

7. Cash Flow Statement

The following are the Balance Sheets of Danton plc as at 31/12/2010 and 31/12/2011:

Balance Sheets as at	31/12/2011		31/12/2010	
	€	€	€	€
Fixed Assets				
Land & buildings	850,000		780,000	
Less accumulated depreciation	<u>(120,000)</u>	730,000	<u>(110,000)</u>	670,000
Machinery	349,000		230,000	
Less accumulated depreciation	<u>(225,000)</u>	<u>124,000</u>	<u>(165,000)</u>	<u>65,000</u>
		854,000		735,000
Financial Assets				
Quoted investments		60,000		60,000
Current Assets				
Stocks	111,000		135,000	
Debtors	380,000		180,000	
Government securities	60,000			
Bank	75,000		22,000	
Investment income due	<u>3,000</u>		<u>2,000</u>	
	<u>629,000</u>		<u>339,000</u>	
Less Creditors: amounts falling due within 1 year				
Trade creditors	107,000		93,000	
Corporation tax	110,000		45,000	
Interest due	<u>10,000</u>		<u>15,000</u>	
	<u>227,000</u>	<u>402,000</u>	<u>153,000</u>	<u>186,000</u>
		<u>1,316,000</u>		<u>981,000</u>
Financed by				
Creditors: amounts falling due after more than one year				
10% Debentures (€50,000 redeemed on 31/12/2011)		200,000		250,000
Capital and Reserves				
Ordinary shares @ €1 each	800,000		600,000	
Share premium	120,000		100,000	
Profit and Loss account	<u>196,000</u>	<u>1,116,000</u>	<u>31,000</u>	<u>731,000</u>
		<u>1,316,000</u>		<u>981,000</u>

The following information is also available for the year 2011:

- (i) Buildings, which cost €90,000 were disposed of at a profit of €13,000.
- (ii) There were no disposals of machinery during the year.
- (iii) The quoted investments yield a fixed return of 5% per annum.
- (iv) The total dividend for the year was 5c per share.
- (v) Depreciation charged for the year in arriving at operating profit included €12,000 on buildings.
- (vi) Corporation tax due at 31/12/2010 was paid in full.

You are required to:

- (a) (i) Prepare an Abridged Profit & Loss account to ascertain the operating profit for the year ending 31/12/2011.
- (ii) Prepare the Cash Flow statement for Danton plc for the year ending 31/12/2011, including Reconciliation Statements. (88)
- (b) (i) Explain why earning profit does not always result in a corresponding increase in cash balances. Use figures from this question to support your answer.
- (ii) Outline **two** responsibilities of the Directors of a plc. (12)

(100 marks)