

Building the Basic Financial Statements

Class 15 – Saturday - 27, Feb. 2021 - 8:30 - 10:30 PM

Statement of Profit or Loss (Income Statement)

Statement of Financial Position (Balance Sheet)

Statement of Changes in Shareholders Equity

Statement of Cash Flows

قائمة التدفقات النقدية

Formats for Cash Flow Statement

Indirect

• Reconciles from net income to cash provided by operating activities

Direct

• Reports all cash receipts and cash payments from operating activities

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Timetable


Financial Accounting & Reporting Training Programme - (1)							
Class	Day	Date	from	To	Topic Covered	Progress	
1	Thursday	28-Jan-21	8:30 PM	10:30 PM	The Double Entry System, The Chart Of Accounts	✓	
2	Friday	29-Jan-21	3:00 PM	5:00 PM	Accounting Cycle, Presentation of Basic Financial Statements	✓	
3	Saturday	30-Jan-21	8:30 PM	10:30 PM	Transactions, Accounting Entries & Trial Balance, GL	✓	
4	Thursday	4-Feb-21	8:30 PM	10:30 PM	The Adjusting Entries & The Matching Principle	✓	
5	Friday	5-Feb-21	3:00 PM	5:00 PM	Depreciations of Fixed Assets & Amortizations	✓	
6	Saturday	6-Feb-21	8:30 PM	10:30 PM	Adjusted TB, Profit or Loss - Preparation & Components	✓	
7	Thursday	11-Feb-21	8:30 PM	10:30 PM	Statement of Profit or Loss - Preparation & Components	✓	
8	Friday	12-Feb-21	3:00 PM	5:00 PM	Statement of Profit or Loss - Preparation & Components	✓	
9	Saturday	13-Feb-21	8:30 PM	10:30 PM	Statement of Financial Position - Preparation & Components	✓	
10	Thursday	18-Feb-21	8:30 PM	10:30 PM	Statement of Financial Position - Preparation & Components	✓	
11	Friday	19-Feb-21	3:00 PM	5:00 PM	Statement of Financial Position - Preparation & Components	✓	
12	Saturday	20-Feb-21	8:30 PM	10:30 PM	Statement of Cash Flows - Preparation & Components	✓	
13	Thursday	25-Feb-21	8:30 PM	10:30 PM	Statement of Cash Flows - Preparation & Components	✓	
14	Friday	26-Feb-21	3:00 PM	5:00 PM	Statement of Cash Flows - Preparation & Components	✓	
15	Saturday	27-Feb-21	8:30 PM	10:30 PM	Statement of Cash Flows - Preparation & Components	✓	
16	Thursday	4-Mar-21	8:30 PM	10:30 PM	Notes to the Financial Statements		
17	Friday	5-Mar-21	3:00 PM	5:00 PM	Financial Ratios - Practical Applications		
18	Saturday	6-Mar-21	8:30 PM	10:30 PM	Value Added Tax "VAT" - Basics & Accounting		
19	Thursday	11-Mar-21	8:30 PM	10:30 PM	Report to Your Boss! - Sample Management Report		
20	Friday	12-Mar-21	3:00 PM	5:00 PM	Course Summary, Closing & Distribution of Certificates		

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Statement of Cash Flows قائمة التدفقات النقدية

A Complete Statement of Cash Flows - How is it Prepared?

<p>First ...: Make ready these 3 reports</p>	<p>Statement of Financial Position (Balance Sheet) This Year</p>	<p>قائمة المركز المالي (الميزانية العمومية) السنة الحالية</p>	<p>أولاً: ... تأكد من توفر 3 قوائم مالية:</p>
	<p>Statement of Financial Position (Balance Sheet) Last Year</p>	<p>قائمة المركز المالي (الميزانية العمومية) السنة الماضية</p>	
	<p>Statement of Profit or Loss (Income Statement) This Year</p>	<p>قائمة الأرباح أو الخسائر (حساب الأرباح والخسائر) السنة الحالية</p>	



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Statement of Cash Flows قائمة التدفقات النقدية

