862</u>

W7:

Trade Payables

Cash	1,859	Balance b/d	119
		Inc. Stat.	1,862
Balance c/d (127 – 5)	122		
	<u>1,981</u>		<u>1,981</u>

W8:

Receivables			
Balance b/d	315	Cash	2,478
IS (Revenue)	<u>2,553</u>	Balance c/d	<u>390</u>
	<u>2,868</u>		<u>2,868</u>

Direct Method – Cash Generated from Operating Activities

Cash received from customers	2,478
Cash paid to suppliers from goods and services	(2,060)
Cash paid to and on behalf of employees	<u>(85)</u>
Cash generated from operating activities	333