

2. Cash Flow Statement

The following are the Balance Sheets of Norris 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.

Abridged Profit and Loss Account for the year ended 31/12/2009

			€	
Operating Profit			179,000	
Interest for the year			<u>(18,000)</u>	
Profit before taxation			161,000	
Taxation for the year			<u>(43,000)</u>	
Profit after taxation			118,000	
Dividends paid			<u>(64,000)</u>	
Retained profits for the year			54,000	
Retained profits on 01/01/2009			<u>182,000</u>	
Retained profits on 31/12/2009			<u>236,000</u>	
Balance Sheet as at		31/12/2009		31/12/2008
Fixed Assets	€	€	€	€
Land and Buildings at cost	800,000		725,000	
Less accumulated depreciation	<u>(60,000)</u>	740,000	<u>(50,000)</u>	675,000
Machinery at cost	380,000		450,000	
Less accumulated depreciation	<u>(200,000)</u>	<u>180,000</u>	<u>(175,000)</u>	<u>275,000</u>
		920,000		950,000
Financial Assets				
Quoted Investments		60,000		25,000
Current Assets				
Stock	212,000		194,000	
Debtors	188,000		180,000	
Government Securities	15,000		–	
Bank	–		6,000	
Cash	<u>3,000</u>		<u>2,000</u>	
	<u>418,000</u>		<u>382,000</u>	
Less Creditors: amounts falling due within 1 year				
Trade creditors	280,000		255,000	
Interest due	5,000		–	
Taxation	45,000		40,000	
Bank	<u>9,000</u>		<u>–</u>	
	<u>(339,000)</u>		<u>(295,000)</u>	
Net Current Assets		<u>79,000</u>		<u>87,000</u>
		<u>1,059,000</u>		<u>1,062,000</u>
Financed by				
Creditors: amounts falling due after more than 1 year				
10% Debentures		140,000		220,000
Capital and Reserves				
Ordinary Shares at €1 each	680,000		660,000	
Share Premium	3,000		–	
Profit and loss account	<u>236,000</u>	<u>919,000</u>	<u>182,000</u>	<u>842,000</u>
		<u>1,059,000</u>		<u>1,062,000</u>

The following information is also available:

- There were no disposals of buildings during the year but new buildings were acquired.
- There were no purchases of machinery during the year. Machinery was disposed of for €30,000.
- Depreciation charged for the year on Machinery in arriving at the operating profit was €55,000.

You are required to:

- Prepare the Cash Flow Statement of Norris plc for the year ended 31/12/2009 including Reconciliation Statements. (48)
- Outline the benefits of preparing a Cash Flow Statement.
 - Distinguish between a cash expense and a non cash expense. (12)

(60 marks)