

## **Chapter 4**

### ***Level I***

#### **E4.9** *Time allowed – 30 minutes*

Rocket plc's balance sheets as at 31 December 2000 and 2001, and its profit and loss account for the year ended 31 December 2001 are shown below. Rocket issued no new ordinary shares during the year.

During 2001 Rocket spent £87m on fixed assets additions. There were no fixed assets disposals during 2001.

**You are required to provide a reconciliation of operating profit to cash flow for the year to 31 December 2001.**

| <b>Rocket plc</b>                               |             |             |
|---|-------------|-------------|
| <b>Balance sheet as at 31 December 2001</b>     |             |             |
| <b>Figures in £000</b>                          | <b>2001</b> | <b>2000</b> |
| <b>Fixed assets</b>                             |             |             |
| Intangible                                      | 42          | 48          |
| Tangible  | <u>769</u>  | <u>778</u>  |
|   | <u>811</u>  | <u>826</u>  |
| <b>Current assets</b>                           |             |             |
| Stocks  | 45          | 53          |
| Debtors   | 172         | 160         |
| Prepayments                                     | 17          | 21          |
| Cash and bank                                   | <u>7</u>    | <u>3</u>    |
|   | <u>241</u>  | <u>237</u>  |
| <b>Current liabilities (less than one year)</b> |             |             |
| Overdraft                                       | 11          | 10          |
| Creditors                                       | 39          | 51          |
| Accruals  | 24          | 20          |
| Dividend  | 78          | 65          |
| Taxation  | <u>47</u>   | <u>30</u>   |
|   | 199         | 176         |
| <b>Net current assets</b>                       | <u>42</u>   | <u>61</u>   |
| <b>Total assets less current liabilities</b>    | 853         | 887         |
| <b>less</b>                                     |             |             |
| <b>Long-term liabilities (over one year)</b>    |             |             |
| Debenture                                       | <u>195</u>  | <u>325</u>  |
| <b>Net assets</b>                               | <u>658</u>  | <u>562</u>  |
| <b>Capital and reserves</b>                     |             |             |
| Share capital                                   | 260         | 260         |
| Share premium                                   | 52          | 52          |
| Revaluation reserve                             | 90          | 90          |
| Profit and loss account                         | <u>256</u>  | <u>160</u>  |
|   | <u>658</u>  | <u>562</u>  |

**Rocket plc**

**Profit and loss account for the year ended 31 December 2001**

**Figures in £000**

|  |              |
|--|--------------|
| <b>Turnover</b>                                | 810          |
| Cost of sales                                  | <u>(459)</u> |
| <b>Gross profit</b>                            | 351          |
| Distribution and administrative costs          | <u>(131)</u> |
|  | 220          |
| Other operating income                         | <u>17</u>    |
| <b>Operating profit</b>                        | 237          |
| Interest receivable                            | <u>18</u>    |
|  | 255          |
| Interest payable                               | <u>(34)</u>  |
| <b>Profit before tax</b>                       | 221          |
| Tax on profit on ordinary activities           | <u>(47)</u>  |
| <b>Profit on ordinary activities after tax</b> | 174          |
| <b>Retained profit 1 January 2001</b>          | <u>160</u>   |
|  | 334          |
| Proposed dividends                             | <u>(78)</u>  |
| <b>Retained profit 31 December 2001</b>        | <u>256</u>   |

***Level II***

**E4.10** *Time allowed – 60 minutes*

**Using the information from Rocket plc's profit and loss account and balance sheet in Exercise E4.9 prepare a cash flow statement and its supporting schedules for the year ended 31 December 2001, in the format used by UK plcs.**