

4. Cash Flow Statement

The following are the Balance Sheets of Ace plc as at 31/12/2015 and 31/12/2016, together with an abridged Profit and Loss account for the year ended 31/12/2016.

Abridged Profit and Loss Account for year ended 31/12/2016	€
Operating profit	175,000
Interest for the year	(16,000)
Profit before taxation	159,000
Taxation for the year	(50,000)
Profit after taxation	109,000
Dividends paid	(55,000)
Retained profits for the year	54,000
Retained profits on 01/01/2016	170,000
Retained profits on 31/12/2016	224,000

Balance Sheet as at	31/12/2016		31/12/2015	
Fixed Assets	€	€	€	€
Land and Buildings at cost	880,000		760,000	
Less accumulated depreciation	(90,000)	790,000	(70,000)	690,000
Machinery at cost	360,000		430,000	
Less accumulated depreciation	(170,000)	190,000	(150,000)	280,000
		980,000		970,000
Financial Assets				
Quoted investments at cost		80,000		50,000
Current Assets				
Stock	230,000		195,000	
Debtors	150,000		135,000	
Government Securities	15,000		—	
Bank	—		7,000	
Cash	5,000		3,000	
	400,000		340,000	
Less Creditors: amounts falling due within 1 year				
Trade creditors	280,000		260,000	
Interest due	4,000		—	
Taxation	75,000		60,000	
Bank	11,000		—	
	(370,000)		(320,000)	
Net Current Assets		30,000		20,000
		1,090,000		1,040,000
Financed by				
Creditors: amounts falling due after more than 1 year				
8% Debentures		200,000		250,000
Capital and Reserves				
Ordinary Shares @ €1 each	660,000		620,000	
Share Premium	6,000		—	
Profit and Loss account	224,000	890,000	170,000	790,000
		1,090,000		1,040,000

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 €25,000.
- Depreciation charged for the year on machinery in arriving at the operating profit was €60,000.

You are required to:

- (a) Prepare the Cash Flow Statement of Ace plc for the year ended 31/12/2016 including Reconciliation Statements. (48)
- (b) (i) Outline **three** responsibilities of the directors of a plc.
(ii) Distinguish between a 'cash gain' and a 'non-cash gain', giving **one** example of each. (12)
- (60 marks)**