

### Aufgabe QR-10.2: Direkte Methode mit Überleitungsrechnung (Direct Method via Reconciliation of Cash Flows)

(To do this task you should read pages 254ff.)

HEYWHA TAILOR Ltd. produces high priced T-shirts with special logos printed under licence on the fabric. The business was established in January 20X2 and prepared the balance sheet shown below at the end of fiscal year 20X5.

| Heywha Tailor Ltd's       |                      |                     |                |
|---------------------------|----------------------|---------------------|----------------|
| A                         | B/S as at 31.12.20X5 |                     | C,L            |
| <b>Non-current Asset:</b> | [EUR]                | <b>SH's capital</b> | [EUR]          |
| P,P,E                     | 200.000              | Issued capital      | 50.000         |
| Int. assets               |                      | Other reserves      | 300.000        |
| Financial assets          |                      | R/E                 | 0              |
| <b>Current Assets</b>     |                      | <b>Liabilities</b>  |                |
| Inventory                 | 100.000              | Int. bear. liab.    | 200.000        |
| A/R                       | 50.000               | A/P                 |                |
| Prepaid exp.              |                      | Provisions          |                |
| Cash                      | 200.000              | Def. income         |                |
|                           |                      | Tax liabilities     |                |
|                           | <u>550.000</u>       |                     | <u>550.000</u> |

**Exhibit 1:** Balance Sheet as at 31.12.20X5

In 20X6 HEYWHA TAILOR Ltd. bought a new printing machine 420,000.00 EUR (gross amount) and agreed in a contract to pay at the end of 20X6. For reasons of financing HEYWHA TAILOR Ltd. took a bank loan 350,000.00 EUR. Interest rate is 6 % and to be considered for the period July ... December 20X6. Assume interest is to be paid on cash.

Depreciation for machinery already in use is 20 % of carrying amount. For the new machine depreciation is 50,000.00 EUR.

During 20X6 the entity collected half of the receivables (25,000.00 EUR) recognized on the face of the balance sheet as at 31.12.20X5.

HEYWHA TAILOR Ltd. purchased fabrics 240,000.00 EUR on credit. At the end of year 20X6 the business ran a stock count and determined a closing stock of raw materials (fabric) 25,000.00 EUR. Inventories shown in the balance sheet as at EOY 20X5 were raw materials as well. Closing stock of finished goods at EOY 20X6 is 53,000.00 EUR.

To increase capital HEYWHA TAILOR Ltd. made an issue of fresh shares. They issued 10,000 shares with a face value 5.00 EUR. The issue price was 7.80 EUR that is the fair market value at issue date. Consider that there were enough applicants to sell all shares offered.

HEYWHA TAILOR Ltd. paid 20,000.00 EUR for the bank loan recognized in the balance sheet as at 31.12.20X5. The amount contains 5,000.00 EUR interest and 15,000.00 EUR pay off.

HEYWHA TAILOR made a cash sales 480,000.00 EUR during 20X6.

Required: Set up a full cash flow statement by reconciliation method. Consider income tax rate 30 % and VAT rate 20%. Income tax and VAT is to be paid in the next accounting period (20X7).

### Lösung: (Solution)

(1) Acquisition of machinery

|                                 |            |     |
|---------------------------------|------------|-----|
| <b>DR P, P, E at cost</b> ..... | 350,000.00 | EUR |
| <b>DR VAT</b> .....             | 70,000.00  | EUR |
| <b>CR Cash</b> .....            | 420,000.00 | EUR |

(2) Financing of machinery

|  |            |     |
|--|------------|-----|
| <b>DR Cash</b> .....                       | 350,000.00 | EUR |
| <b>CR Interest bearing liability</b> ..... | 350,000.00 | EUR |

(3) Interest for new bank loan

|                          |           |     |
|--------------------------|-----------|-----|
| <b>DR Interest</b> ..... | 10,500.00 | EUR |
| <b>CR Cash</b> .....     | 10,500.00 | EUR |

(4) Depreciation on old machinery

|                            |           |     |
|----------------------------|-----------|-----|
| <b>DR Depr.</b> .....      | 40,000.00 | EUR |
| <b>CR Acc. Depr.</b> ..... | 40,000.00 | EUR |

(5) Depreciation on new machine

|                            |           |     |
|----------------------------|-----------|-----|
| <b>DR Depr</b> .....       | 50,000.00 | EUR |
| <b>CR Acc. Depr.</b> ..... | 50,000.00 | EUR |

