

Task IM-10.34: Statements of Cash Flows, Reconciliation

ENDORF (Pty) Ltd. is an Accounting firm. The company prepares financial statements and business plans. It further audits financial statements. ENDORF (Pty) Ltd. is registered for VAT reduction. In 20X3, ENDORF (Pty) Ltd. disclosed the balance sheet as below:

Endorf (Pty) Ltd.'s STATEMENT of FINANCIAL POSITION as at 31.12.20X3			
A			C, L
<i>Non-current assets</i>	[EUR]	<i>Equity</i>	[EUR]
P, P, E	125,000.00	Share capital	50,000.00
Intangibles		Reserves	35,000.00
Financial assets		Retained earnings	
<i>Current assets</i>		<i>Liabilities</i>	
Inventory	2,500.00	Interest bear liab	
Accounts receivables		Accounts payables	40,000.00
Prepaid expenses	500.00	Provisions	
Cash/Bank	12,000.00	Tax liabilities	15,000.00
Total assets	140,000.00	Total equity and liab.	140,000.00

Exhibit 1: Balance sheet

The inventories on the balance sheet are for office materials. The Accounts Payables account contains the dividend to the shareholders to an extent of 35,000.00 EUR that is paid in 20X4. The Accounts Payables account contains 5,000.00 EUR of VAT difference that are to be paid in 20X4. Tax liabilities are paid in 20X4 to the full extent, too. The prepaid expenses result from office rent.

At the beginning of the Accounting period 20X4, ENDORF (Pty) Ltd. pays the dividend and the income taxes and the VAT payables it owes the shareholders and the revenue service.

During the Accounting period 20X4, ENDORF (Pty) Ltd. earned a revenue of 175,000.00 EUR (net amount). Half of the proceeds (gross amount) are paid by the customers on cash. The other half is paid in 20X5.

In 20X4, ENDORF (Pty) Ltd.'s landlord increases the monthly office rent from 500.00 EUR to 600.00 EUR. The increase is effective from 1.10.20X4. Rent is paid one month in advance. Accordingly, ENDORF (Pty) Ltd. pays 600.00 EUR rent in September 20X4 already. Rent is not subject to VAT.

Labour at ENDORF (Pty) Ltd. equals to 8,500.00 EUR/m. It is paid in the month it is for, meaning the payment takes place on the 15th day of the month.

In 20X4, ENDORF (Pty) Ltd. buys office materials to the extent of 5,500.00 EUR (net amount). The office materials are paid on cash. On 31.12.20X4, ENDORF (Pty) Ltd. takes stock and reveals office materials to the extent of 1,200.00 EUR are left over. (ENDORF (Pty) Ltd. does not trade office materials, it is an Accounting firm.)

Depreciation in 20X4 equals to 25,000.00 EUR.

Required (3rd semester): Prepare an income statement for ENDORF (Pty) Ltd. and a cash flow statement that ascertains the operating cash flow by reconciliation method based on the earnings after taxes.

Required (1st semester): Prepare an income statement, a balance sheet and a cash flow statement based on the direct method.

ENDORF (Pty) Ltd. ist eine Steuerberatungs- und Wirtschaftsprüfungsgesellschaft. Das Unternehmen erstellt Jahresabschlüsse und Planbilanzen. Weiterhin prüft es Jahresabschlüsse. ENDORF (Pty) Ltd. ist vorsteuerabzugsberechtigt.

In 20X3 zeigt die ENDORF (Pty) Ltd. die Bilanz wie unten dargestellt:

Endorf (Pty) Ltd.'s STATEMENT of FINANCIAL POSITION as at 31.12.20X3			
A			C, L
<i>Langfr. Vermögen</i>	[EUR]	<i>Eigenkapital</i>	[EUR]
Sachanlagen	125,000.00	Gez. Kapital	50,000.00
Imm. Vermögen		Rücklagen	35,000.00
Finanzvermögen		Bilanzgewinn	
<i>Kurzfr. Vermögen</i>		<i>Verbindlichkeiten</i>	
Vorräte	2,500.00	Bankschulden	
Forderungen		kurzfr. Verbindl.	40,000.00
Vorauszahlungen	500.00	Rückstellungen	
Cash/Bank	12,000.00	Steuerschulden	15,000.00
	140,000.00		140,000.00

Exhibit 1: Balance sheet

Die Vorräte in der Bilanz stammen von Büromaterial. Die kurzfr. Verbindlichkeiten enthalten den Dividendenanspruch der Anteilseigner i.H.v. 35.000,00 EUR, der in 20X4 gezahlt wird. Die Verbindlichkeiten enthalten weiter 5.000,00 EUR zu zahlenden Unterschiedsbetrag aus der Differenz von Umsatzsteuerschuld und Vorsteuer, der in 20X4 zu zahlen ist. Die Steuerschulden werden ebenfalls in 20X4 vollständig gezahlt. Die Vorauszahlungen stammen von der Büromiete.

