

Chapter 14

Example 1

Non-current asset			
Balance b/f	410,000	Depreciation	40,000
Acquisitions	195,000	Disposals	20,000
(balancing figure)		Telephone	
		Balance c/f	545,000
	<u>605,000</u>		<u>605,000</u>

Statement of Cash Flows

	\$	\$
<i>Cash flows from operating activities</i>		
Operating profit	101,000	
Depreciation	40,000	
Profit on sale of non-current assets	(10,000)	
	<u>131,000</u>	
Increase in inventories	(9,000)	
Increase in receivables	(8,000)	
Increase in payables	28,000	
Cash generated from operations	<u>142,000</u>	
Interest paid	(1,000)	
Taxation paid	(49,000)	
Dividends paid	<u>(16,000)</u>	
Net cash from operating activities		76,000
<i>Cash flows from investing activities</i>		
Purchase of non-current assets	(195,000)	
Sale of non-current assets	<u>30,000</u>	
		(165,000)
<i>Cash flows from financing activities</i>		
Proceeds from issue of shares	<u>70,000</u>	
Net cash from financing activities		<u>70,000</u>
Net increase in cash		(19,000)
Cash and cash equivalents b/f		64,000
Cash and cash equivalents c/f		<u>45,000</u>



Example 2**Direct Method**

	\$
Cash received from customers (235,000 + 1,200,000 – 259,000 – 14,000)	1,162,000
Cash paid to suppliers (840,000 + 160,000 – 168,000 – 140,000 + 138,000)	(830,000)
Cash paid to employees	(42,000)
Other cash payments (120,000 – 36,000 – 42,000 + 6,000 – 14,000)	(34,000)
	<u>\$256,000</u>

Indirect Method

	\$
Operating profit	240,000
Depreciation	36,000
Profit on sale	(6,000)
	<u>270,000</u>
Increase in Inventory	(20,000)
Increase in Receivables	(24,000)
Increase in Payables	30,000
	<u>\$256,000</u>

Chapter 15**Example 1****Cash a/c**

Balance	11,820	Bank charges	20
Error in payment	900	Dishonoured cheque	200
		Balance	12,500
	<u>12,720</u>		<u>12,720</u>
Balance	12,500		

Bank reconciliation statement

Balance at bank	150,000
Add: Lodgements not credited	4,000
Less: Unpresented cheques	(6,500)
Balance per cash account	<u>\$12,500</u>

