

Aufgabe 10.19: Statements of Cash Flows

ATHLON Ltd. is a pharmacy. The business is established in a mall and was established in 20X2. The financial statements for the accounting period 20X7 are given below:

| Athlon Ltd.'s STATEMENT of FINANCIAL POSITION as at 31.12.20X7 | | | |
|--|-------------------|------------------------|-------------------|
| A | | | C, L |
| <i>Non-current assets</i> | [EUR] | <i>Owners' capital</i> | [EUR] |
| P, P, E | 150,000.00 | Share capital | 50,000.00 |
| Intangibles | | Reserves | 50,000.00 |
| Financial assets | | R/E | 35,000.00 |
| <i>Current assets</i> | | <i>Liabilities</i> | |
| Inventory | 36,000.00 | Interest bear liab | 0.00 |
| A/R | 500.00 | A/P | 35,000.00 |
| Prepaid expenses | 1,000.00 | Provisions | |
| Cash/Bank | 12,500.00 | Tax liabilities | 30,000.00 |
| | 200,000.00 | | 200,000.00 |

Exhibit 1: Statement of financial position

ATHLON Ltd. pays 35,000.00 EUR to its shareholders at the beginning of 20X8. Furthermore, the tax liabilities resulting from income tax are paid to the revenue service.

Outstanding amounts from customers are collected fully during 20X8.

In 20X8 ATHLON Ltd. buys medicine for 1,200,000.00 EUR and earns a revenue of 2,050,000.00 EUR by selling them on cash. The purchases are paid to an extent of 60 %. The remaining amount is due in 20X9. At the end of 20X8 the closing stock of medicine is 23,500.00 EUR.

Labour amounts to 240,000.00 EUR/a and is paid during the month it is for. Rent is 1,000.00 EUR/m and is to be paid one month in advance. The prepaid expenses on the balance sheet result from a rent payment in 20X7.

Depreciation on the shelves amounts to 50,000.00 EUR/a.

Required: Prepare a statement of cash flows (IAS 7) by reconciliation of profit with cash flows for the accounting period 20X8. Prepare the statement of financial position and calculate the cash flows by derivative method also! Ignore VAT.

There is no appropriation of profit. Income taxes are to be paid in the next year.

ATHLON Ltd. ist eine Apotheke. Das Unternehmen ist in einer Einkaufspassage und wurde 20X2 gegründet. Die Bilanz von 20X7 ist gegeben:

| Athlon Ltd.'s Bilanz | | | |
|-----------------------|-------------------|---------------------|-------------------|
| zum 31.12.20X7 | | | |
| A | | | C, L |
| <i>Anlagevermögen</i> | [EUR] | <i>Eigenkapital</i> | [EUR] |
| Sachanlagen | 150,000.00 | Grundkapital | 50,000.00 |
| | | Rücklagen | 50,000.00 |
| | | Bilanzgewinn | 35,000.00 |
| <i>Umlaufvermögen</i> | | <i>Schulden</i> | |
| Vorräte | 36,000.00 | langfr. Schulden | 0.00 |
| Forderungen | 500.00 | kurzfr. Schulden | 35,000.00 |
| Vorauszahlungen | 1,000.00 | Rückstellungen | |
| Kasse/Bank | 12,500.00 | Steuerschulden | 30,000.00 |
| | 200,000.00 | | 200,000.00 |

Exhibit 1: Bilanz

ATHLON Ltd. zahlt zu Beginn von 20X8 35.000,00 EUR an die Anteilseigner. Weiter werden Schulden aus Einkommensteuer an die Finanzbehörden gezahlt.

Die offenstehenden Beträge der Kunden werden in 20X8 eingeholt.

In 20X8 kauft ATHLON Ltd. Medizin für 1.200.000,00 EUR und erwirtschaftet einen Umsatz von netto 2.050.000,00 EUR durch deren Verkauf. Verkäufe finden bar statt. Die Einkäufe werden zu einem Anteil von 60 % gezahlt. Der Restbetrag ist in 20X9 fällig. Am Ende von 20X8 beträgt der Schlußbestand an Medikamenten 23.500,00 EUR.

Die Löhne betragen 240.000,00 EUR/a und werden für denjenigen Monat gezahlt für den sie sind. Die Miete beträgt 1.000,00 EUR/m und wird einen Monat im Voraus bezahlt. Die Vorauszahlungen in der Bilanz resultieren aus der Mietzahlung in 20X7.

Die Abschreibung der Regale beträgt 50.000.00 EUR/a.

Gefragt: Erstellen Sie eine Kapitalflussrechnung (IAS 7) nach der Überleitungsrechnung und der derivative Methode. Ignorieren Sie die Umsatzsteuer.

Es gibt keine Gewinnverwendung. Steuern vom Einkommen und Ertrag werden im nächsten Jahr gezahlt.

