Statement of cash flows layout – CBE Example (1) – Part of presentation

1				
2	**Consolidated statement of cash flow for the year ended 30 June 2017**			
3				
4		**Cash flows from operating activities**		
5		Profit before taxation	1227410	1189060+52350-10500-3500
6		Adjustment for:		
7		Depreciation	495300	
8		Interest expense	12500	
9		Increase in receievables	-89900	(603800-(562200-48300))
10		Increase in inventory	-149100	1052300-903200
11		Increase in trade payables	127200	(499500-(405200-32900))
12				
13				
14		Cash generated from operations	**1623410**	
15		Interest paid	-12500	
16		Income taxes paid	-216500	
17		*Net cash from operating activities*	**1394410**	
18				
19		**Cash flows from investing activities**		
20		Cash from sale of subsidary	619250	619900-650
21		Purchase of property, plant and equipment	-559600	
22				
23				
24		Dividends receieved		
25				
26				
27		*Net cash from investing activities*	**59650**	
28				
29		**Cash flows from financing activities**		
30		Proceeds from issue of share capital	40000	
31		Proceeds from long-term borrowing		
32		Payment of finance lease liabilities	-281100	
33		Dividends paid	-1016100	
34		Dividends paid to NCI	159260	
35				
36		*Net cash used in financing activities*	**-1097940**	
37				
38		Net increase in cash and cash equivalents	21400	
39				
40		Cash and cash equivalents at the beginning of the period	62200	
41				
42		Cash and cash equivalents at the end of the period	83600	
43				

F	G	H	I	J
	PPE			
b/f	2235300	692200	Disposed	
Finance lease	342000	495300	Depreciat	
Revaluation	66000	49800	Goodwill-impairment	79800-30000
Cash additions	559600			
		1965600	c/f	
	3202900	**3202900**		
	Fin lease			
		230000	b/f	
		342000	Added in year	
paid cash	293600	12500	Finance cost	
c/f	290900			
	584500	584500		
	in tax			
		198000	b/f	
		238000	Charge for year	
Paid cash	216500	10500	tax on disposal	
c/f	230000			
	446500	446500		
	NCI			
Diposed in year	141650	615900	b/f	
Dividend paid	159260	191210	profit for year	
c/f	506200			
	807110	807110		

	Share cap		
		500000	b/f
		60000	Bonus issue
		40000	Cash issue
c/f	600000		
	600000	600000	

	Share pre		
		100000	b/f
Bonu issue	60000		
c/f	40000		
	100000	100000	

	Reval		
		509200	b/f
Transfer to reval	233800	66000	Reval in year
c/f	341400		
	341400	575200	

	RE		
		934900	b/f
		233800	Transfer to reval
Dividend	1016100	805200	Profit
c/f	957800		
	1973900	1973900	

Statement of cash flows layout – CBE Example (2) – For marking

	A	B	C	D	E	F	G	H	I	J
1	Q3)									
2	Staement of cash flows for the period ending 30 June 2017									
3										
4			**Cash flows from operating activities**							
5										
6			Cash generated from operations (Note)				1689060			
7			Interest Paid (W2)							
8			Income tax paid (W3)				(206,000)			
9										
10			*Net cash from operating activities*					1,483,060		
11										
12			**Cash from investing activitieas**							
13			Disposal of Subsidiary Pimpaw plc net of cash (3500-650)					2850		
14			Purchase of plant property and equipment (W4					(903,160)		
15										
16										
17			*Net cash from investing actitivies*						(900,310)	
18										
19			**Cash from financing acitivities**							
20										
21			ayment of finance lease liability W6					(800)		
22										
23										
24			*Net cash used in financing activities*						(800)	
25										
26			**Net increase in cash and cash equivalents**					1483060		
27			**Cash and cash equivalents at the beginning of the period**							
28			**Cash and cash equivalents at the end of the period**					1483060		
29										

Note reconciling profit before tax to cash qebnerated from operations

Profit before tax (1,189,060-3500 W1)	1,185,560
Dpn	495,300
Finance cost	12,500
Inventory (603,800-562,200)	(41,600)
T Payables (499,500-405,200)+32,900	127,200
receivables (603,800-562,200) + 48,300	(89,900)
	1,689,060

