

## 2. Cash Flow Statement

The following are the Balance Sheets of Regan plc as at 31/12/2008 and 31/12/2009, together with an abridged Profit and Loss account for the year ended 31/12/2009:

<b>Abridged Profit and Loss Account for year ended 31/12/2009</b>	€	€
Operating profit		232,000
Interest for year		<u>(14,000)</u>
Profit before taxation		218,000
Taxation for year		<u>(38,000)</u>
Profit after taxation		180,000
Dividends - Interim	22,000	
- Proposed	<u>36,000</u>	<u>(58,000)</u>
Retained profits for the year		122,000
Retained profits on 1/1/2009		204,000
Retained profits on 31/12/2009		<u><u>326,000</u></u>

<b>Balance Sheets as at</b>	<b>31/12/2009</b>		<b>31/12/2008</b>	
<b>Fixed Assets</b>	€	€	€	€
Land and buildings at cost	820,000		640,000	
Less accumulated depreciation	<u>(72,000)</u>	748,000	<u>(65,000)</u>	575,000
Machinery at cost	380,000		435,000	
Less accumulated depreciation	<u>(92,000)</u>	<u>288,000</u>	<u>(81,000)</u>	<u>354,000</u>
		1,036,000		929,000
<b>Financial Assets</b>				
Quoted investments		78,000		95,000
<b>Current Assets</b>				
Stock	85,000		76,000	
Debtors	76,000		68,000	
Government securities	18,000		-	
Bank	-		14,000	
Cash	<u>5,000</u>		<u>2,000</u>	
	<u>184,000</u>		<u>160,000</u>	
<b>Less Creditors: amounts falling due within 1 year</b>				
Trade creditors	31,000		48,000	
Interest due	4,400		-	
Taxation	49,000		36,000	
Dividends	45,000		26,000	
Bank	<u>3,600</u>		<u>-</u>	
	<u>(133,000)</u>		<u>(110,000)</u>	
<b>Net Current Assets</b>		<u>51,000</u>		<u>50,000</u>
		<u><u>1,165,000</u></u>		<u><u>1,074,000</u></u>
<b>Financed by</b>				
<b>Creditors: amounts falling due after more than 1 year</b>				
8% Debentures		140,000		220,000
<b>Capital and Reserves</b>				
€1 Ordinary shares	680,000		650,000	
Share premium	19,000		-	
Profit and loss account	<u>326,000</u>	<u>1,025,000</u>	<u>204,000</u>	<u>854,000</u>
		<u><u>1,165,000</u></u>		<u><u>1,074,000</u></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 €32,000.
3. Depreciation charged for the year on Machinery in arriving at the Operating profit was €36,000.

**You are required to:**

- (a) Prepare the Cash Flow Statement of Regan plc for the year ended 31/12/2009 including Reconciliation Statement(s). (48)
- (b) State **two** benefits to a business of preparing a Cash Flow Statement. (6)
- (c) Explain why profit does not always mean a corresponding increase in cash. (6)

**(60 marks)**