

Layout for Statement of Cash Flows

L4

Statement of Cash Flows for period ending ...

	\$	\$
Cash flows from operating activities		
Cash generated from operations	x	
Interest paid	x	
Dividends paid	x	
Income Tax paid	<u>x</u>	
Net cash flow from operating activities		x
Cash flows from investing activities		
Purchase of property, plant and equipment	(x)	
Proceeds of sale of equipment	x	
Interest received	x	
Dividends received	<u>x</u>	
Net cash flows (used in)/from investing activities		(x)/x
Cash flows from financing activities		
Proceeds from issue of shares	x	
Repayment of loans	(x)	
Net cash flows (used in)/ from financing activities		<u>(x)/x</u>
Net increase in cash and cash equivalents		x
Cash and cash equivalents at start of the year		<u>x</u>
Cash and cash equivalents at end of the year		<u>X</u>

Cash Generated from Operations

Indirect Method

This method reconciles between profit before tax and cash generated from operations as follows:

	\$
Profit before tax	x
Finance cost	x
Investment Income	(x)
Depreciation charge	x
Loss/profit on disposal of non-current assets	x/(x)
(Increase)/decrease in inventories	(x)/x
(Increase)/decrease in trade receivables	(x)/x
(Increase)/decrease in trade payables	<u>x/(x)</u>
Cash generated from operations	x

Adjustments to profit before tax:

- Depreciation – added back to profit because it is a non-cash expense
- Interest expense – added back because it is not part of cash generated from operations (interest paid is actually deducted later)
- Increase in trade receivables – deducted because this is part of the profit not yet realised into cash but tied up in receivables
- Decrease in inventories – added because the decrease in inventories produces extra cash
- Decrease in trade payables – deducted because the reduction in payables must reduce cash