

4. Cash Flow Statement

The following are the balance sheets of Solitude Plc as at 31/12/1997 and 31/12/1998 together with an abridged profit and loss account for the year ended 31/12/1998

Abridged Profit and Loss Account for the year ended 31/12/1998

| | £ | £ |
|--------------------------------|--------|-----------|
| Operating profit | | 313,000 |
| Interest paid | | (9,000) |
| Profit before taxation | | 304,000 |
| Taxation | | (134,000) |
| Profit after taxation | | 170,000 |
| Dividends - Interim | 30,000 | |
| - Proposed | 50,000 | (80,000) |
| Retained profits for the year | | 90,000 |
| Retained profits on 1/1/1998 | | 185,000 |
| Retained profits on 31/12/1998 | | 275,000 |

Balance Sheets as at

| | 31/12/1998 | | 31/12/1997 | |
|--|------------|---------|------------|---------|
| | £ | £ | £ | £ |
| Fixed Assets | | | | |
| Land and buildings | 500,000 | | 550,000 | |
| Less accumulated depreciation | (100,000) | 400,000 | (105,000) | 445,000 |
| Machinery at cost | 360,000 | | 280,000 | |
| Less accumulated depreciation | (184,000) | 176,000 | (112,000) | 168,000 |
| | | 576,000 | | 613,000 |
| Financial Assets | | | | |
| Quoted Investments | | 100,000 | | 40,000 |
| Current Assets | | | | |
| Stock | 335,000 | | 205,000 | |
| Debtors | 280,000 | | 295,000 | |
| Bank | 59,000 | | 12,000 | |
| | 674,000 | | 512,000 | |
| Less Creditors: amounts falling due within 1 year | | | | |
| Trade Creditors | 206,000 | | 222,000 | |
| Taxation | 134,000 | | 113,000 | |
| Dividends | 50,000 | | 45,000 | |
| | (390,000) | | (380,000) | |
| Net Current Assets | | 284,000 | | 132,000 |
| | | 960,000 | | 785,000 |
| Financed by: | | | | |
| Creditors: amounts falling due after more than 1 year | | | | |
| 10% Debentures | | 80,000 | | 120,000 |
| Capital and Reserves | | | | |
| £1 Ordinary shares | | 580,000 | | 480,000 |
| Share premium | | 25,000 | | |
| Profit and loss account | | 275,000 | | 185,000 |
| | | 960,000 | | 785,000 |

The following information is also available.

- 1 There were no disposals of machinery during the year but new machines were acquired.
- 2 There were no additions to buildings during the year. Buildings were disposed of for £55,000.
- 3 Depreciation charged for the year on Buildings in arriving at the operating profit was £10,000.

You are required to:

- (a) Reconcile the operating profit to net cash inflow from operating activities (20)
- (b) Prepare the cash flow statement of Solitude Plc for the year ended 31/12/1998. (40)

(60 marks)