

Aufgabe QR-10.10: Direkte Methode mit Vergleich von Ein- und Auszahlungen (Direct Method with Comparison of Cash Inflow and Cash Outflow)

BODORP (Pty) Ltd is a marketing consultancy. The company has 10 consultants and 5 back office employees. See the statement of financial position for BODORP below as at 1.01.20X6:

BODORP (Pty) Ltd's STATEMENT of FINANCIAL POSITION as at eoy 20X5			
A		C,L	
<i>Non-c. assets</i>	[EUR]	<i>SHs' capital</i>	[EUR]
P,P,E	200.000	Issued capital	50.000
Int. assets		Other reserves	435.000
Financial asset	100.000	Retained ear.	0
<i>Current assets</i>		<i>Liabilities</i>	
Inventory		Int. bear. liab.	50.000
A/R	200.000	A/P	85.000
Prepaid exp.	50.000	Provisions	
Cash	100.000	Def. income	
		Tax liabilities	30.000
	<u>650.000</u>		<u>650.000</u>

Exhibit 1: Statement of Financial Position

During fiscal year 20X6 BODORP worked on 200 projects and earned a revenue 1,200,000.00 EUR (net amount, you have to consider VAT). At the end of the year only 40 % of the revenue has been paid. The remaining amount is posted to A/R (accounts receivable). During 20X6 90 % of the opening amount for A/R was collected. BODORP invested in new computers for the back office workers: They acquired 5 new laptops 2,400.00 EUR each (gross amount). The useful life for laptops is 2 years. Use straight line method for depreciation. No other asset is written off in 20X6. The company earned an interest from the financial assets which are bonds issued by the county of Lower Saxony. Coupon rate of the bonds (100,000.00 EUR is the fair value and par value at the same time) is 5.00 %. BODORP pays an 8.00 % interest rate on their bank loans which nominal value is 50,000.00 EUR. There is no pay-off in 20X6. BODORP's employees earn 4,000.00 EUR/month as a consultant and 2,000.00 EUR as a back office clerk. Payments take place on 25th of the previous month. The prepaid expenses in the statement of financial position result from labour. In 20X6 BODORP paid half of the short term liabilities. It paid all tax liabilities resulting from previous years (30,000.00 EUR).

Required: (a) Set up a cash flow statement for 20X6 along the direct method with comparison of payments from customers and payments to suppliers and employees. Do not consider an appropriation of profit.

Lösung (Solution)

It is not required to set up a statement of comprehensive income and a statement of financial position but it makes the calculation of operating cash flows easier than single calculations:

D		PPE	C
OV	200.000,00	c/d	210.000,00
(3)	10.000,00		
	<u>210.000,00</u>		<u>210.000,00</u>
b/d	210.000,00		

D		Fin Assets	C
OV	100.000,00	c/d	100.000,00
b/d	100.000,00		

D		A/R	C
OV	200.000,00	(2)	180.000,00
(1)	864.000,00	c/d	884.000,00
	<u>1.064.000,00</u>		<u>1.064.000,00</u>
b/d	884.000,00		

D		Prepaid Exp	C
OV	50.000,00	(7)	50.000,00
(9)	50.000,00	c/d	50.000,00
	<u>100.000,00</u>		<u>100.000,00</u>
b/d	50.000,00		

D		Cash	C
OV	100.000,00	(3)	12.000,00
(1)	576.000,00	(6)	4.000,00
(2)	180.000,00	(8)	600.000,00
(5)	5.000,00	(10)	42.500,00
		(11)	30.000,00
		c/d	172.500,00
	<u>861.000,00</u>		<u>861.000,00</u>
b/d	172.500,00		

D		SCap	C
		OV	50.000,00

D		Res	C
c/d	435.000,00	OV	435.000,00
		b/d	435.000,00

D		IBL	C
c/d	50.000,00	OV	50.000,00
		b/d	50.000,00

D		A/P	C
(10)	42.500,00	OV	85.000,00
c/d	42.500,00		
	<u>85.000,00</u>	b/d	85.000,00
			42.500,00

D		Tax Liab	C
(11)	30.000,00	OV	30.000,00
c/d	178.000,00	P&L	178.800,00
		b/d	178.000,00

D		VAT	C
(3)	2.000,00	(1)	240.000,00
c/d	238.000,00		
	<u>240.000,00</u>	b/d	240.000,00
			238.000,00

D		Sales Rev	C
P&L	1.200.000,00	(1)	1.200.000,00

D		Interest	C
(6)	4.000,00	(5)	5.000,00
c/d	1.000,00		
	<u>5.000,00</u>		<u>5.000,00</u>
P&L	1.000,00	b/d	1.000,00

D		Acc Depr	C
c/d	5.000,00	(4)	5.000,00
		b/d	5.000,00

D		Depr	C
(4)	5.000,00	P&L	5.000,00

D		Labour	C
(7)	50.000,00	(9)	50.000,00
(8)	600.000,00	P&L	600.000,00
	<u>650.000,00</u>		<u>650.000,00</u>

