

## Cash Flow Statements 2004

### 4. Cash Flow Statement

The following are the balance sheets of Creation Plc as at 31/12/2002 and 31/12/2003, together with an abridged profit and loss account for the year ended 31/12/2003:

<b>Abridged Profit and Loss Account for the year ended 31/12/2003</b>		€
Operating profit		150,600
Interest for year		(10,600)
Profit before taxation		140,000
Taxation for year		(47,000)
Profit after taxation		93,000
Dividends - Interim	23,000	
- Proposed	48,000	(71,000)
Retained profits for the year		22,000
Retained profits on 1/1/2003		189,000
Retained profits on 31/12/2003		211,000

  

<b>Balance Sheets as at</b>		<b>31/12/2003</b>		<b>31/12/2002</b>
<b>Fixed Assets</b>	€	€	€	€
Land and buildings at cost	800,000		725,000	
Less accumulated depreciation	(75,000)	725,000	(60,000)	665,000
Machinery at cost	380,000		450,000	
Less accumulated depreciation	(190,000)	190,000	(170,000)	280,000
		915,000		945,000
<b>Financial Assets</b>				
Quoted investments		120,000		90,000
<b>Current Assets</b>				
Stock	225,000		208,000	
Debtors	212,000		184,000	
Bank	—		12,000	
Cash	3,000		1,000	
	440,000		405,000	
<b>Less Creditors: amounts falling due within 1 year</b>				
Trade creditors	253,000		230,000	
Interest due	1,400		—	
Taxation	51,000		44,000	
Dividends	48,000		37,000	
Bank	8,600		—	
	(362,000)		(311,000)	
<b>Net Current Assets</b>		78,000		94,000
		1,113,000		1,129,000
<b>Financed by</b>				
<b>Creditors: amounts falling due after more than 1 year</b>				
8% Debentures		50,000		160,000
<b>Capital and Reserves</b>				
€1 Ordinary shares	840,000		780,000	
Share premium	12,000		—	
Profit and loss account	211,000	1,063,000	189,000	969,000
		1,113,000		1,129,000

The following information is also available:

- 1 There were no disposals of buildings during the year but new buildings were acquired.
- 2 There were no purchases of machinery during the year. Machinery was disposed of for €24,000.
- 3 Depreciation charged for the year on machinery in arriving at the operating profit was €55,000.

**You are required to:**

- (a) Reconcile the operating profit to net cash inflow from operating activities (20)
- (b) Prepare the cash flow statement of Creation Plc for the year ended 31/12/2003. (30)
- (c) Explain why profit does not always mean a corresponding increase in cash and list two non cash items. (10)

**(60 marks)**