Zu Beginn der Abrechnungsperiode 20X4 zahlt ENDORF (Pty) Ltd. die Dividende und die Ertragsteuern als auch die Schuld aus Umsatzsteuer, die es den Anteilseignern und den Finanzbehörden schuldet.

Während der Abrechnungsperiode 20X4 erwirtschaftet die ENDORF (Pty) Ltd. einen Umsatz i.H.v. 175.000,00 EUR (netto). Die Hälfte der Zahlungen (brutto), die aus Umsätzen resultieren, werden von den Kunden in bar gezahlt. Die andere Hälfte wird in 20X5 gezahlt.

Während 20X4 erhöht der Vermieter der ENDORF (Pty) Ltd. die monatliche Büromiete von 500,00 EUR auf 600,00 EUR. Die Mieterhöhung wird zum 1.10.20X4 wirksam. Miete wird einen Monat im Voraus gezahlt. Entsprechend überweist ENDORF (Pty) Ltd. 600,00 EUR Miete ab September. Miete ist nicht umsatzsteuerrelevant.

Die Löhne bei ENDORF (Pty) Ltd. betragen 8.500,00 EUR/m. Sie werden in dem Monat gezahlt, für den sie sind. Dieses bedeutet, dass die Zahlungen am 15. Tag eines jeden Monats stattfinden.

In 20X4 kauft die ENDORF (Pty) Ltd. Büromaterial i.H.v. 5.500,00 EUR (netto). Die Büromaterialien werden bar gezahlt. Am 31.12.20X4 führt die ENDORF (Pty) Ltd. eine Inventur durch, die einen Bestand an Büromaterialien i.H.v. 1.200,00 EUR ergibt. (ENDORF (Pty) Ltd. handelt nicht mit Büromaterial, es ist eine Steuerberatungs- und Wirtschaftsprüfungsgesellschaft.)

Die Abschreibung in 20X4 beträgt 25.000,00 EUR.

Gefragt (3rd semester): Erstellen Sie eine Gewinn- und Verlustrechnung und eine Kapitalflussrechnung, die den operative Cash Flow über eine Überleitungsrechnung aus dem Nachsteuerergebnis bestimmt.

Gefragt: (1st semester): Erstellen Sie eine Bilanz, eine Gewinn- und Verlustrechnung sowie eine Kapitalflussrechnung nach der direkten Methode.

Solution:

(1) Payment of income taxes

(2) Payment of dividend

(3) Payment of VAT

(4a) Accrual of rent: 500.00 EUR

(4b) Payment of rent: $8 \times 500 + 4 \times 600 = 6,400.00$ EUR.

(4c) Accrual of rent 600.00 EUR.

(5) Revenue recognition. The proceeds are: $175,000 \times 120\% = 210,000.00$ EUR.

DR Cash/Bank	105,000.00 EUR
DR Accounts Receivables	105,000.00 EUR
CR VAT	35,000.00 EUR
CR Revenue	175,000.00 EUR

(6) Payment for labour: $12 \times 8,500 = 102,000.00$ EUR.

(7a) Purchase of office materials: $5,500 \times 120\% = 6,600.00$ EUR.

DR Inventory	5,500.00 EUR
DR VAT	1,100.00 EUR
CR Cash/Bank	6,600.00 EUR

(7b) As office materials are left on stock to the extent of 1,200.00 EUR, materials expenses equal to: $2,500 + 5,500 - 1,200 = 6,800.00$ EUR.

DR Profit and Loss	6,800.00 EUR
CR Inventory	6,800.00 EUR

(8) Depreciation: 25,000.00 EUR.

The profit calculation gives the Profit and Loss account as below. Observe the balance sheet and the cash flow calculations too.

D		P, P, E	C	
OV	125,000.00	c/d	125,000.00	
b/d	125,000.00			

D		Inventory	C	
OV	2,500.00	P&L	6,800.00	
(7a)	5,500.00	c/d	1,200.00	
	8,000.00		8,000.00	
b/d	1,200.00			

D		Prepaid expenses	C	
OV	500.00	(4a)	500.00	
(4c)	600.00	c/d	600.00	
	1,100.00		1,100.00	
b/d	600.00			

D		Cash/Bank	C	
OV	12,000.00	(1)	15,000.00	
(5)	105,000.00	(2)	35,000.00	
		(3)	5,000.00	
		(4b)	6,400.00	
		(6)	102,000.00	
		(7a)	6,600.00	
c/d	53,000.00		170,000.00	
	170,000.00	b/d	53,000.00	

D		Issued capital	C	
c/d	50,000.00	OV	50,000.00	
		b/d	50,000.00	

D		Reserves	C	
c/d	35,000.00	OV	35,000.00	
		b/d	35,000.00	

D		Accounts payables	C	
(2)	35,000.00	OV	35,000.00	

D		Income tax liabilities	C	
(1)	15,000.00	OV	15,000.00	
c/d	10,470.00	P&L	10,470.00	
	25,470.00		25,470.00	
		b/d	10,470.00	

