
Cashflow Statements

Theory

Dublin Examining Board

QUESTIONS

1. (i) Outline the purposes of Cash Flow Statements.
- (ii) Outline two responsibilities of the directors of a plc. (4)
2. State two items of information that must be included in a Directors' Report. (4)

2019

3. Outline three responsibilities of the directors of a plc. (6)
4. Distinguish between a 'cash gain' and a 'non-cash gain', giving one example of each (6)

2017

5. Outline the benefits of preparing a Cash Flow Statement (6)
6. Distinguish between a 'cash gain' and a 'non-cash gain', giving one example of each (6)

2014

7. State two benefits to a business of preparing a Cash Flow Statement. (6)
8. Explain why profit does not always mean a corresponding increase in cash. (6)

2010

SUGGESTED SOLUTIONS**2019**

Outline the purposes of Cash Flow Statements. (ii) Outline two responsibilities of the directors of a plc.(4)

Any 2: (2 × 2)

1. to show that profits do not always (1) equal cash (1)
2. to show the cash inflows and outflows (1) during the past year (1)
3. to help financial (1) planning (1) / to help predict future (1) cash flows (1)
4. to provide information to help assess current (1) liquidity / solvency (1)
5. to aid applications (1) for loans and/or grants (1)

State two items of information that must be included in a Directors' Report (4)

Any 2: (2 × 2)

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

2017

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

Any 3: (3 × 2)

1. to comply with the Companies Acts
2. to keep proper accounting records enabling financial statements to be prepared
3. to prepare annual financial statements

4. to ensure that all financial statements are signed off by two directors
5. to select suitable accounting policies
6. to safeguard the assets of the company
7. to publish Final Accounts and Cash Flow Statement at least once a year
8. to present an Annual Report to shareholders at the AGM to include:
 - a. Directors' Report,
 - b. Auditor's Report,
 - c. Financial Statements

Distinguish between a 'cash gain' and a 'non-cash gain', giving one example of each (6)

Cash Gain Definition (2) - gain which increases both profits and cash

Example Any 1: - investment income (1)
 - rental income
 - discount received

Non-Cash Gain Definition (2) - gain which increases profits but not cash

Example Any 1: - profit on the sale of a fixed asset (1)
 - reduction in the provision for bad debts
 - patents written off

2014

Outline the benefits of preparing a Cash Flow Statement (6)

Any 2: (2 × 3)

1. to show the cash inflows and outflows (2) during the past year (1)
2. to help financial (1) planning (2) / to help predict future cash flows
3. to provide information to help assess current (1) liquidity (2)
4. to show that profits do not always (1) equal cash (2)

Distinguish between a 'cash gain' and a 'non-cash gain', giving one example of each (6)

Cash gain Definition (2) - gain which increases both profits and cash

Example Any 1: - investment income (1)
 - rental income
 - discount received

Non-cash gain Definition (2) - gain which increases profits but not cash

Example Any 1:

- profit on the sale of a fixed asset (1)
- reduction in the provision for bad debts
- patents written off

2010

State two benefits to a business of preparing a Cash Flow Statement. (6)

Any 2: (2 × 3)

1. to show the cash inflows and outflows during the past year
2. to help predict future cash flows
3. to help financial planning
4. to provide information to help assess liquidity
5. to show that profits do not equal cash
6. to comply with legal requirements

Explain why profit does not always mean a corresponding increase in cash. (6)

Any 2: (2 × 3)

1. non-cash losses and gains affect profit but not cash
2. purchase and sales of fixed assets affect cash but not profit
3. introduction or withdrawal of capital in cash affects cash but not profit
4. credit sales/purchases affect profit but do not affect cash