

Task IM-10.30: Doing Cash Flows by Reconciliation

WESTERBECK (Pty) Ltd. is a company based on shares and is established on 1.01.20X2 by a contribution of the owners to the extent of 30,000.00 EUR. On 2.01.20X2, WESTERBECK Ltd. takes a bank loan of 50,000.00 EUR with an annuity of 5,000.00 EUR and an annual rate of interest of 3.00 %/a.

WESTERBECK Ltd. is not registered for VAT-reduction!

WESTERBECK Ltd. is a Kayak dealer in the Emsland. The business sells kayaks through the internet and delivers them by their own truck. It discloses the balance sheet as below as at the yearend 20X5:

Westerbeck Ltd.'s STATEMENT of FINANCIAL POSITION as at 31.12.20X5			
A			C, L
<i>Non-current assets</i>	[EUR]	<i>Equity</i>	[EUR]
P, P, E	100,000.00	Share capital	30,000.00
Intangibles		Reserves	34,642.69
Financial assets		Retained earnings	70,000.00
<i>Current assets</i>		<i>Liabilities</i>	
Inventory	50,000.00	Interest bear liab	31,418.02
Accounts receivables	9,000.00	Accounts payables	3,939.28
Prepaid expenses	2,000.00	Provisions	
Cash/Bank	39,000.00	Tax liabilities	30,000.00
Total assets	200,000.00	Total equity and liab.	200,000.00

After the Accounting period 20X6 WESTERBECK Ltd. discloses the balance sheet below. There was no appropriation of profits:

Westerbeck Ltd.'s
STATEMENT of FINANCIAL POSITION
as at 31.12.20X6

A			C, L
<i>Non-current assets</i>	[EUR]	<i>Equity</i>	[EUR]
P, P, E	75,000.00	Share capital	30,000.00
Intangibles		Reserves	34,642.69
Financial assets		Retained earnings	52,939.28
<i>Current assets</i>		<i>Liabilities</i>	
Inventory	18,000.00	Interest bear liab	27,360.57
Accounts receivables	4,000.00	Accounts payables	29,057.46
Prepaid expenses	2,500.00	Provisions	
Cash/Bank	74,500.00	Tax liabilities	0.00
Total assets	174,000.00	Total equity and liab.	174,000.00

Exhibit 2: Balance sheet as at 31.12.20X6

The Profit and Loss account is given:

D		Profit and Loss - 20X6		C
COS	72,000.00	Rev	144,000.00	
Int	1,060.72			
Dpr	25,000.00			
Lab	36,000.00			
Rnt	27,000.00	NL	17,060.72	
	<u>161,060.72</u>		<u>161,060.72</u>	
b/d	17,060.72	R/E	17,060.72	

Exhibit 3: Profit and Loss account

COS = Cost of sales, Int = Interest, Dpr = Depreciation, Lab = Labour, Rnt = Rent, NL = Net loss, R/E = Retained earnings.

The pay-off and interest plan for the bank loan is given, too:

0.03 rate of interest

Westerbeck Ltd.'s INTEREST and PAY-OFF PLAN

Year	Opening amount [EUR]	Interest [EUR]	Pay-off [EUR]	Annuity [EUR]	Rest [EUR]
20X2	50,000.00	1,500.00	3,500.00	5,000.00	46,500.00
20X3	46,500.00	1,395.00	3,605.00	5,000.00	42,895.00
20X4	42,895.00	1,286.85	3,713.15	5,000.00	39,181.85
20X5	39,181.85	1,175.46	3,824.54	5,000.00	35,357.31
20X6	35,357.31	1,060.72	3,939.28	5,000.00	31,418.02
20X7	31,418.02	942.54	4,057.46	5,000.00	27,360.57
...					

Exhibit 4: WESTERBECK Ltd.'s interest and pay-off plan

Required: Prepare a statement of cash flow by reconciliation statement.

Die WESTERBECK Ltd. ist eine Kapitalgesellschaft, die am 1.01.20X2 durch Einlage von 30.000,00 EUR durch die Anteilseigner gegründet wird. Am 2.01.20X2 nimmt die WESTERBECK Ltd. ein Darlehen bei der Bank in Höhe von 50.000,00 EUR auf, das eine Annuität von 5.000,00 EUR und einen jährlichen Zinssatz von 3.00 %/a hat.

Die WESTERBECK Ltd. ist nicht vorsteuerabzugsberechtigt.

