

IAS 7 Statement of Cash Flows.

All entities are required to prepare a statement of cash flows
Cash flow is an inflow/outflow of cash or cash equivalent.

IAS 7 requires cash flows to be reported under the following classifications

- Operating activities
- Investing activities
- Financing activities

IAS 7 defines cash as

- Cash in hand
- Demand deposits
- (also includes bank overdrafts)

IAS 7 defines a cash equivalent as short term, highly liquid investments.

Operating activities

- Cash received from customers.
- Cash paid to suppliers.
- Cash paid to and on behalf of employees.

There are two methods of calculation.

DIRECT: total the cash flows.

- Cash received from customers.
- Cash paid to suppliers.
- Cash paid to and on behalf of employees.

INDIRECT: adjust the profit from operations for non cash items.

Reconciliation of profit to net cash from operating activities

| | |
|--|------------|
| Profit from operations (income statement) | XXX |
| Depreciation charges | XXX |
| (Gain)/Loss on sale of tangible non current assets, ppe | XXX |
| Operating cash flow before movements in working capital. | XXX |
| (Increase)/Decrease in inventories | XXX |
| (Increase)/Decrease in receivables | XXX |
| Increase /(Decrease) in payables | XXX |
| Cash generated from operations | XXX |
| Interest (paid) | (XX) |
| ☆ Tax (paid)/received | (XX) |
| Net cash inflow/(outflow) from operating activities | XXX |

Investing activities

Investments in assets which will generate future profit and cash flows

- Payment to acquire ppe and other non-current assets
- Receipts from sale of ppe and other non-current assets.
- Payment to acquire investments other than cash equivalents.
- Receipts from sale of investments other than cash equivalents.
- Cash advances and loans made to other parties and receipts from repayment.
- Interest and dividends received.

Financing activities

The share of the cash which capital providers have claimed during the period.

- Proceeds from issuing shares.
- Proceeds from issuing debentures and loans.
- Repayment of amounts borrowed.
- Dividends paid.

Note to the accounts

Reconcile opening and closing cash and cash equivalents. These figures are found on the SFP. Cash and cash equivalents less any bank overdrafts.

Eigg Ltd Statement of cash flows for the year ended 31 March 20X1

| | £000 |
|---|--------|
| Net cash from operating activities | 7677 |
| Investing activities | |
| Dividends received | 120 |
| Proceeds on disposal of PPE | 992 |
| Purchases of PPE | -11552 |
| Net cash used in investing activities | -10440 |
| Financing activities | |
| New bank loans | 1000 |
| Proceeds of share issue | 2500 |
| Dividends paid | -277 |
| Net cash from financing activities | 3223 |
| Net increase/(decrease) in cash and cash equivalents | 460 |
| Cash and cash equivalents at beginning of year | -180 |
| Cash and cash equivalents at end of year | 280 |

| Proceeds on disposal of PPE | £000 |
|-----------------------------|------|
| Carrying amount of PPE sold | 544 |
| Gain on disposal | 448 |
| | 992 |

| Purchases of PPE | £000 |
|-----------------------------|---------------|
| PPE at start of year | 21340 |
| Depreciation charge | -4458 |
| Carrying amount of PPE sold | -544 |
| PPE at end of year | -27890 |
| Total PPE additions | -11552 |