W2) Interest Paid

W6) Payment of f9inance lease]

		Bal b/f	39,500
		Cash	800
Bal c/f	40,300		

W1) Disposal of sub

Sale proceeds		619,900
GW @ disposal	79,800	
Less impairments	(30,000)	
		(49,800)
Less NA @ disp		(708,250)
Plus NCI (708,250 x 20%)		141,650
Profit on disposal		3,500

W3) Income tax paid#

		Bal b/f	198,000
Cash (B)	206,000	SoPL	238,000
Bal c/f	230,000		

Question 1 – CBE Example (1) – For marking

	A	B	C	D	E	F	G
1	1.1						
2							
3	**Statement of financial position for the year ended 30 June 2017**						
4	**Assets**	**Calculation**	**£**		**Equity**	**Calculation**	**£**
5	**Non-Current assets**				Ordinary share capital (£1 shares)	5,000,000	5,000,000
6	Property plant and equiptment	3007000	3007000		Retained earnings	3,831,670	3,831,670
7	Held for sale	90240	90240		Share Premium	400000	400000
8	Intangible assets	556,400+380 800-126933	810,267				
9							
10	**Current Assets**				**Current Liabilities**		
11	Inventories	2,561,200	2,561,200		Trade and other payables	875,530	875,530
12	Trade and other receivables	1,005,450-2000	1,003,450		Income tax	36,000	36,000
13	Cash and cash equivalents	120,550+200 0+900000	1,022,550				
14							

14					
15					
16	**Statement of profit and loss for the year ended 30 June 2017**				
17		**Calculation**	**£**		
18	Revenue	6,256,500	6,256,500		
19	Cost of sales	-4770719	-4770719		
20	Gross Profit	1,485,781	1,485,781		
21	Administrative expenses	-1153350	-1153350		
22	Operating profit	332431	332431		
23	Finance Costs	-2100+1000	-1100		
24	profit before tax	331331	331331		
25	Income tax expense	-36000	-36000		
26	Profit for the year	295331	295331		
27					

28	**Workings and notes**							
29								
30	**W1 - Expenses**				**Note 1**			
31		**COS**	**Adm**		did	should	correction	
32		4,005,210	1057350		dr fc	dr adm exp	dr adm	1k
33	lease payment		1000		cr cash	cr cash	cr fc	1k
34	build dep'n		95000					
35	P+M dep'n	449440						
36	held for sale dep	13536			**Note 2**			
37	not capit'able costs	175600			did	correction		
38	ammortisation	126933			dr rec 2k	cr rec	2k	
39		**-4,770,719**	**1153350**			cash tax liab	2k	
40								
41					**Note 3+Note 4**			
42								
43					Held for sale CA	when removed		
44					'=			
45					**150400**			
46	**Note 5**				depreciated for	4 years 9 months		
47	**Capitalise into intangibles**	**Ammortisation for the year**			at	10 year UEL		
48	313000	380800			15040	a year		
49	52600	/3			**60160**	4 years		
50	15200				**90240**			
51	**380800**	**126933**			*0.2*(9/12)	new dep policy		
52					**13536**	dep'n charge		
53	**Expense**							
54	32500				**dep charge on build**			
55	143100				4300000			
56	**175600**				-500000			
57					/40			
58					95000	dr adm	cr PPE	

58					95000	dr adm
59	**Note 6**					
60					**dep charge on P+M**	
61	SC =	500000			3996000	
62	SP =	500000 * 0.8	'=400000		-150400	not inc asset held for sale
63	need to also cr SP	400000			-1598400	dep'n to date
64	dr cash	900000			*0.2	charge for year
65					449440	
66	**Dividend**					
67	5m *0.05 =	250000			**PPE CAs for SFP**	
68	Dr Re already				cost	less held for sale

PPE CAs for SFP					
cost	less held for sale	less acc dep b/f	add held for sale acc dep b/f	less dep for year	CA
4300000		1198000		95000	3007000
3996000	150400	1598400	60160	449440	1857920
				Total	3007000
Held for sale for					
CA =	150400				
	-60160				
	-13536				
	90240				