D		P&L	C
Labour	600.000,00	Sales	1.200.000,00
Depr	5.000,00	Int	1.000,00
EBT	596.000,00		
	<u>1.201.000,00</u>		<u>1.201.000,00</u>
Tax	178.800,00	b/d	596.000,00
R/E	417.200,00		
	<u>596.000,00</u>		<u>596.000,00</u>

D		R/E	C
c/d	417.200,00	P&L	417.200,00
		b/d	417.200,00

Exhibit 2: Accounts

Accounts	Trial Balance		Adjustments		Adj T/B	
	DR	CR	DR	CR	DR	CR
PPE	210.000,00				210.000,00	
Fin Assets	100.000,00				100.000,00	
A/R	884.000,00				884.000,00	
Prepaid expenses			50.000,00		50.000,00	
Cash	172.500,00				172.500,00	
Scap		50.000,00				50.000,00
Reserves		435.000,00				435.000,00
IBL		50.000,00				50.000,00
A/P		42.500,00				42.500,00
Tax liability						178.800,00
VAT		238.000,00				238.000,00
Sales		1.200.000,00				0,00
Interest earned		1.000,00			0,00	
Acc Depr				5.000,00		5.000,00
Depr			5.000,00		0,00	
Labour	650.000,00			50.000,00	0,00	
R/E						417.200,00
	2.016.500,00	2.016.500,00	55.000,00	55.000,00	1.416.500,00	1.416.500,00

Exhibit 3: Work sheet

Accounts	I/S		B/S	
	DR	CR	DR	CR
PPE			210.000,00	
Fin Assets			100.000,00	
A/R			884.000,00	
Prepaid expenses			50.000,00	
Cash			172.500,00	
Scap				50.000,00
Reserves				435.000,00
IBL				50.000,00
A/P				42.500,00
Tax liability	178.800,00			178.800,00
VAT				238.000,00
Sales		1.200.000,00		
Interest earned		1.000,00		
Acc Depr				5.000,00
Depr	5.000,00			
Labour	600.000,00			
R/E				
	783.800,00	1.201.000,00	1.416.500,00	999.300,00
Net income	417.200,00			417.200,00
	1.201.000,00	1.201.000,00	1.416.500,00	1.416.500,00

Exhibit 3: Work sheet (continued)

**BODORP (Pty) Ltd's
STATEMENT of FINANCIAL POSITION
as at eoy 20X6**

A			C,L
<i>Non-c. assets</i>	[EUR]	<i>SHs' capital</i>	[EUR]
P,P,E	205.000	Issued capital	50.000
Int. assets		Other reserves	435.000
Financial asset	100.000	Retained ear.	417.200
<i>Current assets</i>		<i>Liabilities</i>	
Inventory		Int. bear. liab.	50.000
A/R	884.000	A/P	280.500
Prepaid exp.	50.000	Provisions	
Cash	172.500	Def. income	
		Tax liabilities	178.800
	<u>1.411.500</u>		<u>1.411.500</u>

Exhibit 4: Statement of financial position

Note: the amount for accounts payables results of the total of 42,500.00 EUR and VAT payables 238,000.00 EUR.

Bodorp (Pty) Ltd's COMPUTATION of OPERATING CASH FLOW for year ended 31.12.20X6			
	[EUR]		[EUR]
Cash receipt from customers			
Gross revenue	1.200.000,00		
Changes in A/R	<u>(684.000,00)</u>		
			516.000,00
Cash paid to suppliers			
Gross revenue	(1.200.000,00)		
Profit before taxation*	<u>596.000,00</u>		
Expenses for the year	<u>(604.000,00)</u>		
Interest received	(5.000,00)		
Interest paid	<u>4.000,00</u>		
	<u>(605.000,00)</u>		
Depreciation	5.000,00		
Profit on sale of non-current assets	0,00		
	<u>(600.000,00)</u>		
Changes in inventory			
Changes in Tax liabilities	(30.000,00)		
Changes in A/P**	<u>197.500,00</u>		
	<u>(432.500,00)</u>		<u>(432.500,00)</u>
Cash flow from operating activities			83.500,00

Exhibit 5: Calculation of operating cash flows

*Note: the consideration of the pre-tax profit means that no tax payment resulting of the actual accounting period is relevant. Accordingly BODORP recognizes a tax liability on the face of the statement of financial position. Tax payments from previous periods (here: 30,000.00 EUR) are to be considered as cash outflow, see above.

**Note: The consideration of VAT excludes the input VAT for the computers (2,000.00 EUR). That amount is recognized in the investing cash flow.

**Bodorp (Pty) Ltd's
STATEMENT of CASH FLOWS
for 20X6**

	20X2
	[EUR]
CF from operating activities	
CF see working	83.500,00
	<u>83.500,00</u>
CF from investing activities	
Computers	(12.000,00)
	<u>(12.000,00)</u>
CF from financing activities	
Interest received	5.000,00
Interest paid	(4.000,00)
	<u>1.000,00</u>
Total cash flow:	<u>72.500,00</u>

Exhibit 6: Statement of cash flows

In order to check the result determine the total cash flow by comparison of the B/S items: $172,500 - 100,000 = 72,500.00 \text{ EUR}$.