

CASH FLOW STATEMENT:

Set out below is the most recent Balance Sheet of Coral Distributors Limited. You are further advised that the company made a profit for 2003 of €56,200. The directors are puzzled as to why the company has an overdraft at the end of a year in which it made a profit. To assist them, you have proposed to lay before them a Cash Flow Statement to reconcile the profit for the year to the adverse movement on the bank account as set out in the figures below.

BALANCE SHEET				
	2003	2002		
	€	€		
	2003	2002		
	€	€		
SHARE CAPITAL	100,000	100,000	FIXED ASSETS	410,200 250,000
BAL ON P&L A/C	270,400	214,200		
TERM LOANS	60,000	-		
CURRENT LIABILITIES:			CURRENT ASSETS:	
Creditors	55,800	30,000	Stocks	66,000 22,200
Bank Overdraft	32,000	-	Debtors	42,000 34,500
			Bank	- 37,500
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	518,200	344,200		518,200 344,200
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SOLUTION

CASH FLOW STATEMENT

<u>PROFIT FOR YEAR</u>	56,200
<u>CHANGE IN WORKING CAPITAL</u>	
- Increase in stocks	- 43,800
- Increase in debtors	- 7,500
- Increase in creditors	<u>25,800</u>
<u>CASH FLOW FROM OPERATIONS</u>	30,700
<u>OTHER SOURCES</u>	
- Increase in loans	60,000
<u>OTHER USES</u>	
- Increase in fixed assets	<u>-160,200</u>
<u>NET CASH FLOWS FOR YEAR</u>	<u>- 69,500</u>
<u>REPRESENTED BY:</u>	
OPENING BANK BALANCE	+ 37,500
CLOSING BANK BALANCE	<u>- 32,000</u>
Net Adverse Movement	- 69,500