

Task IM-10.40: Preparing a Statement of Cash Flows, Reconciliation Method

DEWELGE Ltd. discloses the statement of profit and loss and other comprehensive income as below:

Dewelge Ltd.'s STATEMENT of PROFIT & LOSS and OTHER COMPREHENSIVE INCOME for the year ended 31.12.20X4	
	[EUR]
Revenue	250,000.00
Changes in inventories of FG	34,000.00
	<u>284,000.00</u>
Materials	(87,000.00)
Labour	(25,000.00)
Depreciation	(40,000.00)
Other expenses	(13,000.00)
Earnings before int. & taxes (EBIT)	<u>119,000.00</u>
Interest	(6,000.00)
Earnings before taxes (EBT)	<u>113,000.00</u>
Income tax expenses	(33,900.00)
Deferred taxes	
Earnings after taxes (EAT)	<u>79,100.00</u>

Exhibit: DEWELGE Ltd.'s income statement 20X4

During the Accounting period 20X4, DEWELGE Ltd. paid 30,000.00 EUR income tax liabilities resulting from the previous year. DEWELGE Ltd.'s inventory of raw materials decreased by 10,000.00 EUR. With regard to the material purchases, a supplier allowed DEWELGE Ltd. to pay the bill of 14,500.00 EUR in the next year.

DEWELGE Ltd. paid 3,000.00 EUR prepaid expenses and dissolved 2,800.00 EUR prepaid rent in 20X4. DEWELGE Ltd. took a bank loan of 100,000.00 EUR with a discount (disagio) of 2% in 20X4.

Required: Prepare a statement of cash flows by reconciliation method. Start calculation with the Earnings after taxation EAT. Ignore VAT.

Solution:

**Dewelge Ltd.'s
STATEMENT of CASH FLOWS
for the period ended 31.12.20X4**

	[EUR]	[EUR]
<i>Cash flow from operating activities</i>		
EAT	79,100.00	
add Interest paid	6,000.00	
add Coupon paid		
add Depreciation	40,000.00	
...		
	125,100.00	
<i>changes in working capital</i>		
changes in A/R, prepaid expenses	(200.00)	
changes in inventory	(24,000.00)	
changes in A/P	(15,500.00)	
changes in VAT/r only materials		
changes in VAT/p		
		85,400.00
<i>Cash flow from investing activities</i>		
Investments		
...		
		0.00
<i>Cash flow from financing activities</i>		
Bank loan	98,000.00	
Bond issued		
Coupon paid		
Pay-off plus interest	(6,000.00)	
...		
		92,000.00
Total cash flow		177,400.00