



**Accounting  
Leaving Certificate  
Higher Level**

**Past exam questions on  
Cash Flow**

4 **Cash Flow Statement**

The following are the balance sheets of Creation Plc as at 31/12/2002 and 31/12/2003, together with an abridged profit and loss account for the year ended 31/12/2003:

The following are the balance sheets of Creation Plc as at 31/12/2002 and 31/12/2003, together with an abridged profit and loss account for the year ended 31/12/2003:

<b>Abridged Profit and Loss Account for the year ended 31/12/2003</b>		€		
Operating profit			150,600	
Interest for year			<u>(10,600)</u>	
Profit before taxation			140,000	
Taxation for year			<u>(47,000)</u>	
Profit after taxation			93,000	
Dividends - Interim	23,000			
- Proposed	<u>48,000</u>		<u>(71,000)</u>	
Retained profits for the year			22,000	
Retained profits on 1/1/2003			<u>189,000</u>	
Retained profits on 31/12/2003			<u>211,000</u>	
<b>Balance Sheets as at</b>	<b>31/12/2003</b>		<b>31/12/2002</b>	
<b>Fixed Assets</b>	€	€	€	€
Land and buildings at cost	800,000		725,000	
Less accumulated depreciation	<u>(75,000)</u>	725,000	<u>(60,000)</u>	665,000
Machinery at cost	380,000		450,000	
Less accumulated depreciation	<u>(190,000)</u>	<u>190,000</u>	<u>(170,000)</u>	<u>280,000</u>
		915,000		945,000
<b>Financial Assets</b>				
Quoted investments		120,000		90,000
<b>Current Assets</b>				
Stock	225,000		208,000	
Debtors	212,000		184,000	
Bank	-		12,000	
Cash	<u>3,000</u>		<u>1,000</u>	
	<u>440,000</u>		<u>405,000</u>	
<b>Less Creditors: amounts falling due within 1 year</b>				
Trade creditors	253,000		230,000	
Interest due	1,400		-	
Taxation	51,000		44,000	
Dividends	48,000		37,000	
Bank	<u>8,600</u>		<u>-</u>	
	<u>(362,000)</u>		<u>(311,000)</u>	
<b>Net Current Assets</b>		<u>78,000</u>		<u>94,000</u>
		<u>1,113,000</u>		<u>1,129,000</u>
<b>Financed by</b>				
<b>Creditors: amounts falling due after more than 1 year</b>				
8% Debentures		50,000		160,000
<b>Capital and Reserves</b>				
€1 Ordinary shares	840,000		780,000	
Share premium	12,000		-	
Profit and loss account	<u>211,000</u>	<u>1,063,000</u>	<u>189,000</u>	<u>969,000</u>
		<u>1,113,000</u>		<u>1,129,000</u>

The following information is also available:

- 1 There were no disposals of buildings during the year but new buildings were acquired.
- 2 There were no purchases of machinery during the year. Machinery was disposed of for €24,000.
- 3 Depreciation charged for the year on machinery in arriving at the operating profit was €55,000.

**You are required to:**

- (a) Reconcile the operating profit to net cash inflow from operating activities (20)
- (b) Prepare the cash flow statement of Creation Plc for the year ended 31/12/2003. (30)
- (c) Explain why profit does not always mean a corresponding increase in cash and list two non cash items. (10)

**(60 marks)**

### 3. Cash Flow Statement

The following are the Balance Sheets of Butler Plc as at 31/12/2004 and 31/12/2005, together with an abridged Profit and Loss account for the year ended 31/12/2005:

<b>Abridged Profit and Loss Account for the year ended 31/12/2005</b>		€
Operating profit		140,000
Interest for year		<u>(8,000)</u>
Profit before taxation		132,000
Taxation for year		<u>(45,000)</u>
Profit after taxation		87,000
Dividends - Interim	21,000	
- Proposed	<u>45,000</u>	<u>(66,000)</u>
Retained profits for the year		21,000
Retained profits on 1/12/2005		<u>191,000</u>
Retained profits on 31/12/2005		<u><u>212,000</u></u>