D		VAT	C	
(3)	5,000.00	OV	5,000.00	
(7a)	1,100.00	(5)	35,000.00	
c/d	33,900.00			
	40,000.00		40,000.00	
		b/d	33,900.00	

D		Rent	C	
(4a)	500.00	(4c)	600.00	
(4b)	6,400.00	c/d	6,300.00	
	6,900.00		6,900.00	
b/d	6,300.00	P&L	6,300.00	

Exhibit 1: Accounts

D	Accounts receivables A/R	C
(5)	105,000.00	c/d 105,000.00
b/d	105,000.00	

D	Revenue	C
c/d	175,000.00	(5) 175,000.00
P&L	175,000.00	b/d 175,000.00

D	Depreciation	C
(8)	25,000.00	c/d 25,000.00
b/d	25,000.00	P&L 25,000.00

D	Acc depr	C
c/d	25,000.00	(8) 25,000.00
		b/d 25,000.00

D	Labour	C
(6)	102,000.00	c/d 102,000.00
b/d	102,000.00	P&L 102,000.00

D	Profit and Loss	C
Rnt	6,300.00	Rev 175,000.00
Inv	6,800.00	
Lab	102,000.00	
Dpr	25,000.00	
EBT	34,900.00	
	175,000.00	175,000.00
ITL	10,470.00	b/d 34,900.00
R/E	24,430.00	
	34,900.00	34,900.00

D	Retained earnings R/E	C
c/d	24,430.00	P&L 24,430.00
		b/d 24,430.00

Exhibit 1: Accounts (continued)

Endorf (Pty) Ltd.'s
STATEMENT of FINANCIAL POSITION
as at 31.12.20X4

A		C, L
<i>Non-current assets</i>	[EUR]	<i>Equity</i>
P, P, E	100,000.00	Share capital
Intangibles		Reserves
Financial assets		Retained earnings
<i>Current assets</i>		<i>Liabilities</i>
Inventory	1,200.00	Interest bear liab
Accounts receivables	105,000.00	Accounts payables
Prepaid expenses	600.00	Provisions
Cash/Bank	0.00	Tax liabilities
Total assets	206,800.00	Total equity and liab.
		206,800.00

Exhibit 2: Balance sheet

Note, the negative balance in the Cash/Bank account leads to payables on the balance sheet.

**Endorf (Pty) Ltd.'s
STATEMENT of PROFIT & LOSS
and OTHER COMPREHENSIVE INCOME
for the year ended 31.12.20X4**

	[EUR]
Revenue	175,000.00
Other income	
	175,000.00
Materials	(6,800.00)
Labour	(102,000.00)
Depreciation	(25,000.00)
Other expenses	(6,300.00)
Earnings before int. & taxes (EBIT)	34,900.00
Interest	
Earnings before taxes (EBT)	34,900.00
Income tax expenses	(10,470.00)
Deferred taxes	
Earnings after taxes (EAT)	24,430.00

Exhibit 3: Income statement

**Endorf (Pty) Ltd.'s
STATEMENT of CASH FLOWS
for the period ended 31.12.20X4**

<i>Cash flow from operating activities</i>	
Proceeds	105,000.00
Materials	(6,600.00)
Labour	(102,000.00)
Income tax payment	(15,000.00)
VAT payment	(5,000.00)
Rent payment	(6,400.00)
	(30,000.00)
<i>Cash flow from investing activities</i>	
Investments	0.00
	0.00
<i>Cash flow from financing activities</i>	
Dividend	(35,000.00)
	(35,000.00)
Total cash flow	(65,000.00)

Exhibit 4: Statement of cash flows (direct method)

Endorf (Pty) Ltd.'s STATEMENT of CASH FLOWS for the period ended 31.12.20X4		
<i>Cash flow from operating activities</i>		
EAT	24,430.00	
add Depreciation	25,000.00	
...		
	<u>49,430.00</u>	
<i>changes in working capital</i>		
changes in A/R	(105,000.00)	
changes in prepaid expenses	(100.00)	
changes in inventory	1,300.00	
changes in A/P	(5,000.00)	
changes in ITL	(4,530.00)	
changes in VAT/r only materials	(1,100.00)	
changes in VAT/p	<u>35,000.00</u>	
		<u>(30,000.00)</u>
<i>Cash flow from investing activities</i>		
Investments	<u>0.00</u>	
		<u>0.00</u>
<i>Cash flow from financing activities</i>		
Dividend	<u>(35,000.00)</u>	
		<u>(35,000.00)</u>
Total cash flow		<u><u>(65,000.00)</u></u>

Exhibit 5: Statement of cash flows (reconciliation method)