

## 4. Cash Flow Statement

(60)

- (a) Prepare the Cash Flow Statement of Ace plc for the year ended 31/12/2016 including Reconciliation Statements.

**Reconciliation of Operating Profit to Net Cash Inflow  
from Operating Activities**

(18)

		€	
Operating Profit		175,000	(1)
Depreciation charge for the year (1)▪	W1	80,000	(3)
Loss on sale of machinery (1)▪	W2	5,000	(4)
Increase in Stock (1)▪		(35,000)	(1)
Increase in Debtors (1)▪		(15,000)	(1)
Increase in Creditors (1)▪		20,000	(1)
Net Cash Inflow from Operating Activities		<u>230,000</u>	(2)

- Accept correct figure only.
- Allow 1 mark for correct word(s) even if figure is incorrect or omitted.

**Cash Flow Statement (of Ace plc)  
for the year ended 31/12/2016**

(25)

		€	
<u>Operating Activities</u>			
Net Cash Inflow from Operating Activities		230,000	(1)
<u>Returns on Investments and Servicing of Finance (1)</u>			
Interest paid	W3	(12,000)	(3)
<u>Taxation (1)</u>			
Corporation tax paid	W4	(35,000)	(3)
<u>Capital Expenditure and Financial Investment (1)</u>			
Payments to acquire investments		(30,000)	(2)
Payments to acquire tangible fixed assets		(120,000)	(2)
Receipts from sale of fixed assets		<u>25,000</u>	(2) (125,000)
<u>Equity Dividends Paid (1)</u>			
Dividends paid during the year		(55,000)	(1)
Net Cash Inflow before Liquid Resources and Financing		<u>3,000</u>	
<u>Management of Liquid Resources (1)</u>			
Purchase of Government securities		(15,000)	(1)
<u>Financing (1)</u>			
Repayment of debentures		(50,000)	(1)
Receipts from issue of shares		40,000	(1)
Receipts from share premium		<u>6,000</u>	(1) (4,000)
Decrease in Cash		<u>(16,000)</u>	(1)

- Allow full marks for student's own figure if consistent with previous work.
- Accept correct word(s) with correct figure only.
- \*\* No penalty for headings out of sequence.
- \*\* Penalise 1 mark for each item under the incorrect heading, up to a maximum deduction of -4.

**Reconciliation of Net Cash Flow  
to Movement in Net Debt**

(5)

		€	
Decrease in cash during the period		(16,000)	(1)
Cash used to purchase liquid resources		15,000	(1)
Cash used to repurchase debentures		<u>50,000</u>	(1)
Change in Net Debt		49,000	
Net Debt at 01/01/2016		(240,000)	(1)
Net Debt at 31/12/2016		<u>(191,000)</u>	(1)

- Allow full marks for student's own figure if consistent with previous work.
- Accept correct word(s) with correct figure only.

## 4. Cash Flow Statement (cont'd.)

(a) (cont'd.)

<b>Workings:</b>		€			€
<b>W1</b>	Depreciation charge for the year		<b>W3</b>	Interest paid	
	Machinery	60,000 (1)		Payments during the year	16,000 (1)
	Buildings [€90,000 – €70,000]	<u>20,000 (2)</u>		– Interest due at 31/12/2016	<u>4,000 (2)</u>
	Total depreciation charge for the year	<u>80,000</u>		Total interest charge for the year	<u>12,000</u>
<b>W2</b>	Sale of Machinery		<b>W4</b>	Taxation paid	
	Cost of Machinery sold	70,000 (1)		Payments during the year	50,000 (1)
	– Acc. Dep. [€60,000 – €20,000]	<u>(40,000)(2)</u>		+ Taxation due 01/01/2016	<u>60,000 (1)</u>
	Book value on date of sale	30,000			110,000
	– Receipts for disposal of Machinery	<u>(25,000)(1)</u>		– Taxation due 31/12/2016	<u>(75,000)(1)</u>
	Loss on Sale of Machinery	<u>5,000</u>		Total taxation charge for the year	<u>35,000</u>

(b) (i) Outline **three** responsibilities of the directors of a plc. (6)

Any 3: (3 × 2)

- to comply with the Companies Acts //
- to keep proper accounting records enabling financial statements to be prepared //
- to prepare annual financial statements //
- to ensure that all financial statements are signed off by two directors //
- to select suitable accounting policies //
- to safeguard the assets of the company //
- to publish Final Accounts and Cash Flow Statement at least once a year //
- to present an Annual Report to shareholders at the AGM to include:
  - (1) Directors' Report, (2) Auditor's Report, (3) Financial Statements // etc.

- \*\* Figures in brackets show the breakdown of marks if answer incomplete.
- \*\* Accept student's own wording if equivalent meaning conveyed.
- \*\* Accept other appropriate answers.

(ii) Distinguish between a 'cash gain' and a 'non-cash gain', giving **one** example of each. (6)**1** Cash gain

- ① Definition (2)
  - gain which increases both profits and cash
- ② Example
  - Any 1: (1)
  - investment income //
  - rental income //
  - discount received // etc.

**2** Non-cash gain

- ① Definition (2)
  - gain which increases profits but not cash
- ② Example
  - Any 1: (1)
  - profit on the sale of a fixed asset //
  - reduction in the provision for bad debts //
  - patents written off // etc.

- \*\* Accept student's own wording if equivalent meaning conveyed.
- \*\* Accept other appropriate examples.