<b>Balance Sheets as at</b>	<b>31/12/2005</b>		<b>31/12/2004</b>	
<b>Fixed Assets</b>	€	€	€	€
Land and buildings at cost	825,000		750,000	
Less accumulated depreciation	<u>(95,000)</u>	730,000	<u>(80,000)</u>	670,000
Machinery at cost	400,000		470,000	
Less accumulated depreciation	<u>(202,000)</u>	198,000	<u>(180,000)</u>	290,000
		928,000		960,000
<b>Financial Assets</b>				
Quoted investments		130,000		100,000
<b>Current Assets</b>				
Stock	220,000		205,000	
Debtors	200,000		190,000	
Government securities	12,000		-	
Bank	-		10,000	
Cash	<u>2,000</u>		<u>1,000</u>	
	<u>434,000</u>		<u>406,000</u>	
<b>Less Creditors: amounts falling due within 1 year</b>				
Trade creditors	250,000		228,000	
Interest due	1,200		-	
Taxation	50,000		43,000	
Dividends	45,000		34,000	
Bank	<u>6,800</u>		<u>-</u>	
	<u>(353,000)</u>		<u>(305,000)</u>	
<b>Net Current Assets</b>		<u>81,000</u>		<u>101,000</u>
		<u>1,139,000</u>		<u>1,161,000</u>
<b>Financed by</b>				
<b>Creditors: amounts falling due after more than 1 year</b>				
9% Debentures		75,000		180,000
<b>Capital and Reserves</b>				
€1 Ordinary shares	830,000		790,000	
Share premium	22,000		-	
Profit and loss account	<u>2 12,000</u>	<u>1,064,000</u>	<u>19 1,000</u>	<u>98 1,000</u>
		<u>1,139,000</u>		<u>1,161,000</u>

The following information is also available:

- 1 There were no disposals of Buildings during the year but new Buildings were acquired.
- 2 There were no purchases of Machinery during the year. Machinery was disposed of for €35,000.
- 3 Depreciation charged for the year on Machinery in arriving at the Operating profit was €60,000.

**You are required to:**

- (a) Prepare the Cash Flow Statement of Butler Plc for the year ended 31/12/2005 including Reconciliation Statement(s). (48)
- (b) Explain why Cash Flow Statements are prepared. (8)
- (c) Identify a Non Cash expense and a Non Cash gain. (4)

**(60 marks)**

## Q6 2008

### **6**     Cash Flow Statement

The following are the Balance Sheets of Hayes Plc as at 31/12/2006 and 31/12/2007.

<b>Balance Sheets as at</b>	<b>31/12/2007</b>		<b>31/12/2006</b>	
	€	€	€	€
<b>Fixed Assets</b>				
Cost	620,000		490,000	
<u>Less accumulated depreciation</u>	<u>(220,000)</u>	400,000	<u>(100,000)</u>	390,000
<b>Financial Assets</b>				
Investments at cost		200,000		300,000
<b>Current Assets</b>				
Stocks	360,000		252,000	
Debtors	170,000		110,000	
Government Securities	70,000			
<u>Cash</u>	<u>50,000</u>		<u>70,000</u>	
	<u>650,000</u>		<u>432,000</u>	
<b>Less Creditors: amounts falling due within 1 year</b>				
Trade creditors	214,000		247,000	
Bank	20,000		34,000	
<u>Taxation</u>	<u>48,000</u>		<u>39,000</u>	
	<u>282,000</u>	368,000	<u>320,000</u>	112,000
		<u>968,000</u>		<u>802,000</u>
<b>Financed by</b>				
<b>Creditors: amounts falling due after more than one year</b>				
10% Debentures		170,000		120,000
<b>Capital and Reserves</b>				
Ordinary shares @ €1 each	290,000		230,000	
Share premium	18,000			
<u>Profit and Loss account</u>	<u>490,000</u>	798,000	<u>452,000</u>	682,000
		<u>968,000</u>		<u>802,000</u>

The following information is also available:

- (i) 60,000 shares were issued at €1.30 per share.
- (ii) Fixed assets, which cost €60,000 and on which total depreciation of €30,000 had been provided, were sold for €40,000.
- (iii) €50,000 Debentures were issued on 1/1/2007.
- (iv) Dividends paid during the year amounted to €54,000.
- (v) Taxation charge on profits for year 2007 was €60,000.
- (vi) Investments which cost €100,000 were sold for cash at their book value.

**You are required to:**

- (a) (i) Prepare an Abridged Profit & Loss account to ascertain the operating profit for the year ending 31/12/2007 (85)  
(ii) Prepare the Cash Flow statement for Hayes Plc for the year ending 31/12/2007, including Reconciliation statements.
- (b) (i) Explain why earning profit does not always result in a corresponding increase in cash balances.  
(ii) Write a note on the Accounting Standards Board. In your answer refer to the main activity of the Board and how it has influenced the preparation of Cash Flow statements. (15)

**(100 marks)**

Q22010

2. **Cash Flow Statement**

The following are the Balance Sheets of Norris plc as at 31/12/2008 and 31/12/2009 together with an abridged Profit and Loss account for the year ended 31/12/2009.

