

Question 2

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(a)

Reconciliation of operating profit to net cash flow from operating activities

	€	
Operating Profit	185,000	[2]
Depreciation charge for the year	60,000	[3]
Loss on sale of machinery	25,000	[5]
Increase in stock	(23,000)	[2]
Increase in debtors	(8,000)	[2]
Increase in creditors	<u>5,000</u>	[2]
Net cash inflow from operating activities	<u>244,000</u>	[2]

CASH FLOW STATEMENT of Doyle plc for the year ended 31/12/2013

	€	€
Operating activities		
Net cash inflow from operating activities		244,000
Returns on investments and servicing of finance [1]		
Interest on debentures paid		(13,000) [3]
Taxation		
Corporation tax paid		(40,000) [3]
Capital expenditure and financial investment [1]		
Investments	(20,000) [2]	
Payment to acquire tangible fixed assets	(75,000) [2]	
Receipts from sale of fixed assets	<u>30,000</u> [2]	(65,000)
Equity dividends paid [1]		
Dividends paid during the year		<u>(60,000)</u> [1]
Net cash inflow before liquid resources and financing		66,000 [2]
Management of liquid resources [1]		
Purchase of Government Securities		(20,000) [1]
Financing [1]		
Repayment of debentures	(80,000) [1]	
Receipt from issue of shares	20,000 [1]	
Receipt from share premium	<u>4,000</u> [1]	<u>(56,000)</u>
Decrease in cash		<u>(10,000)</u> [4]

Reconciliation of net cash flow to movement in net debt

Decrease in cash during the period	(10,000) [1]
Cash used to purchase Government Securities	20,000 [1]
Cash used to purchase debentures	<u>80,000</u> [1]
Change in net debt	90,000
Net debt 1/1/2013	<u>(232,000)</u> [1]
Net debt 31/12/2013	<u>(142,000)</u> [1]

(b)

(i) [6]

Doyle plc has generated €9,000 [€244,000 - €185,000] more cash inflow during the year because:

Depreciation €60,000 and loss on sale of machinery €25,000 reduce profit but had no effect on cash inflow.

An increase in creditors during the year increases cash inflow by €5,000 but has nil effect on profit.

The increase in debtors and stock during the year of €8,000 and €23,000 respectively also contributed to a reduction in net cash inflow but have no effect on profits.

(ii) [3]

Accounting Obligations of a large public company

Provide a full set of accounts, balance sheet and a cash flow statement to shareholders at AGM

File/register a full set of accounts and balance sheet with the registrar of companies

Provide explanatory notes to these accounts

Must have its accounts audited

They must also present an annual report to the company shareholders at its AGM. This report should include a director's report, an auditor's report as well as the published accounts.

Question 2 – workings

Depreciation

Depreciation provision on machinery 1/1/2013	250,000
Add Depreciation charge for the year on machinery	<u>40,000</u>
	290,000
Less Depreciation provision on machinery 31/12/2013	<u>270,000</u>
Depreciation on disposed machine	<u>20,000</u>

Loss on disposal of fixed assets

Cost of machine disposed - [495,000 – 420,000]	75,000
Depreciation on disposed machine	<u>20,000</u>
Book value	55,000
Less receipts from sale	<u>30,000</u>
Loss on disposal	<u>(25,000)</u>

Taxation

Taxation due 31/12/2012	75,000
Taxation for year 2013	<u>45,000</u>
	120,000
Less taxation due 31/12/2013	<u>(80,000)</u>
Tax paid	<u>40,000</u>

Interest

Interest due 31/12/2012	--
Interest for year 2013	<u>16,000</u>
	16,000
Less interest due 31/12/2013	<u>(3,000)</u>
Interest paid	<u>13,000</u>