Solution:

(1) Payment of tax liabilities

| | |
|---------------------------------|----------------------|
| DR Tax Liabilities | 30,000.00 EUR |
| CR Cash/Bank | 30,000.00 EUR |

(2) Dividend payment

| | |
|---|----------------------|
| DR Accounts Payables (A/P) | 35,000.00 EUR |
| CR Cash/Bank | 35,000.00 EUR |

(3) Collection of outstanding bills

| | |
|--------------------------------------|-------------------|
| DR Cash/Bank | 500.00 EUR |
| CR Accounts Receivables | 500.00 EUR |

(4) Purchase of medicine and payment of 60 % thereof. The payment is $1,200,000 \times 60\% = 720,000.00$ EUR.

| | |
|-----------------------------------|-------------------------|
| DR Purchase | 1,200,000.00 EUR |
| CR Cash/Bank | 720,000.00 EUR |
| CR Accounts Payables | 480,000.00 EUR |

(5) Recording a revenue of 2,050,000.00 EUR

| | |
|---------------------------|-------------------------|
| DR Cash/Bank | 2,050,000.00 EUR |
| CR Revenue | 2,050,000.00 EUR |

(6) Payment for labour being 240,000.00 EUR

| | |
|---------------------------|-----------------------|
| DR Labour | 240,000.00 EUR |
| CR Cash/Bank | 240,000.00 EUR |

(7, 8, 9) Payment and accruals for rent

| | |
|----------------------------------|---------------------|
| DR Rent | 1,000.00 EUR |
| CR Prepaid Expenses | 1,000.00 EUR |

| | |
|---------------------------|----------------------|
| DR Rent | 12,000.00 EUR |
| CR Cash/Bank | 12,000.00 EUR |

| | |
|----------------------------------|---------------------|
| DR Prepaid Expenses | 1,000.00 EUR |
| CR Rent | 1,000.00 EUR |

(10) Depreciation on shelves 50,000.00 EUR

| | |
|------------------------------|----------------------|
| DR Depreciation | 50,000.00 EUR |
| CR Acc. Depr. | 50,000.00 EUR |

For calculation of financial statements see the accounts following:

| D | | P, P, E | C |
|-----|------------|---------|------------|
| OV | 150,000.00 | c/d | 150,000.00 |
| b/d | 150,000.00 | | |

| D | | Inventory | C |
|-------|--------------|-----------|--------------|
| OV | 36,000.00 | T/A | 36,000.00 |
| Purch | 1,200,000.00 | T/A | 1,200,000.00 |
| | 1,236,000.00 | | 1,236,000.00 |
| Inv | 23,500.00 | c/d | 23,500.00 |
| b/d | 23,500.00 | | |

| D | | Accounts Receivables A/R | C |
|----|--------|--------------------------|--------|
| OV | 500.00 | (3) | 500.00 |

| D | | Prepaid expenses | C |
|-----|----------|------------------|----------|
| OV | 1,000.00 | (7) | 1,000.00 |
| (9) | 1,000.00 | c/d | 1,000.00 |
| | 2,000.00 | | 2,000.00 |
| b/d | 1,000.00 | | |

| D | | Cash/Bank | C |
|-----|--------------|-----------|--------------|
| OV | 12,500.00 | (1) | 30,000.00 |
| (3) | 500.00 | (2) | 35,000.00 |
| (5) | 2,050,000.00 | (4) | 720,000.00 |
| | | (6) | 240,000.00 |
| | | (8) | 12,000.00 |
| | | c/d | 1,026,000.00 |
| | 2,063,000.00 | | 2,063,000.00 |
| b/d | 1,026,000.00 | | |

| D | | Share capital | C |
|-----|-----------|---------------|-----------|
| c/d | 50,000.00 | OV | 50,000.00 |
| | | b/d | 50,000.00 |

| D | | Reserves | C |
|-----|-----------|----------|-----------|
| c/d | 50,000.00 | OV | 50,000.00 |
| | | b/d | 50,000.00 |

| D | | R/E | C |
|-----|------------|-----|------------|
| c/d | 409,850.00 | OV | 35,000.00 |
| | 409,850.00 | R/E | 374,850.00 |
| | | | 409,850.00 |
| | | b/d | 409,850.00 |

| D | | Accounts Payables A/P | C |
|-----|------------|-----------------------|------------|
| (2) | 35,000.00 | OV | 35,000.00 |
| c/d | 480,000.00 | (4) | 480,000.00 |
| | 515,000.00 | | 515,000.00 |
| | | b/d | 480,000.00 |

| D | | Tax liabilities | C |
|-----|------------|-----------------|------------|
| (1) | 30,000.00 | OV | 30,000.00 |
| c/d | 160,650.00 | ITL | 160,650.00 |
| | 190,650.00 | | 190,650.00 |
| | | b/d | 160,650.00 |

| D | | Purchase | C |
|-----|--------------|----------|--------------|
| (4) | 1,200,000.00 | Inv | 1,200,000.00 |

| D | | Revenue | C |
|-----|--------------|---------|--------------|
| c/d | 2,050,000.00 | (5) | 2,050,000.00 |
| T/A | 2,050,000.00 | b/d | 2,050,000.00 |

