

**Task IM-10.33: Preparing a Statement of Cash Flows, Reconciliation Method**

MERSCHEN (Pty) Ltd. is a dealership in South Africa. The company is established in 20X7. At the end of the Accounting period 20X7, MERSCHEN (Pty) Ltd. recorded the Bookkeeping entries below:

- (1) Issue of shares
- (2) Taking a bank loan
- (3) Payment of interest
- (4) Pay-off of the bank loan
- (5) Reclassification of pay-off to short-term liabilities
- (6) Purchase
- (7) Rent
- (8) Prepaid rent (reclassification)
- (9) Revenue
- (10) Acquisition of machinery
- (11) Depreciation of machinery

D	Cash/Bank C/B		C
(1)	100,000.00	(3)	1,000.00
(2)	50,000.00	(4)	5,000.00
(9)	270,000.00	(6)	102,000.00
		(7)	13,000.00
		(10)	120,000.00
c/d	7,000.00	(12)	186,000.00
	<u>427,000.00</u>		<u>427,000.00</u>
		b/d	7,000.00

D	Issued capital ISS	C
	(1)	100,000.00

D	Interst bearing liabilities IBL		C
(4)	5,000.00	(2)	50,000.00
(5)	5,000.00		
c/d	40,000.00		
	<u>50,000.00</u>		<u>50,000.00</u>
		b/d	<u>40,000.00</u>

D	Interest-20X7 INT	C
(3)	1,000.00	

D	<b>Short-term liabilities A/P</b>		C	D	<b>Purchase-20X7</b>		C
	(5)	5,000.00		(6)	85,000.00		
D	<b>Rent-20X7</b>		C	D	<b>Prepaid expenses PRE</b>		C
(7)	13,000.00	(8)	1,000.00	(8)	1,000.00		
		c/d	12,000.00				
	13,000.00		13,000.00				
b/d	12,000.00						
D	<b>Revenue-20X7</b>		C	D	<b>Accounts payables A/R</b>		C
	(9)	450,000.00		(9)	270,000.00		
D	<b>VAT</b>		C	D	<b>Depreciation-20X7 DPR</b>		C
(6)	17,000.00	(9)	90,000.00	(11)	10,000.00		
(10)	20,000.00						
c/d	53,000.00						
	90,000.00		90,000.00				
		b/d	53,000.00				
D	<b>Property, plant, equipment</b>		C	D	<b>Acc depr ACC</b>		C
(10)	100,000.00				(11)	10,000.00	
D	<b>Acc depr ACC</b>		C	D	<b>Labour-20X7 LAB</b>		C
	(11)	10,000.00		(12)	186,000.00		

**Exhibit: Accounts**

At the end of the Accounting period 20X7 the closing stock is 14,500.00 ZAR. Consider interest as a financing cash flow. All short-term liabilities are considered for operating cash flows, even if for pay-off payments to the bank.

**Required: Prepare a Profit and Loss account (10 marks) and a statement of cash flows per reconciliation of earnings after taxes with cash flows (35 marks).**

MERSCHEN (Pty) Ltd. ist ein südafrikanisches Handelsunternehmen. Das Unternehmen wird in 20X7 gegründet. Zu Beginn der Abrechnungsperiode 20X7 hat MERSCHEN (Pty) Ltd. die folgenden Buchungssätze aufgezeichnet:

- (1) Ausgabe von Aktien
- (2) Aufnehmen eines Kredits
- (3) Zinszahlung
- (4) Teilweise Tilgung des Kredits
- (5) Umbuchen der nächsten Tilgung in kurzfristige Verbindlichkeiten
- (6) Einkauf
- (7) Miete
- (8) Vorauszahlungen für Miete (Umbuchung)
- (9) Umsatz
- (10) Anschaffung von Maschinen
- (11) Abschreibung von Maschinen

D	Cash/Bank C/B		C
(1)	100,000.00	(3)	1,000.00
(2)	50,000.00	(4)	5,000.00
(9)	270,000.00	(6)	102,000.00
		(7)	13,000.00
		(10)	120,000.00
c/d	7,000.00	(12)	186,000.00
	<u>427,000.00</u>		<u>427,000.00</u>
		b/d	7,000.00

D	Issued capital ISS	C
	(1)	100,000.00

D	Interest bearing liabilities IBL	C
(4)	5,000.00	(2) 50,000.00
(5)	5,000.00	
c/d	40,000.00	
	<u>50,000.00</u>	<u>50,000.00</u>
		<u>40,000.00</u>
		b/d

D	Interest-20X7 INT	C
(3)	1,000.00	

D	<b>Short-term liabilities A/P</b>		C	D	<b>Purchase-20X7</b>		C
	(5)	5,000.00		(6)	85,000.00		
D	<b>Rent-20X7</b>		C	D	<b>Prepaid expenses PRE</b>		C
(7)	13,000.00	(8)	1,000.00	(8)	1,000.00		
		c/d	12,000.00				
	13,000.00		13,000.00				
b/d	12,000.00						
D	<b>Revenue-20X7</b>		C	D	<b>Accounts payables A/R</b>		C
	(9)	450,000.00		(9)	270,000.00		
D	<b>VAT</b>		C	D	<b>Depreciation-20X7 DPR</b>		C
(6)	17,000.00	(9)	90,000.00	(11)	10,000.00		
(10)	20,000.00						
c/d	53,000.00		90,000.00				
	90,000.00		90,000.00				
		b/d	53,000.00				
D	<b>Property, plant, equipment</b>		C	D	<b>Acc depr ACC</b>		C
(10)	100,000.00				(11)	10,000.00	
D	<b>Acc depr ACC</b>		C	D	<b>Labour-20X7 LAB</b>		C
	(11)	10,000.00		(12)	186,000.00		

