

EXERCISE 1– Cash Flow Statement

From the information given below, **prepare a neat and clean** Cash Flow Statement for Elida & Co. for the period ending 31st Dec., 2011. (Using indirect method). Show very clearly the cash generated under each of the three activities, namely: operating, investing, and financing providing all the details.

Income Statement of Elida & Co For the period ending 31st Dec., 2011.

Sales Revenue	€ 600.000
Less Cost of Goods Sold	- 440.000
Gross Margin (Profit)	<u>160.000</u>
General and Administrative Expenses	- 45.000
Selling Expenses	-20.000
Depreciation	- 25.000
Amortisation	- 15.000
Operating income	55.000
Gain on sale of Long term assets	+ 17.000
Income before tax	72.000
Tax	- 25.000
Income after tax	<u>47.000</u>

<u>Balance Sheet as on ...</u>	<u>1st Jan 2011.</u>	<u>31st Dec.2011.</u>
Cash	€ 22.000	€ 12.000
Account Receivables	40.000	65.000
Inventory	60.000	100.000
Prepaid Selling Expenses	5.000	20.000
Long term Investment	40.000	60.000
Long term Assets	150.000	115.000
Brand Names & Goodwill	43.000	50.000
Total: =>	<u>360.000</u>	<u>422.000</u>
Account Payables	75.000	53.000
Income Tax Payable	10.000	12.000
General & Admin. Expenses Payable	10.000	20.000
Bank Loan	50.000	90.000
10% Bonds Payable	50.000	30.000
Share Capital	100.000	150.000
Retained Earnings	35.000	20.000
Net Income	30.000	47.000
Total: =>	<u>380.000</u>	<u>458.000</u>

During the past year long-term assets with a net book value of € 10.000 were disposed off at a gain of € 17.000.

Exercise 1 Solution**Cash Flow statement**

Income after Tax	47000
Depreciation on Buidings	25000
Amortisation on Brands	15000
Gain on a sale of buildings	-17000
Increase in accout receivable	-25000
Increase in inventories	-40000
Decrease in account payable	-22000
General & Admin. payable	10000
Prepayed Selling expense	-15000
Income Tax Payable Increase	+2000
CASH FLOW FROM OPERATING ACTIVITIES	-20000
Outflow from a long term investiment	-20000
Inflow from a sale of a long term asset	27000
Outflow from an investment in Brand names & Godwill	-22000
CASH FLOW FROM INVESTING ACTIVITIES	-15000
Inflow arising from the increase of the bank loan	40000
Outflow coming from the decrease of bonds payable	-20000
Inflow from increasing of share capital	50000
Outflow from closing of income and decreasing retained earnings	-45000
CASH FLOW FROM FINANCING ACTIVITIES	25000
TOTAL CASH FLOW	-10000

OK: initial amount of cash and cash equivalentents: 22,000
Final amount: 12,000