Exhibit 2: Accounts

| D | | Rent | C |
|-----|-----------|------|-----------|
| (7) | 1,000.00 | (9) | 1,000.00 |
| (8) | 12,000.00 | c/d | 12,000.00 |
| | 13,000.00 | | 13,000.00 |
| b/d | 12,000.00 | P&L | 12,000.00 |

| D | | Labour | C |
|-----|------------|--------|------------|
| (6) | 240,000.00 | c/d | 240,000.00 |
| b/d | 240,000.00 | P&L | 240,000.00 |

| D | | Depr | C |
|------|-----------|------|-----------|
| (10) | 50,000.00 | c/d | 50,000.00 |
| b/d | 50,000.00 | P&L | 50,000.00 |

| D | | Acc depr | C |
|-----|-----------|----------|-----------|
| c/d | 50,000.00 | (10) | 50,000.00 |
| | | b/d | 50,000.00 |

| D | | Trading Account T/A | C |
|-------|--------------|---------------------|--------------|
| Inv | 36,000.00 | Rev | 2,050,000.00 |
| Inv | 1,200,000.00 | Inv | 23,500.00 |
| GPc/d | 837,500.00 | | |
| | 2,073,500.00 | | 2,073,500.00 |
| P&L | 837,500.00 | b/d | 837,500.00 |

| D | | Profit and Loss | C |
|--------|------------|-----------------|------------|
| Rent | 12,000.00 | T/A | 837,500.00 |
| Labour | 240,000.00 | | |
| Depr | 50,000.00 | | |
| EBTc/d | 535,500.00 | | |
| | 837,500.00 | | 837,500.00 |
| ITL | 160,650.00 | b/d | 535,500.00 |
| R/E | 374,850.00 | | |
| | 535,500.00 | | 535,500.00 |

Exhibit 2: Accounts (continued)

ATHLON Ltd.'s
STATEMENT of COMPREHENSIVE INCOME
for the year ended 31.12.20X8

| | [EUR] |
|--------------------------------------|-------------------|
| Revenue | 2,050,000.00 |
| Other income | |
| | 2,050,000.00 |
| Materials | 1,212,500.00 |
| Labour | 240,000.00 |
| Depreciation | 50,000.00 |
| Other expenses | 12,000.00 |
| Earnings before int and taxes (EBIT) | 535,500.00 |
| Interest | 0.00 |
| Earnings before taxes (EBT) | 535,500.00 |
| Income tax expenses | 160,650.00 |
| Deferred taxes | |
| Earnings after taxes (EAT) | 374,850.00 |

Exhibit 3: Statement of comprehensive income

**Athlon Ltd.'s
STATEMENT of FINANCIAL POSITION**

| A | | as at 31.12.20X8 | | C, L | |
|---------------------------|--------------|---------------------|--|------------------------|---------------------|
| <i>Non-current assets</i> | | [EUR] | | <i>Owners' capital</i> | [EUR] |
| P, P, E | 100,000.00 | | | Share capital | 50,000.00 |
| Intangibles | | | | Reserves | 50,000.00 |
| Financial assets | | | | R/E | 409,850.00 |
| <i>Current assets</i> | | | | <i>Liabilities</i> | |
| Inventory | 23,500.00 | | | Interest bear liab | 0.00 |
| A/R | 0.00 | | | A/P | 480,000.00 |
| Prepaid expenses | 1,000.00 | | | Provisions | |
| Cash/Bank | 1,026,000.00 | | | Tax liabilities | 160,650.00 |
| | | | | | |
| | | 1,150,500.00 | | | 1,150,500.00 |

Exhibit 4: Statement of financial position

Calculation of cash flows by reconciliation:

**Athlon Ltd's
RECONCILIATION of EARNINGS
before TAXATION with CFoA
for year ended 31.12.20X8**

| | |
|----------------------------|---------------------|
| Profit for the period | 535,500.00 |
| add: depreciation | 50,000.00 |
| | <u>585,500.00</u> |
| Finance payments | 0.00 |
| | <u>585,500.00</u> |
| Changes in working capital | |
| (1) Changes in A/R | 500.00 |
| (2) Changes in inventory | 12,500.00 |
| (3a) Income tax paid | (30,000.00) |
| (3b) Changes in A/P | 480,000.00 |
| | <u>1,048,500.00</u> |

Exhibit 5: Reconciliation statement

The changes in A/P do not contain the dividend paid!

