

Question

Prepare a statement of cash flows

Set out below are the financial statements of Emma Co. You are the financial controller, faced with the task of implementing IAS 7 *Statement of cash flows*.

EMMA CO

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 20X2

	\$'000
Revenue	2,553
Cost of sales	(1,814)
Gross profit	739
Other income: interest received	25
Distribution costs	(125)
Administrative expenses	(264)
Finance costs	(75)
Profit before tax	300
Income tax expense	(140)
Profit for the year	<u>160</u>

EMMA CO

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER

	20X2 \$'000	20X1 \$'000
Assets		
Non-current assets		
Property, plant and equipment	380	305
Intangible assets	250	200
Investments	—	25
Current assets		
Inventories	150	102
Receivables	390	315
Short-term investments	50	—
Cash in hand	2	1
Total assets	<u>1,222</u>	<u>948</u>
Equity and liabilities		
Equity		
Share capital (\$1 ordinary shares)	200	150
Share premium account	160	150
Revaluation surplus	100	91
Retained earnings	260	180
Non-current liabilities		
Long-term loan	170	50
Current liabilities		
Trade payables	127	119
Bank overdraft	85	98
Taxation	120	110
Total equity and liabilities	<u>1,222</u>	<u>948</u>

The following information is available.

- The proceeds of the sale of non-current asset investments amounted to \$30,000.
- Fixtures and fittings, with an original cost of \$85,000 and a net book value of \$45,000, were sold for \$32,000 during the year.
- The following information relates to property, plant and equipment.

	31.12.20X2 \$'000	31.12.20X1 \$'000
Cost	720	595
Accumulated depreciation	340	290
Net book value	<u>380</u>	<u>305</u>

- 50,000 \$1 ordinary shares were issued during the year at a premium of 20c per share.
- The short-term investments are highly liquid and are close to maturity.
- Dividends of \$80,000 were paid during the year.

EMMA Co

CASH FLOW STATEMENT FOR Y/E 31-12-X2

\$'000

\$'000

CASHFLOWS FROM OPERATING ACTIVITIES:

Operating profit (300 + 75 - 25)	350
Depreciation (W1)	90
Loss on sale of fixtures (45 - 32)	13
Profit on sale of investment (30 - 25)	(5)

Increase in stocks	(48)
Increase in debtors	(75)
Increase in trade creditors	8

Net cash flow from operations 332

Interest paid (W2)	(75)
Tax paid (W2)	(130)

NET CASHFLOW FROM OPERATING ACTIVITIES 128

CASHFLOW FROM INVESTING ACTIVITIES:

Payments to acquire property, plant + equipment (W2)	(201)
Payments to acquire intangible assets (250 - 200)	(50)
Proceeds from sale of fixtures	32
Proceeds from sale of investments	30
Interest received	25

NET CASHFLOW FROM INVESTING ACTIVITIES (164)

CASHFLOW FROM FINANCING ACTIVITIES

Proceeds from issue of shares (50 + 10)	60
Proceeds from issue of loan (170 - 50)	120
Dividends paid	(80)
NET CASHFLOW FROM FINANCING ACTIVITIES	100

INCREASE IN CASH + CASH EQUIVALENTS 64

	\$1000	\$1000
CASH + CASH EQUIVALENTS AT 1-1 (1-98)		(97)
CASH + CASH EQUIVALENTS AT 31-12 (2-85 + 50)		<u>(33)</u>

N1) DEPRECIATION

	\$'000
BAC AT 1-1	290
Charged for the year (BAC FIG)	90 *
On disposals (85 - 45)	(40)
BAC AT 31-12	<u>340</u>

N2) TAX

	\$'000
BAC AT 1-1	110
Charged for the year (p+1)	140
CASH PAID (BAC FIG)	(130)
BAC AT 31-12	<u>120</u>

N3) TANGIBLE Fixed ASSETS

	\$'000
BAC AT 1-1	595
ADDITIONS (BAC FIG)	201
DISPOSALS	(85)
REVALUATION IN Year (100 - 91)	9
BAC AT 31-12	<u>720</u>