

6. Cash Flow Statement

The following are the Balance Sheets of Quig plc as at 31/12/2013 and 31/12/2014.

Balance Sheets as at	31/12/2014		31/12/2013	
	€	€	€	€
Fixed Assets				
Cost	640,000		470,000	
Less accumulated depreciation	(200,000)	440,000	(80,000)	390,000
Financial Assets				
Investments at cost		100,000		200,000
Current Assets				
Stock	350,000		295,000	
Debtors	170,000		110,000	
Less bad debt provision	(8,500)		(5,500)	
Government Securities	56,000		-----	
Cash	34,000		60,000	
	<u>601,500</u>		<u>459,500</u>	
Less Creditors: amounts falling due within 1 year				
Trade creditors	202,000		235,000	
Bank	18,000		31,000	
Taxation	55,000		47,000	
	<u>275,000</u>	<u>326,500</u>	<u>313,000</u>	<u>146,500</u>
		<u>866,500</u>		<u>736,500</u>
Financed by				
Creditors: amounts falling due after more than one year				
10% Debentures		180,000		130,000
Capital and Reserves				
Ordinary shares @ €1 each	310,000		250,000	
Share premium	15,000		-----	
Profit and Loss account	<u>361,500</u>	<u>686,500</u>	<u>356,500</u>	<u>606,500</u>
		<u>866,500</u>		<u>736,500</u>

The following information is also available:

- 60,000 shares were issued at €1.25 per share.
- Fixed assets, which cost €50,000 and on which total depreciation of €25,000 had been provided were sold for €30,000.
- €50,000 Debentures were issued on 01/01/2014
- Dividends paid during the year amounted to €55,000.
- Taxation charge on profits for the year 2014 was €65,000
- Investments which cost €100,000 were sold for cash at their book value.

Required:

- (a) (i) Prepare an Abridged Profit & Loss account to ascertain the operating profit for the year ending 31/12/2014. (88)
- (ii) Prepare the Cash Flow Statement of Quig plc for the year ending 31/12/2014, including Reconciliation statements. (12)
- (b) (i) Outline the purposes of cash flow statements. (12)
- (ii) Explain, why having earned a profit during 2014, the company's cash balance declined. (12)

(100 marks)