Question 2 – CBE Example (1) – For marking

	A	B	C	D	E	F	G	H	I	J
1	2.1)									
2	(1)									
3	In accordance with IAS 18 the initial purchase should be recognised when the delivery was received, as this is when the risks and rewards of ownership transferred to Kumquat Ltd. As the functional and presentational currency of Kumquat Ltd is Sterling they must recognise the purchases in GBP, recognising foreign exchange gains and losses in the statement of profit or loss. On 10 June 2017 the following entry should have been made: Dr Cost of sales £144,000 Cr Payables £144,000 The £144,000 is the purchase price (160,000EUR) translated to GBP at the spot rate on the date the delivery was received.									
4										
5	At the year end the balance was still outstanding so to ensure that the accurate payables figure is shown in the statement of profit or loss the balance must be adjusted to the spot rate at the year end date, 30 June 17. 160,000EUR x 0.95 = £152,000 Therefore an adjustment of £8,000 is required (£152,000-£144,000)									
6										
7	Dr FX losses (P&L)	8000								
8	Cr payables		8000							
9										
10	The vehicles should have been included in inventory at the cost price which is 160,000EUR translated into Sterling at the spot rate on the date the stock was received (10 June 2017). The following adjustment is required to correct the inventory valuation:									
11	Valuation per accounts									
12	(160000 x 0.95)	152000								
13	Correct valuation									
14	(160000 x 0.9)	144000								
15	Adj required	8000								
16										
17	Dr Cost of sales	8000								
18	Cr inventory		8000							
19										

(2)
The £20,000 meets the criteria of a provision that must be disclosed under IAS37 because it is the present obligation as a result of a past event from which there will be a probable outflow of resources. The construction of processing plant creates an obligation to dismantle the plant at the end of the project. The outflow of resources is probable as it will cost an estimated £20,000 to dismantle the plant.

The £20,000 must be recognised as part of the capital balance for the plant and is released to profit & loss over the five year useful life of the plant..

The initial provision is for:

£20,000 / 1.05^5	15671

The £15,671 will be debited to the capital asset and credited to liabilities. The liability will be spread over the useful life of the plant. At the end of the year the following adjustment will be made to depreciate the provision:

Dr depreciation expense	3134	
Cr non-current assets		3134

There must also be an adjustment ot unwind the discount on the provision: (

Dr liability	2470	
Cr finance costs		2470

(3)
The bond should be included in non current assets rather than cash and cash equivalents. The concept of substance over form dictates that as the cash won't be received within 12 months.

The effective interest should be recognised in the statement of profit or loss.
The broker's fees should be recognised in the statement of profit or loss immediately as a finance cost.

b/d	Interest
49000	1960

Question 2 – CBE Example (2) – For marking

2.1	IFRS Treatment

(1) Foreign exchange

This is a foreign exchange transaction as Kumquat Ltd began to purchase cars from a supplier in Europe, which uses a different currency from the reporting currency.
The transaction must be calculated at the date of the transaction was made and the risk and rewards have been transferred to the buyer, which is at the date of 10 June 2017.
Based on IAS 21, transaction must be initially measured in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of transaction in which the spot exchange rates is at €1:£0.90.
Thus, the amount recognised in purchases is £144000 and also the same amount will be recognised at payables as Kumquat Ltd has done it correctly.
Subsequently, foreign currency monetary items shall be translated using the closing rate and the non monetary items that are measured in terms of historical cost in a foreign currency shall no be retranslated.
The definition of monetary items is that the monetary items is an obligation to deliver a fixed number of units of currency in which, in this case, is only met by payables. Therefore, payables must be translated at theclosing spot exchange rates at the year end of 30 June 2017.
The amount that is payables should have been shown an increase of £8000, totalling the payables amount that shall be shown in the statement of financial posiition at £152000.
The amount from increase in payables must be included in the statment of profit or loss for the year ended as an expense of a forex loss of £8000.

