

7. Cash Flow Statement

The following are the balance sheets of Jackson plc as at 31/12/2017 and 31/12/2018.

Balance Sheets as at	31/12/2018		31/12/2017	
	€	€	€	€
Intangible Assets				
Goodwill		55,000		66,000
Fixed Assets				
Fixed assets at cost	650,000		550,000	
Less accumulated depreciation	<u>(125,000)</u>	525,000	<u>(80,000)</u>	470,000
Financial Assets				
Quoted investments		<u>40,000</u>		<u>40,000</u>
		620,000		576,000
Current Assets				
Stock	107,500		89,000	
Cash	4,000		850	
Debtors	54,000		56,000	
Provision for bad debts	(1,600)		(1,200)	
Government securities	27,000		-----	
Investment interest due	<u>2,100</u>		<u>1,800</u>	
	<u>193,000</u>		<u>146,450</u>	
Less creditors: amounts falling due within 1 year				
Creditors	64,000		72,000	
Bank overdraft	15,000		25,000	
Taxation	55,000		51,200	
Interest payable due	<u>1,400</u>		<u>2,000</u>	
	<u>135,400</u>	<u>57,600</u>	<u>150,200</u>	<u>(3,750)</u>
		<u>677,600</u>		<u>572,250</u>
Financed by:				
Creditors: amounts falling due after 1 year				
8% Debentures	120,000		80,000	
Capital and Reserves				
Ordinary shares @ €1 each	510,000		450,000	
Share premium	12,000		-----	
Profit and loss account	<u>35,600</u>		<u>42,250</u>	
		<u>677,600</u>		<u>572,250</u>

The following information is also available:

- (i) The shares were issued at €1.20 per share on 01/01/2018.
- (ii) Fixed assets which cost €70,000 and on which total depreciation of €27,000 had been provided, were sold for €41,300.
- (iii) Debentures, €40,000, were issued on 30/09/2018.
- (iv) The total dividend paid for the year was 6c per share.
- (v) Taxation charged on profits for the year was €51,000.
- (vi) The quoted investments yield a fixed return of 6% per annum.
- (vii) Goodwill is to be amortised over a six year period, commencing in 2018.

Required:

- (a)** (i) Prepare an abridged profit and loss account to ascertain the operating profit for the year ending 31/12/2018.
- (ii) Prepare the cash flow statement of Jackson plc for the year ended 31/12/2018 including reconciliation statements.

(88)

- (b)** (i) Explain what is meant by a non-cash item.
Give **three** examples, using the figures provided.
- (ii) Explain **two** items that affect cash but not profit.

(12)

(100 marks)