

**Aufgabe 10.7: Statement of Cash Flows via reconciliation**

(Kapitalflussrechnung aus einer Überleitungsrechnung)

NONWEILER Ltd. is a production firm. It produces and sells plastic boxes to other companies. The bookkeeper provides you the information below for 20X3:

- (1) Opening value for materials 30,000.00 EUR (materials is for the boxes)
- (2) Purchases of materials for the boxes on credit during 20X3: 137,000.00 EUR.
- (3) Payments to the suppliers for purchases: 50% of the 137,000.00 EUR mentioned above
- (4) Direct labour, fully paid: 230,000.00 EUR
- (5) Depreciation on machinery for 20X3: 40,000.00 EUR
- (6) Interest paid fully: 18,000.00 EUR
- (7) Sales of boxes for 500,000.00 EUR, paid at a ratio of 80% by the customers. The remaining amount is to be paid later.
- (8) Closing stock of boxes: 54,000.00 EUR

**Required: Set up a statement of cash flows. Calculate the operating cash flow by reconciliation statement. Determine the total cash flow and compare your result with the Bank/Cash account in order to check your computation! Ignore VAT!**

**Lösung (Solution):**

Firstly, information about the revenue and the profit is required. For that reason the computation starts by a Profit and loss account (taxation is not required for this task):

P&L-Account			
D			C
20X3	[EUR]	20X3	[EUR]
Purch	137.000,00	Sales	500.000,00
OV mat	30.000,00	Δ inv.	54.000,00
Labour	230.000,00		
Depr.	40.000,00		
Interest	18.000,00		
NP (c/d)	99.000,00		
	<u>554.000,00</u>		<u>554.000,00</u>
TaxL	29.700,00		<u>99.000,00</u>
R/E	69.300,00		
	<u>99.000,00</u>		<u>99.000,00</u>

**Exhibit 1: P&L-Account**

Besides the profit and loss information the business activities are affecting balance sheet items, namely:

- (a) No inventory of raw materials
- (b) In the liability section there is a credit entry in the A/P account after the purchase on credit to be 137,000.00 EUR

- (c) The payment to the suppliers reduces the amount owe the suppliers by 50 % and is  $137,000 \cdot 50\% = \mathbf{68,500.00 \text{ EUR}}$  then.
- (d) The sales is 500,000.00 EUR. 20 % of the amount are not paid and are to be displayed on the face of the statement of financial position as A/R:  $500,000 \cdot 20\% = \mathbf{100,000.00 \text{ EUR}}$ .
- (e) The closing stock of finished goods is 54,000.00 EUR. The total of changes in inventory is accordingly  $54,000 - 30,000 = \mathbf{24,000.00 \text{ EUR}}$ .

The operating cash flow is determined by the computation below:

<b>Nonweiler Ltd's RECONCILIATION of EARNINGS before TAXATION with CFoA for year ended 31.12.20X3</b>	
Profit for the period	99.000,00
add: depreciation	40.000,00
	<u>139.000,00</u>
Finance payments	18.000,00
	<u>157.000,00</u>
Changes in working capital	
(1) Changes in A/R	(100.000,00)
(2) Changes in inventory	(24.000,00)
(3) Changes in A/P	68.500,00
	<u>101.500,00</u>
Changes in VAT	
(1) VAT receivable	0,00
(2) VAT payable	0,00
<b>Operating cash flow</b>	<b><u>101.500,00</u></b>

**Exhibit 2:** Calculation of operating cash flow

The total cash flow is  $101,500 - 18,000 = \mathbf{83,500.00 \text{ EUR}}$ .

In order to check the result the bank/cash account is displayed in exhibit 20:

D		Bank/Cash		C	
20x3	[EUR]	20x3	[EUR]		
Sales	400.000,00	Purchase	68.500,00		
		Labour	230.000,00		
		Interest	18.000,00		
		c/d	83.500,00		
	<u>400.000,00</u>		<u>400.000,00</u>		
b/d	83.500,00				

**Exhibit 3:** Bank/Cash account