

Cash Flow Statements 2008

6. Cash Flow Statement

The following are the Balance Sheets of Hayes Plc as at 31/12/2006 and 31/12/2007.

| Balance Sheets as at | 31/12/2007 | | 31/12/2006 | |
|--|------------------|----------------|------------------|----------------|
| Fixed Assets | € | € | € | € |
| Cost | 620,000 | | 490,000 | |
| Less accumulated depreciation | <u>(220,000)</u> | 400,000 | <u>(100,000)</u> | 390,000 |
| Financial Assets | | | | |
| Investments at cost | | 200,000 | | 300,000 |
| Current Assets | | | | |
| Stocks | 360,000 | | 252,000 | |
| Debtors | 170,000 | | 110,000 | |
| Government Securities | 70,000 | | | |
| Cash | <u>50,000</u> | | <u>70,000</u> | |
| | <u>650,000</u> | | <u>432,000</u> | |
| Less Creditors: amounts falling due within 1 year | | | | |
| Trade creditors | 214,000 | | 247,000 | |
| Bank | 20,000 | | 34,000 | |
| Taxation | <u>48,000</u> | | <u>39,000</u> | |
| | <u>282,000</u> | <u>368,000</u> | <u>320,000</u> | <u>112,000</u> |
| | | <u>968,000</u> | | <u>802,000</u> |
| Financed by | | | | |
| Creditors: amounts falling due after more than one year | | | | |
| 10% Debentures | | 170,000 | | 120,000 |
| Capital and Reserves | | | | |
| Ordinary shares @ €1 each | 290,000 | | 230,000 | |
| Share premium | 18,000 | | ----- | |
| Profit and Loss account | <u>490,000</u> | <u>798,000</u> | <u>452,000</u> | <u>682,000</u> |
| | | <u>968,000</u> | | <u>802,000</u> |

The following information is also available:

- 60,000 shares were issued at €1.30 per share.
- Fixed assets, which cost €60,000 and on which total depreciation of €30,000 had been provided, were sold for €40,000.
- €50,000 Debentures were issued on 1/1/2007.
- Dividends paid during the year amounted to €54,000.
- Taxation charge on profits for year 2007 was €60,000.
- Investments which cost €100,000 were sold for cash at their book value.

You are required to:

- Prepare an Abridged Profit & Loss account to ascertain the operating profit for the year ending 31/12/2007 (85)
 - Prepare the Cash Flow statement for Hayes Plc for the year ending 31/12/2007, including Reconciliation statements.
- Explain why earning profit does not always result in a corresponding increase in cash balances.
 - Write a note on the Accounting Standards Board. In your answer refer to the main activity of the Board and how it has influenced the preparation of Cash Flow statements. (15)

(100 marks)