A Complete Statement of Cash Flows - How is it Prepared? ... Steps

<p>Cash Flow from Operating Activities: Step (1)</p>	<p>Adjust the Income Statement for non-cash expenses (e.g. depreciation)</p>	
<p>Cash Flow from Operating Activities: Step (2)</p>	<p>Compare the Balance Sheets for Changes in Working Capital (Operation)</p>	<p>if Current Assets increased this will result in Cash Outflow = (decrease in Cash), and vice versa.</p>
<p>Cash Flow from Investing then Financing Activities:</p>	<p>Compare the Balance Sheets for Cash from Investing & Financing Activities</p>	<p>if Current Liabilities increased this will result in Cash Inflow = (increase in Cash), and vice versa.</p>


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Statement of Cash Flows

قائمة التدفقات النقدية

إعداد قائمة التدفقات النقدية كاملة ... ما هي الخطوات؟

قم بتعديل قائمة الأرباح أو الخسائر بالعمليات المحاسبية غير النقدية، مثل استهلاك الأصول الثابتة

التدفقات النقدية من الأنشطة التشغيلية
الخطوة (1)

إذا زادت الأصول المتداولة فإن هذا يعني نقصاً في التدفقات النقدية، والعكس صحيح

قم بمقارنة بنود رأس المال العامل (التشغيلي) السنة الحالية بالسنة الماضية (أصول وخصوم متداولة)

التدفقات النقدية من الأنشطة التشغيلية
الخطوة (2)

إذا زادت الخصوم المتداولة فإن هذا يعني زيادة في التدفقات النقدية، والعكس صحيح

قم بمقارنة بنود الأنشطة الاستثمارية ثم الأنشطة التمويلية السنة الحالية بالسنة الماضية

التدفقات النقدية من الأنشطة الاستثمارية ثم الأنشطة التمويلية

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Building a Complete Statement of Cash Flows

بناء قائمة التدفقات النقدية

HSA Company - Income Statement for the Period ending December 31, 2019				HSA Company - Statement of Financial Position as of December 31, 2019 - (US\$)				HSA Company - Statement of Cash Flows for the Period ending December 31, 2019			
US\$				2,019				US\$			
Revenue (sales)			820,450	Assets				Cash flow from Operating Activities			
Cost of revenue (sales)			(533,293)	Non-current assets				Net Income			84,452
Gross Profit			287,157	Property, Plant & Equipment (PPE)	180,255	160,925	19,330	+ Depreciation			16,200
Operating expenses:				Intangible assets	25,220	20,100	5,120	+ Amortization			7,500
Selling, general & admin expenses			(210,400)	Total non-current assets	205,475	181,025		Adjusted Net Income			108,152
Earnings - (EBITDA)**			76,757	Current assets				Changes in working capital:			
Depreciation expense			(16,200)	Cash & Cash equivalents	71,688	60,512	11,176	(Increase) decrease in inventory			(28,838)
Amortization expense			(7,500)	Inventory	175,210	146,372	28,838	(Increase) decrease in accounts receivable			34,587
Earnings before interest & Tax (EBIT)			53,057	Accounts Receivable (AR)	240,563	275,150	(34,587)	(Increase) decrease in prepaid expenses			30,100
Interest expense			(12,150)	Prepaid expenses	12,500	42,600	(30,100)	Increase (decrease) in accounts payable			38,001
Earnings before Tax (EBT)			93,964	Total Current assets	499,961	524,634		Increase (decrease) in accrued expenses			(7,676)
Tax expenses			(9,512)	Total Assets	705,436	705,659		Net Changes in working capital:			66,174
Net Income			84,452	Shareholders' Equity				Net Cash flow from Operating Activities			174,326
Retained Earnings:				Common Stock	120,000	120,000	0	Cash flow from Investing Activities:			
Net Income			84,452	Retained Earnings	170,072	145,620	24,452	Purchase of PP&E			(35,530)
Dividends paid			(60,000)	Total Shareholders' Equity	290,072	265,620		Purchase of intangible assets			(12,620)
To Retained Earnings			24,452	Liabilities				Net Cash flow from Investing Activities			(48,150)
				Non-current liabilities				Cash flow from Financing Activities:			
				Long Term loan	250,500	285,500	(35,000)	Repayment of long term loan			(35,000)
				Total non-current liabilities	250,500	285,500		Repayment of short term loan			(20,000)
				Current liabilities				Payment of dividends			(60,000)
				Accounts Payable	118,621	80,620	38,001	Net Cash flow from Investing Activities			(115,000)
				Short Term loan	20,000	40,000	(20,000)	Net change in cash flows			11,176
				Accrued Expenses	26,243	33,919	(7,676)	Opening balance of cash & cash equivalents			60,512
				Total Current liabilities	164,864	154,539		Closing balance of cash & cash equivalents			71,688
				Total Liabilities	415,364	440,039					
				Total Liabilities & Equity	705,436	705,659					