**Abridged Profit and Loss Account for the year ended 31/12/2009**

	€			
Operating Profit				179,000
Interest for the year				<u>(18,000)</u>
Profit before taxation				161,000
Taxation for the year				<u>(43,000)</u>
Profit after taxation				118,000
Dividends paid				<u>(64,000)</u>
Retained profits for the year				54,000
Retained profits on 01/01/2009				<u>182,000</u>
Retained profits on 31/12/2009				<u>236,000</u>
<b>Balance Sheet as at</b>		<b>31/12/2009</b>		<b>31/12/2008</b>
<b>Fixed Assets</b>	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
Land and Buildings at cost	800,000		725,000	
Less accumulated depreciation	<u>(60,000)</u>	740,000	<u>(50,000)</u>	675,000
Machinery at cost	380,000		450,000	
Less accumulated depreciation	<u>(200,000)</u>	<u>180,000</u>	<u>(175,000)</u>	<u>275,000</u>
		920,000		950,000
<b>Financial Assets</b>				
Quoted Investments		60,000		25,000
<b>Current Assets</b>				
Stock	212,000		194,000	
Debtors	188,000		180,000	
Government Securities	15,000		-	
Bank	-		6,000	
Cash	<u>3,000</u>		<u>2,000</u>	
	<u>418,000</u>		<u>382,000</u>	
<b>Less Creditors: amounts falling due within 1 year</b>				
Trade creditors	280,000		255,000	
Interest due	5,000		-	
Taxation	45,000		40,000	
Bank	<u>9,000</u>		<u>-</u>	
	<u>(339,000)</u>		<u>(295,000)</u>	
<b>Net Current Assets</b>		<u>79,000</u>		<u>87,000</u>
		<u>1,059,000</u>		<u>1,062,000</u>
<b>Financed by</b>				
<b>Creditors: amounts falling due after more than 1 year</b>				
10% Debentures		140,000		220,000
<b>Capital and Reserves</b>				
Ordinary Shares at €1 each	680,000		660,000	
Share Premium	3,000		-	
Profit and loss account	<u>236,000</u>	<u>919,000</u>	<u>182,000</u>	<u>842,000</u>
		<u>1,059,000</u>		<u>1,062,000</u>

The following information is also available:

1. There were no disposals of buildings during the year but new buildings were acquired.
2. There were no purchases of machinery during the year. Machinery was disposed of for €30,000.
3. Depreciation charged for the year on Machinery in arriving at the operating profit was €55,000.

**You are required to:**

- (a) Prepare the Cash Flow Statement of Norris plc for the year ended 31/12/2009 including Reconciliation Statements. (48)
- (b) (i) Outline the benefits of preparing a Cash Flow Statement. (12)
- (ii) Distinguish between a cash expense and a non cash expense. (12)

(60 marks)

## Q7 2012

### 7. Cash Flow Statement

The following are the Balance Sheets of Danton plc as at 31/12/2010 and 31/12/2011:

Balance Sheets as at	31/12/2011		31/12/2010	
	€	€	€	€
<b>Fixed Assets</b>				
Land & buildings	850,000		780,000	
Less accumulated depreciation	<u>(120,000)</u>	730,000	<u>(110,000)</u>	670,000
Machinery	349,000		230,000	
Less accumulated depreciation	<u>(225,000)</u>	<u>124,000</u>	<u>(165,000)</u>	<u>65,000</u>
		854,000		735,000
<b>Financial Assets</b>				
Quoted investments		60,000		60,000
<b>Current Assets</b>				
Stocks	111,000		135,000	
Debtors	380,000		180,000	
Government securities	60,000			
Bank	75,000		22,000	
Investment income due	<u>3,000</u>		<u>2,000</u>	
	<u>629,000</u>		<u>339,000</u>	
<b>Less Creditors: amounts falling due within 1 year</b>				
Trade creditors	107,000		93,000	
Corporation tax	110,000		45,000	
Interest due	<u>10,000</u>		<u>15,000</u>	
	<u>227,000</u>	<u>402,000</u>	<u>153,000</u>	<u>186,000</u>
		<u>1,316,000</u>		<u>981,000</u>
<b>Financed by</b>				
<b>Creditors: amounts falling due after more than one year</b>				
10% Debentures (€50,000 redeemed on 31/12/2011)		200,000		250,000
<b>Capital and Reserves</b>				
Ordinary shares @ €1 each	800,000		600,000	
Share premium	120,000		100,000	
Profit and Loss account	<u>196,000</u>	<u>1,116,000</u>	<u>31,000</u>	<u>731,000</u>
		<u>1,316,000</u>		<u>981,000</u>

The following information is also available for the year 2011:

- (i) Buildings, which cost €90,000 were disposed of at a profit of €13,000.
- (ii) There were no disposals of machinery during the year.
- (iii) The quoted investments yield a fixed return of 5% per annum.
- (iv) The total dividend for the year was 5c per share.
- (v) Depreciation charged for the year in arriving at operating profit included €12,000 on buildings.
- (vi) Corporation tax due at 31/12/2010 was paid in full.

**You are required to:**

- (a) (i) Prepare an Abridged Profit & Loss account to ascertain the operating profit for the year ending 31/12/2011.
- (ii) Prepare the Cash Flow statement for Danton plc for the year ending 31/12/2011, including Reconciliation Statements. (88)
- (b) (i) Explain why earning profit does not always result in a corresponding increase in cash balances. Use figures from this question to support your answer.
- (ii) Outline **two** responsibilities of the Directors of a plc. (12)

**(100 marks)**