Die WESTERBECK Ltd. ist ein Kajakhändler im Emsland. Das Unternehmen verkauft Kajaks über das Internet und liefert sie mit dem eigenen LKW aus. Das Unternehmen zeigt die im Folgenden dargestellte Bilanz zum Jahresende von 20X5:

**Westerbeck Ltd.'s
STATEMENT of FINANCIAL POSITION
as at 31.12.20X5**

A		as at 31.12.20X5		C, L		
Non-current assets		[EUR]		Equity		[EUR]
P, P, E		100,000.00		Share capital		30,000.00
Intangibles				Reserves		34,642.69
Financial assets				Retained earnings		70,000.00
Current assets				Liabilities		
Inventory		50,000.00		Interest bear liab		31,418.02
Accounts receivables		9,000.00		Accounts payables		3,939.28
Prepaid expenses		2,000.00		Provisions		
Cash/Bank		39,000.00		Tax liabilities		30,000.00
Total assets		200,000.00		Total equity and liab.		200,000.00

Nach der Abrechnungsperiode 20X6 weist die WESTERBECK Ltd. die unten stehende Bilanz aus. Es hat keine Gewinnverwendung stattgefunden:

Westerbeck Ltd.'s STATEMENT of FINANCIAL POSITION as at 31.12.20X6			
A			C, L
<i>Non-current assets</i>	[EUR]	<i>Equity</i>	[EUR]
P, P, E	75,000.00	Share capital	30,000.00
Intangibles		Reserves	34,642.69
Financial assets		Retained earnings	52,939.28
<i>Current assets</i>		<i>Liabilities</i>	
Inventory	18,000.00	Interest bear liab	27,360.57
Accounts receivables	4,000.00	Accounts payables	29,057.46
Prepaid expenses	2,500.00	Provisions	
Cash/Bank	74,500.00	Tax liabilities	0.00
Total assets	174,000.00	Total equity and liab.	174,000.00

Exhibit 2: Balance sheet as at 31.12.20X6

Das Gewinn- und Verlustrechnungskonto von 20X6 ist gegeben:

D	Profit and Loss - 20X6		C
COS	72,000.00	Rev	144,000.00
Int	1,060.72		
Dpr	25,000.00		
Lab	36,000.00		
Rnt	27,000.00	NL	17,060.72
	<u>161,060.72</u>		<u>161,060.72</u>
b/d	17,060.72	R/E	17,060.72

Exhibit 3: Profit and Loss account

COS = Herstellungskosten der verkauften Erzeugnisse, Int = Zinsen, Dpr = Abschreibungen, Lab = Lohnkosten, Rnt = Miete, NL = Verlust, R/E = Retained earnings.

Ebenso ist der Zins- und Tilgungsplan des Darlehens gegeben:

0.03 rate of interest

Westerbeck Ltd.'s INTEREST and PAY-OFF PLAN

Year	Opening amount	Interest	Pay-off	Annuity	Rest
	[EUR]	[EUR]	[EUR]	[EUR]	[EUR]
20X2	50,000.00	1,500.00	3,500.00	5,000.00	46,500.00
20X3	46,500.00	1,395.00	3,605.00	5,000.00	42,895.00
20X4	42,895.00	1,286.85	3,713.15	5,000.00	39,181.85
20X5	39,181.85	1,175.46	3,824.54	5,000.00	35,357.31
20X6	35,357.31	1,060.72	3,939.28	5,000.00	31,418.02
20X7	31,418.02	942.54	4,057.46	5,000.00	27,360.57

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Exhibit 4: WESTERBECK Ltd.'s interest and pay-off plan

Gefragt: Erstellen Sie eine Kapitalflussrechnung mit Überleitung des operativen Cash Flows aus der Gewinn- und Verlustrechnung.

Solution:

Westerbeck Ltd.'s
STATEMENT of CASH FLOWS
for the period ended 31.12.20X6

<i>Cash flow from operating activities</i>	
EBT	(17,060.72)
add Interest paid	1,060.72
add Depreciation	25,000.00
...	
	9,000.00
<i>changes in working capital</i>	
changes in A/R	5,000.00
changes in inventory	32,000.00
changes in A/P	25,118.18
changes in Prepaid expenses	(500.00)
changes in Tax	(30,000.00)
	40,618.18
<i>Cash flow from investing activities</i>	
Investments	0.00
...	
	0.00
<i>Cash flow from financing activities</i>	
Share issue	0.00
Bank loan change	(4,057.46)
Coupon paid	0.00
Pay-off plus interest	(1,060.72)
...	
	(5,118.18)
Total cash flow	35,500.00

Exhibit 5: Statement of cash flows by reconciliation

The amount of 118.18 EUR results from the changes in the A/P. the better approach is to consider a financial cash flow of 5,000.00 EUR and only record 25,000.00 EUR for the changes in A/P.