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Building a Complete Statement of Cash Flows

بناء قائمة التدفقات النقدية

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Tax expenses	(9,512)	Net Changes in working capital:	66,174
Net Income	84,452	Net Cash flow from Operating Activities	174,326
Retained Earnings:		Cash flow from Investing Activities:	
Net Income	84,452	Purchase of PP&E	(35,530)
Dividends paid	(60,000)	Purchase of intangible assets	(12,620)
To Retained Earnings	24,452	Net Cash flow from Investing Activities	(48,150)
		Cash flow from Financing Activities:	
		Repayment of long term loan	(35,000)
		Repayment of short term loan	(20,000)
		Payment of dividends	(60,000)
		Net Cash flow from Investing Activities	(115,000)
		Net change in cash flows	11,176
		Opening balance of cash & cash equivalents	60,512
		Closing balance of cash & cash equivalents	71,688

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Building a Complete Statement of Cash Flows

بناء قائمة التدفقات النقدية

HSA Company - Statement of Financial Position as of December 31, 2019 - (US\$)				HSA Company - Statement of Cash Flows for the Period ending December 31, 2019	
	2,019	2,018	Change	US\$	
Assets				Cash flow from Operating Activities	
Non-current assets				Net Income	84,452
Property, Plant & Equipment (PPE)	180,255	160,925	19,330	+ Depreciation	16,200
Intangible assets	25,220	20,100	5,120	+ Amortization	7,500
Total non-current assets	205,475	181,025		Adjusted Net Income	108,152
Current assets				Changes in working capital:	
Cash & Cash equivalents	71,688	60,512	11,176	(Increase) decrease in inventory	(28,838)
Inventory	175,210	146,372	28,838	(Increase) decrease in accounts receivable	34,587
Accounts Receivable (AR)	240,563	275,150	(34,587)	(Increase) decrease in prepaid expenses	30,100
Prepaid expenses	12,500	42,600	(30,100)	Increase (decrease) in accounts payable	38,001
Total Current assets	499,961	524,634		Increase (decrease) in accrued expenses	(7,676)
Total Assets	705,436	705,659		Net Changes in working capital:	66,174
Shareholders' Equity				Net Cash flow from Operating Activities	174,326
Common Stock	120,000	120,000	0	Cash flow from Investing Activities:	
Retained Earnings	170,072	145,620	24,452	Purchase of PP&E	(35,530)
Total Shareholders' Equity	290,072	265,620		Purchase of intangible assets	(12,620)
Liabilities				Net Cash flow from Investing Activities	(48,150)
Non-current liabilities				Cash flow from Financing Activities:	
Long Term loan	250,500	285,500	(35,000)	Repayment of long term loan	(35,000)
Total non-current liabilities	250,500	285,500		Repayment of short term loan	(20,000)
Current liabilities				Payment of dividends	(60,000)
Accounts Payable	118,621	80,620	38,001	Net Cash flow from Investing Activities	(115,000)
Short Term loan	20,000	40,000	(20,000)	Net change in cash flows	11,176
Accrued Expenses	26,243	33,919	(7,676)	Opening balance of cash & cash equivalents	60,512
Total Current liabilities	164,864	154,539		Closing balance of cash & cash equivalents	71,688
Total Liabilities	415,364	440,039			
Total Liabilities & Equity	705,436	705,659			

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Statement of Cash Flows

Q & A

قائمة التدفقات النقدية

HSA records on December 31, 2018 include:

- Proceeds from issuance of preferred stock 8,000,000
- Dividend paid on preferred stock 800,000
- Bonds payable converted to common stock 4,000,000
- Payment for purchase of machinery 1,000,000
- Proceeds from sale of plant building 2,400,000
- 2% stock dividend on common stock 600,000
- Gain on sale of plant building 400,000

What is HSA net cash flow from **investing activities** and **financing activities**, respectively?

a) 1,400,000 and 7,800,000
b) 1,400,000 and 7,200,000
c) 1,800,000 and 7,800,000
d) 1,800,000 and 7,200,000

Cash flow from Investing Activities:	
Payment for purchase of machinery	(1,000,000)
Proceeds from sale of machinery	2,400,000
Purchase of intangible assets	0
Net Cash flow from Investing Activities	1,400,000
Cash flow from Financing Activities:	
Proceeds from issuance of preferred stock	8,000,000
Dividends paid on preferred stock	(800,000)
2% stock dividend on common stock	
Net Cash flow from Financing Activities	7,200,000

Answer b) is correct

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Statement of Cash Flows

Q & A

قائمة التدفقات النقدية

HSA records on December 31, 2019 include:

- Net Income 2,000,000
- Decrease in inventory 100,000
- Increase in accounts payable 200,000
- Depreciation expense 400,000
- 2% stock dividend on common stock 600,000
- Gain on sale of plant building 700,000
- Increase in accounts Receivable 300,000
- Cash from issuance of common stock 800,000
- Cash paid for dividends 80,000
- Cash paid for acquisition of land 1,500,000
- Cash from available-for-sale securities 2,800,000

What is HSA net cash flow from **operating activities**?

a) 1,700,000
b) 2,000,000
c) 2,400,000
d) 3,100,000

Cash flow from Operating Activities	
Net Income	2,000,000
+ Depreciation	400,000
- Gain on sale for available-for-sale securities	(700,000)
Adjusted Net Income	1,700,000
Changes in working capital:	
(Increase) in accounts receivable	(300,000)
Decrease in inventory	100,000
Increase in accounts payable	200,000
Net Changes in working capital:	0
Net Cash flow from Operating Activities	1,700,000

Answer a) is correct

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Statement of Cash Flows

Q & A

قائمة التدفقات النقدية

HSA records on December 31, 2018 include:

- Net Income 3,000,000
- Depreciation on fixed assets 1,500,000
- Gain from cash sale of land 200,000
- Increase in accounts payable 300,000
- Dividend paid on preferred stock 400,000

What is HSA net cash flow from **operating activities**?

a) 4,200,000
b) 4,500,000
c) 4,600,000
d) 4,800,000

Cash flow from Operating Activities	
Net Income	3,000,000
+ Depreciation	1,500,000
- Gain on sale of land	(200,000)
Adjusted Net Income	4,300,000
Changes in working capital:	
Increase in accounts payable	300,000
Net Changes in working capital:	300,000
Net Cash flow from Operating Activities	4,600,000

Answer c) is correct

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Statement of Cash Flows

Q & A

قائمة التدفقات النقدية

HSA records on December 31, 2018 include:

- Net Income 456,900
- Depreciation on fixed assets 45,600
- Issued and paid dividends 300,000
- Purchased a new building 275,000
- Balance sheets for this year and the previous year included the following:

Accounts receivable, net	45,300	56,860	(11,560)
Accounts payable	10,745	12,900	(2,155)
Inventory	194,320	186,700	7,620

What is HSA net cash flow from **operating activities**?

a) 202,500
b) 405,205
c) 504,285
d) 521,405

Cash flow from Operating Activities	
Net Income	456,900
+ Depreciation	45,600
Adjusted Net Income	502,500
Changes in working capital:	
Decrease in accounts receivable	11,560
(Increase) in inventory	(7,620)
(Decrease) in accounts payable	(2,155)
Net Changes in working capital:	1,785
Net Cash flow from Operating Activities	504,285

Answer c) is correct

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Building a Complete Statement of Cash Flows

بناء قائمة التدفقات النقدية

- Please see 2 cases on Excel (attached in the Group)
 - Case 1 is solved – understand how!
 - Case 2 you need to try to solve!
- Good Luck!

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Thank You!

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