(2) Provision for decommisioning

This is a dismantling costs at which an obligation for which the entities must incur when the items was acquired.
It is an unavoidable cost relating to the purchase of the plant for processing used oil.
Kumquat Ltd must provide provision for this decommissioning cost as it is a present obligation as a result of past events (purchase of plant), it requires an outflow of resources embodying economic benefits is required to settle the obligation, and a reliable estimates can be made (£20000)
The costs of dismantling of the assets is therefore must be capitalised in the cost of assets at a present value of £15671 (£20000/1.05^5) and subsequently depreciated over the useful life of the assets.
A provision is also required to be made as the dismantling costs met all the criteria of a provision at the same value of the costs capitalised at £15671 and subsequntly unwound at the present value of the provision.
Therefore, the amount of £784 in relation to the unwinding of the discount must be presented as finance cost in the statment of profit or loss and the ssame amount should be added to the provision totalling up to £16455 as at the year ended 30 June 2017.

(3) Zero coupon bond

This is a financial assets as it rises a contractual rights for the entity to recieve cash from another entity.
The financial assets must be recognised initially at the cost of the zero coupon bond plus any transaction costs relating to the zero coupon bond, in this case is a broker's fees of £1250. Therefore, the initial measurement of the zero coupon bond is at £46610.
Subsequently, the zero coupon bond must be measured at amortised cost using the effective interest rate of 4% pa.
The calculatuion of the subsequent measurement is as follows:

b/f	int@4%	Payment	c/f
46610	1864	0	48474

Hence, a finance income of £1864 should be recognised in the statement of profit or loss.
The amount that should be shown under non current assets as zero coupon bond should be increase by £1864 giving the amortised cost at £48474.
The treatment that was done in the cash and cash equivalents must be reversed out by £45360 as the bond is only redeemable on 30 June 2019.

Question 4.2 – CBE Example (1) – For marking

	A	B	C	D	E	F	G	H
1	4		30/06/17					
2					w1 Green	70% Pap		
3	4.2					40% Coconut		RE - profit in yr
4								
5		consolidated SFP						
6		per q +...				w2 na of PAp		
7	PPE	-12.5k+120k-7k	4846800			Report	Acq	Post
8	Invest in assoc		195460		sh cap	800000	800000	
9	Goodwill		841800		RE	1301800	723200	
10					FV adj	210000	210000	
11					FV depn/30	-7000	0	
12	Inventory		1661400		goodwill in S	-30000	-40000	
13	Trade Rec	-103k	1097100			2274800	1693200	581600
14	Cash & equivalen	+20k	33400					
15								
16			8675960					
17								
18	Share Capital		2000000					
19	Retained Earn		4582680		w3 goodwill			
20					consideration	2000000		
21	NCI		709480		fv nci acq	535000		
22					less na acq	-1693200		
23	Trade Payable	-83k	1003800			841800		
24	Tax		470000					
25								
26			8765960					
27								
28			-90000					

29					w4 nci		
30	purp G to P				fv nci acq	535000	
31	P to S				nci% post na	174480	30%
32	in G books				less impair	0	
33	carry amount	45000				709480	
34	depn/6	-7500					
35		37500					
36	in P books				w5 Ret Earn		
37	carry	60000			100% Green	4142600	
38	depn/6	-10000			P% of Pap post	407120	70%
39		50000			P% of Coc post	45160	40%
40					impair P+C	0	
41	purp	12500	w5		fv depn adj in C	-500	
42					G% purp C	800	
43					G purp	-12500	
44						4582680	

Question 4.1 – CBE Example (1) – For marking

44							4582680
45	4.1						
46	Inv in assoc						
47	cost	150000			fv adj		
48	P% of A post na	45160	40%		50000		
49	P% purp A	800			1250	/20*6/12	
50	P% fv depn	-500			500	40%	
51		195460	inv in assoc				
52					profit		
53					225800		
54					112900	6/12	
55					45160	40%	
56							
57							
58							
59	4.1 explain						
60	this is an example of an investement in an associate. The value of this investmjent is calculated by taking the acquisition net assets, the parents share of the purp in A and the parents % of the unrealised depreciation o We would also less any impairments in the associate if there were any. The investment is presented in noncurrent assets on the face of the CSFP. Significant influence may think subsidiary.						
61							

l by taking the cost transferred and adding the parents share of the post
epreciation on the fair value adjustement of the property.

purp G to C		
P to Assoc		
sale	12000	120%
cost	10000	100%
	2000	
purp 40%	800	