

3. Cash Flow Statement

The following are the Balance Sheets of Butler Plc as at 31/12/2004 and 31/12/2005, together with an abridged Profit and Loss account for the year ended 31/12/2005:

Abridged Profit and Loss Account for the year ended 31/12/2005		€
Operating profit		140,000
Interest for year		<u>(8,000)</u>
Profit before taxation		132,000
Taxation for year		<u>(45,000)</u>
Profit after taxation		87,000
Dividends - Interim	21,000	
- Proposed	<u>45,000</u>	<u>(66,000)</u>
Retained profits for the year		21,000
Retained profits on 1/12/2005		<u>191,000</u>
Retained profits on 31/12/2005		<u>212,000</u>

Balance Sheets as at	31/12/2005		31/12/2004	
Fixed Assets	€	€	€	€
Land and buildings at cost	825,000		750,000	
Less accumulated depreciation	<u>(95,000)</u>	730,000	<u>(80,000)</u>	670,000
Machinery at cost	400,000		470,000	
Less accumulated depreciation	<u>(202,000)</u>	<u>198,000</u>	<u>(180,000)</u>	<u>290,000</u>
		928,000		960,000
Financial Assets				
Quoted investments		130,000		100,000
Current Assets				
Stock	220,000		205,000	
Debtors	200,000		190,000	
Government securities	12,000		-	
Bank	-		10,000	
Cash	<u>2,000</u>		<u>1,000</u>	
	<u>434,000</u>		<u>406,000</u>	
Less Creditors: amounts falling due within 1 year				
Trade creditors	250,000		228,000	
Interest due	1,200		-	
Taxation	50,000		43,000	
Dividends	45,000		34,000	
Bank	<u>6,800</u>		<u>-</u>	
	<u>(353,000)</u>		<u>(305,000)</u>	
Net Current Assets		<u>81,000</u>		<u>101,000</u>
		<u>1,139,000</u>		<u>1,161,000</u>
Financed by				
Creditors: amounts falling due after more than 1 year				
9% Debentures		75,000		180,000
Capital and Reserves				
€1 Ordinary shares	830,000		790,000	
Share premium	22,000		-	
Profit and loss account	<u>212,000</u>	<u>1,064,000</u>	<u>191,000</u>	<u>981,000</u>
		<u>1,139,000</u>		<u>1,161,000</u>

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 €35,000.
- 3 Depreciation charged for the year on Machinery in arriving at the Operating profit was €60,000.

You are required to:

- (a) Prepare the Cash Flow Statement of Butler Plc for the year ended 31/12/2005 including Reconciliation Statement(s). (48)
- (b) Explain why Cash Flow Statements are prepared. (8)
- (c) Identify a Non Cash expense and a Non Cash gain. (4)

(60 marks)