(6) A/R collection

|                      |           |     |
|----------------------|-----------|-----|
| <b>DR Cash</b> ..... | 25,000.00 | EUR |
| <b>CR A/R</b> .....  | 25,000.00 | EUR |

(7) Purchases of raw materials

|                              |            |     |
|------------------------------|------------|-----|
| <b>DR RM inventory</b> ..... | 200,000.00 | EUR |
| <b>DR VAT</b> .....          | 40,000.00  | EUR |
| <b>CR A/P</b> .....          | 240,000.00 | EUR |

(8) Consumption of raw materials

|                                   |            |     |
|-----------------------------------|------------|-----|
| <b>DR Material expenses</b> ..... | 275,000.00 | EUR |
| <b>CR RM inventory</b> .....      | 275,000.00 | EUR |

(9) Finished goods consideration

|                                      |           |     |
|--------------------------------------|-----------|-----|
| <b>DR FG inventory</b> .....         | 53,000.00 | EUR |
| <b>CR Changes in inventory</b> ..... | 53,000.00 | EUR |

(10) Share issue

|                               |           |     |
|-------------------------------|-----------|-----|
| <b>DR Cash</b> .....          | 78,000.00 | EUR |
| <b>CR Share capital</b> ..... | 50,000.00 | EUR |
| <b>CR Reserves</b> .....      | 28,000.00 | EUR |

(11) Bank loan payment (old bank loan)

|  |           |     |
|--|-----------|-----|
| <b>DR Interest</b> .....                     | 5,000.00  | EUR |
| <b>DR Interest bearing liabilities</b> ..... | 15,000.00 | EUR |
| <b>CR Cash</b> .....                         | 20,000.00 | EUR |

(12) Sales on cash

|                         |            |     |
|-------------------------|------------|-----|
| <b>DR Cash</b> .....    | 480,000.00 | EUR |
| <b>CR VAT</b> .....     | 80,000.00  | EUR |
| <b>CR Revenue</b> ..... | 400,000.00 | EUR |

The income statement is displayed in exhibit 7:

**HEYWHA TAILOR Ltd's  
INCOME STATEMENT for 20X6**

|                              | [EUR]         |
|------------------------------|---------------|
| Revenue                      | 400.000       |
| Other income                 |               |
| Changes in inventory         | 53.000        |
| Work capitalized             |               |
| Raw Material used            | (275.000)     |
| Employee expense             | 0             |
| Depreciation                 | (90.000)      |
| Impairment of P,P,E          |               |
| Other Expenses               |               |
| Finance Costs                | (15.500)      |
| Profit before Taxes          | 72.500        |
| Income Tax Expenses          | (21.750)      |
| Deferred Tax                 | 0             |
| <i>Profit for the Period</i> | <u>50.750</u> |

**Exhibit 2:** Income statement for 20X6

The cash flow statement along reconciliation method is presented in exhibit 8.

**Heywha Ltd's CFS for 20X6**

|                                     | <b>20X6</b>              |
|-------------------------------------|--------------------------|
|                                     | [EUR]                    |
| <b>CF from operating activities</b> |                          |
| EBT                                 | 72.500,00                |
| add depreciation                    | 90.000,00                |
| add interest                        | 15.500,00                |
|                                     | <u>178.000,00</u>        |
| Changes in working capital          |                          |
| (1) A/R                             | 25.000,00                |
| (2) Changes in inventory            | 22.000,00                |
| (3) A/P                             | 240.000,00               |
|                                     | <u>465.000,00</u>        |
| Changes in VAT                      |                          |
| (1) VAT rec                         | (40.000,00)              |
| (2) VAT pay                         | 80.000,00                |
|                                     | <u>505.000,00</u>        |
| <b>CF from investing activities</b> |                          |
| Acquisition                         | (420.000,00)             |
|                                     | <u>(420.000,00)</u>      |
| <b>CF from financing activities</b> |                          |
| Bank loan                           | 350.000,00               |
| Interest                            | (10.500,00)              |
| Share issue                         | 78.000,00                |
| Bank rate                           | (20.000,00)              |
|                                     | <u>397.500,00</u>        |
| <b>Total cash flow:</b>             | <u><b>482.500,00</b></u> |

**Exhibit 3:** Cash flow statement for 20X6