Athlon Ltd.'s STATEMENT of CASH FLOWS for 20X8

| | 20X8 |
|-------------------------------------|----------------------------|
| | [EUR] |
| CF from operating activities | |
| along reconciliation | 1,048,500.00 |
| | <u>1,048,500.00</u> |
| CF from investing activities | |
| nil | 0.00 |
| | <u>0.00</u> |
| CF from financing activities | |
| Dividend | (35,000.00) |
| | <u>(35,000.00)</u> |
| Total cash flow: | <u><u>1,013,500.00</u></u> |

Exhibit 6: Statement of cash flows

Calculation of cash flows along derivative method:

| Delta-SFP for 20X8 | | | |
|--------------------|-------------------|-------|-------------------|
| D | | C | |
| 20X8 | [EUR] | 20X8 | [EUR] |
| Δ-P,P,E | (50,000.00) | Δ-R/E | 374,850.00 |
| Δ-Inventory | (12,500.00) | Δ-A/P | 445,000.00 |
| Δ-A/R | (500.00) | Δ-ITL | 130,650.00 |
| Δ-Cash | 1,013,500.00 | | |
| | <u>950,500.00</u> | | <u>950,500.00</u> |

Exhibit 7: Delta balance sheet (1)

Transfer of P, P, E-reduction to the credit side and replacing it by depreciation:

| Delta-SFP for 20X8 | | | |
|--------------------|---------------------|--------------|---------------------|
| D | | C | |
| 20X8 | [EUR] | 20X8 | [EUR] |
| Δ-P,P,E | | Δ-R/E | 374,850.00 |
| Δ-Inventory | (12,500.00) | Δ-A/P | 445,000.00 |
| Δ-A/R | (500.00) | Δ-ITL | 130,650.00 |
| Δ-Cash | 1,013,500.00 | depreciation | 50,000.00 |
| | <u>1,000,500.00</u> | | <u>1,000,500.00</u> |

Exhibit 8: Delta balance sheet

Consideration of the income statement, replacement of R/E difference and difference on income taxes:

| Delta-SFP for 20X8 | | | |
|--------------------|---------------------|------------------|---------------------|
| D | | | C |
| 20x8 | [EUR] | 20x8 | [EUR] |
| Δ-P,P,E | | Δ-R/E | |
| Δ-Inventory | (12,500.00) | Δ-A/P | 445,000.00 |
| Δ-A/R | (500.00) | Δ-ITL | 130,650.00 |
| Δ-Cash | 1,013,500.00 | Depreciation | 50,000.00 |
| Material expenses | 1,212,500.00 | Revenue | 2,050,000.00 |
| Labour | 240,000.00 | | |
| Depreciation | 50,000.00 | | |
| Other expenses | 12,000.00 | | |
| Income taxes | 160,650.00 | | |
| | <u>2,675,650.00</u> | | <u>2,675,650.00</u> |

Exhibit 9: Delta balance sheet

Offsetting items:

| Delta-SFP for 20X8 | | | |
|------------------------------|---------------------|------------------|---------------------|
| D | | | C |
| 20x8 | [EUR] | 20x8 | [EUR] |
| Δ-P,P,E | | Δ-R/E | |
| Δ-Inventory | | Δ-A/P | 445,000.00 op |
| op Δ-A/R | (500.00) | Δ-ITL | |
| t Δ-Cash | 1,013,500.00 | Depreciation | |
| op Purchase | 1,200,000.00 | Revenue | 2,050,000.00 op |
| Material expenses | | | |
| op Labour | 240,000.00 | | |
| Depreciation | | | |
| op Other expenses | 12,000.00 | | |
| Income taxes | | | |
| op Tax payment | 30,000.00 | | |
| | <u>2,495,000.00</u> | | <u>2,495,000.00</u> |

Exhibit 10: Delta balance sheet

As there is no differentiation between liabilities from dividend to shareholders and from operating activities all cash flows will be regarded as operating cash flows:

**Athlon Ltd.'s
STATEMENT of CASH FLOWS for 20X8**

| | 20X8 |
|-------------------------------------|----------------------------|
| | [EUR] |
| CF from operating activities | |
| Revenue | 2,050,000.00 |
| Collecting debts | 500.00 |
| Purchase | (1,200,000.00) |
| Labour | (240,000.00) |
| Other expenses (rent) | (12,000.00) |
| Tax payments | (30,000.00) |
| New liabilities (purchases) | 445,000.00 |
| | <u>1,013,500.00</u> |
| CF from investing activities | |
| nil | 0.00 |
| | <u>0.00</u> |
| CF from financing activities | |
| nil | 0.00 |
| | <u>0.00</u> |
| Total cash flow: | <u>1,013,500.00</u> |

Exhibit 11: Statement of cash flows