

Paul Robbins training and consultancy

Financial Statements of Limited Companies

Statement of Cash Flows – Exercise 2 **Model Answer**

You have been asked to prepare the Statement of Cash Flows and Statement of Changes in Equity for Wentworth Ltd for the year ended 31 March 20X5.

The most recent Statement of Profit or Loss and Statement of Financial Position (with comparatives for the previous year) of Wentworth Ltd are set out below.

Wentworth Ltd

Statement of Profit or Loss for the Year Ended 31 March 20X5

Continuing Operations	£000
Revenue	306
Cost of Sales	(147)
Gross Profit	159
Dividends Received	12
Profit on Disposal of Property, Plant and Equipment	5
Distribution Costs	(42)
Administrative Expenses	(58)
Profit from Operations	76
Finance Costs	(15)
Profit Before Tax	61
Tax	(17)
Profit for the Year from Continuing Operations	44

Wentworth Ltd

Statement of Financial Position as at 31 March 20X5

	20X5 £000	20X4 £000
ASSETS		
Non-Current Assets		
Property Plant and Equipment	329	286
Current Assets		
Inventories	136	111
Trade Receivables	125	103
Cash and Cash Equivalents	51	24
	312	238
Total Assets	641	524
EQUITY AND LIABILITIES		
Equity		
Share Capital	260	220
Share Premium	55	45
Retained Earnings	132	99
Total Equity	447	364
Non-Current Liabilities		
Bank Loans	89	63
	89	63
Current Liabilities		
Trade Payables	88	82
Tax Liabilities	17	15
Bank Overdraft	0	0
	105	97
Total Liabilities	194	160
Total Equity and Liabilities	641	524

Further Information:

- *The total depreciation charge for the year was £23,000*
- *Property, Plant and Equipment costing £30,000 with accumulated depreciation of £24,000 was sold in the year*
- *All sales and purchases were on credit. Other expenses were paid for in cash*
- *A dividend of £11,000 was paid during the year.*

Required:

- *Draft a Reconciliation of Profit Before Tax to Net Cash from Operating Activities for Wentworth Ltd for the year ended 31 March 20X5*
- *Draft the Statement of Cash Flows for Wentworth Ltd for the year ended 31 March 20X5*
- *Draft the Statement of Changes in Equity for Wentworth Ltd for the year ended 31 March 20X5*

Reconciliation of Profit Before Tax to Net Cash from Operating Activities

	£000
<i>Profit Before Tax</i>	<i>61</i>
<i>Adjustments For:</i>	
<i>Depreciation</i>	<i>23</i>
<i>Profit on Disposal of PPE</i>	<i>(5)</i>
<i>Finance Costs</i>	<i>15</i>
<i>Adjustment in Respect of Inventories</i>	<i>(25)</i>
<i>Adjustment in Respect of Trade Receivables</i>	<i>(22)</i>
<i>Adjustment in Respect of Trade Payables</i>	<i>6</i>
<i>Dividends Received</i>	<i>(12)</i>
<i>Cash Generated By Operations</i>	<i>41</i>
<i>Tax Paid</i>	<i>(15)</i>
<i>Interest Paid</i>	<i>(15)</i>
<i>Net Cash From Operations</i>	<i>11</i>

Statement of Cash Flows for the Year Ended 31 March 20X5

	£000
Net Cash From Operations	11
Investing Activities	
Dividends Received	12
Proceeds on Disposal of PPE	11
Purchases of PPE	(72)
Net Cash Used In / From Investing Activities	(49)
Financing Activities	
Increase in Bank Loan	26
Proceeds of Share Issue	50
Dividends Paid	(11)
Net Cash Used In / From Financing Activities	65
Net Increase / Decrease in Cash and Cash Equivalents	27
Cash and Cash Equivalents at Beginning of the Year	24
Cash and Cash Equivalents at the End of the Year	51

Statement of Changes in Equity for the Year Ended 31 March 20X5

	Share Capital £000	Share Premium £000	Revaluation Surplus £000	Retained Earnings £000	Total Equity £000
<i>Balance at Start of the Year</i>	220	45	0	99	364
<u><i>Changes in Equity:</i></u>					
<i>Profit for the Year</i>				44	44
<i>Dividends</i>				(11)	(11)
<i>Issue of Share Capital</i>	40	10			50
<i>Balance at end of the Year</i>	260	55	0	132	447