**Exhibit: Accounts**

Zum Ende der Abrechnungsperiode 20X7 beträgt der Schlußbestand 14,500.00 ZAR. Berücksichtigen Sie Zinsen immer als Finanz-Cash flow. Alle kurzfristigen Schulden werden für den operativen Cash Flows berücksichtigt, auch wenn sie für die Tilgung des Kredits sind.

**Gefragt:** Erstellen Sie eine Gewinn- und Verlustrechnung (10 marks) und eine Kapitalflußrechnung per Überleitung des operative Cash Flows aus dem Nachsteuerergebnis. (35 marks).

**Solution:**

Accounts (not required):

D		Cash/Bank C/B	C
(1)	100,000.00	(3)	1,000.00
(2)	50,000.00	(4)	5,000.00
(9)	270,000.00	(6)	102,000.00
		(7)	13,000.00
		(10)	120,000.00
c/d	7,000.00	(12)	186,000.00
	<u>427,000.00</u>		<u>427,000.00</u>
		b/d	7,000.00

D		Issued capital ISS	C
c/d	<u>100,000.00</u>	(1)	<u>100,000.00</u>
		b/d	100,000.00

D		Interest bearing liabilities IBL	C
(4)	5,000.00	(2)	50,000.00
(5)	5,000.00		
c/d	<u>40,000.00</u>		
	<u>50,000.00</u>		<u>50,000.00</u>
		b/d	40,000.00

D		Interest-20X7 INT	C
(3)	<u>1,000.00</u>	P&L	<u>1,000.00</u>

D		Short-term liabilities A/P	C
c/d	<u>5,000.00</u>	(5)	<u>5,000.00</u>
		b/d	5,000.00

D		Purchase-20X7	C
(6)	<u>85,000.00</u>	T/A	<u>85,000.00</u>

D		Rent-20X7	C
(7)	13,000.00	(8)	1,000.00
		c/d	<u>12,000.00</u>
	<u>13,000.00</u>		<u>13,000.00</u>
b/d	12,000.00	P&L	12,000.00

D		Prepaid expenses PRE	C
(8)	<u>1,000.00</u>	c/d	<u>1,000.00</u>
b/d	1,000.00		

D Revenue-20X7 C	
T/A	450,000.00
(9)	450,000.00

D Accounts payables A/R C	
(9)	270,000.00
c/d	270,000.00
b/d	270,000.00

D VAT C	
(6)	17,000.00
(10)	20,000.00
c/d	53,000.00
	90,000.00
(9)	90,000.00
b/d	53,000.00

D Depreciation-20X7 DPR C	
(11)	10,000.00
P&L	10,000.00

D Property, plant, equipment C	
(10)	100,000.00
c/d	100,000.00
b/d	100,000.00

D Acc depr ACC C	
c/d	10,000.00
(11)	10,000.00
b/d	10,000.00

D Acc depr ACC C	
c/d	10,000.00
(11)	10,000.00
b/d	10,000.00

D Profit and Loss-20X7 P&L C	
PRC	85,000.00
GP	379,500.00
	464,500.00
LAB	186,000.00
DPR	10,000.00
RNT	12,000.00
INT	1,000.00
EBT	170,500.00
	209,000.00
ITL	51,150.00
R/E	119,350.00
	170,500.00

D Inventories INV C	
T/A	14,500.00
c/d	14,500.00
b/d	14,500.00

D Labour-20X7 LAB C	
(12)	186,000.00
P&L	186,000.00

D Retained earnings R/E C	
c/d	119,350.00
P&L	119,350.00
b/d	119,350.00

D Income tax liabilities ITL C	
c/d	51,150.00
P&L	51,150.00
b/d	51,150.00

Exhibit: Accounts

**Merschen Ltd.'s**  
**STATEMENT of CASH FLOWS**  
**for the period ended 31.12.20X7**

	[EUR]	[EUR]
<i>Cash flow from operating activities</i>		
EBT	119,350.00	
add Interest paid	1,000.00	
add Depreciation	10,000.00	
	<u>130,350.00</u>	
<i>changes in working capital</i>		
changes in A/R, prepaid expenses	(271,000.00)	
changes in inventory	(14,500.00)	
changes in A/P	56,150.00	
changes in VAT/r only materials	(17,000.00)	
changes in VAT/p	90,000.00	
		<u>(26,000.00)</u>
<i>Cash flow from investing activities</i>		
Investments	(120,000.00)	
		<u>(120,000.00)</u>
<i>Cash flow from financing activities</i>		
Share issue	100,000.00	
Bank loan	50,000.00	
Interest	(1,000.00)	
Pay-off	(10,000.00)	
		<u>139,000.00</u>
<b>Total cash flow</b>		<u><u>(7,000.00)</u></u>

**Exhibit:** Statement of cash flows (reconciliation)