

Cash Flow statements 2001

4. Cash Flow Statement

The following are the balance sheets of Quality Plc as at 31/12/1999 and 31/12/2000 together with an abridged profit and loss account for the year ended 31/12/2000

Abridged Profit and Loss Account for the year ended 31/12/2000		£
Operating profit		177,000
Interest paid		<u>(7,000)</u>
Profit before taxation		170,000
Taxation		<u>(80,000)</u>
Profit after taxation		90,000
Dividends - Interim	12,000	
- Proposed	<u>48,000</u>	<u>(60,000)</u>
Retained profits for the year		30,000
Retained profits on 1/1/2000		<u>210,000</u>
Retained profits on 31/12/2000		<u>240,000</u>

Balance Sheets as at	31/12/2000		31/12/1999	
Fixed Assets	£	£	£	£
Land and buildings	440,000		500,000	
Less accumulated depreciation	<u>(50,000)</u>	390,000	<u>(45,000)</u>	455,000
Machinery at cost	410,000		320,000	
Less accumulated depreciation	<u>(170,000)</u>	<u>240,000</u>	<u>(140,000)</u>	<u>180,000</u>
		630,000		635,000
Financial Assets				
Quoted Investments		100,000		60,000
Current Assets				
Stock	225,000		190,000	
Debtors	185,000		160,000	
Bank	<u>40,000</u>		<u>10,000</u>	
	<u>450,000</u>		<u>360,000</u>	
Less Creditors: amounts falling due within 1 year				
Trade Creditors	242,000		210,000	
Taxation	50,000		65,000	
Dividends	<u>48,000</u>		<u>30,000</u>	
	<u>(340,000)</u>		<u>(305,000)</u>	
Net Current Assets		<u>110,000</u>		<u>55,000</u>
		<u>840,000</u>		<u>750,000</u>
Financed by				
Creditors: amounts falling due after more than 1 year				
10% Debentures		50,000		90,000
Capital and Reserves				
£1 Ordinary shares		530,000		450,000
Share premium		20,000		—
Profit and loss account		<u>240,000</u>		<u>210,000</u>
		<u>840,000</u>		<u>750,000</u>

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 £61,000.
- 3 Depreciation charged for the year on buildings in arriving at the operating profit was £9,000.

You are required

- (a) To reconcile the operating profit to net cash inflow from operating activities. (20)
- (b) To prepare the cash flow statement of Quality Plc for the year ended 31/12/2000. (32)
- (c) To explain why profit does not always mean a corresponding increase in cash. (8)

(60 marks)

