

Consolidated Statement of Cashflows



Statement of Cashflows (Single Company + Consol Issues Highlighted)							
Operating Activities		Investing Activities		Financing Activities		Top Tips!	
Indirect Method	Direct Method						
Operating Profit	X	Cash received from customers	X	Acquisition of PPE	(X)	Share Issue	X
Adjustments	X	Cash paid to suppliers	(X)	Disposal Proceeds of PPE	X	Dividends Paid by Parent	(X)
Depreciation	X	Cash paid to or on behalf of suppliers	(X)	Acquisition of Subsidiary (Net Cost)	(X)	Dividends Paid to NCI	(X)
Goodwill Impairment	X	Other Cash receipts/payments	X/(X)	Disposal of Subsidiary (Net Proceeds)	X	Loan Drawdown/Repayment	X/(X)
Profit/Loss on Disposal PPE	(X)/X			Dividends Received from Associate/JV	X		
Share of profit of Associate/JV	(X)						
Working Capital Adjustments							
Increase/Decrease Inventories	(X)/X						
Increase/Decrease TR	(X)/X						
Increase/Decrease TP	X/(X)						
Cash generated from operations	X	Cash generated from operations	X				
Interest Paid	(X)	Interest Paid	(X)				
Taxation Paid	(X)	Taxation Paid	(X)				
Dividends Paid (or Financing Section)	(X)	Dividends Paid (or Financing Section)	(X)				
Net cashflow from operations	X	Net cashflow from operations	X	Net cashflow from investing activities	X	Net cashflow from financing activities	X

See SOCF question as a **puzzle** - you need to **reconcile SOFP opening & closing balances** using SPLOCI & notes to question - **find the plug figure**

Consider using **T accounts** for complex line items (e.g. PPE etc)

Set up a **template structure for CSOCF** (i.e. three main sections) at the start and slot in figures as you work through each line item

Consolidated Statement of Cashflows - Complications				
Subsidiary		NCI	Goodwill	Associate/JV
Acquisition During Period	Disposal During Period			
(1) Net Cash Cost Cash Paid Less Cash on Sub's SOFP @ Acq	(1) Net Cash Proceeds Cash Received Less Cash on Sub's SOFP @ Disposal	Key Issue - Dividends Paid	Key Issue - Goodwill @ Acq/Disp Key Issue - Goodwill Impairment	Key Issue - Dividends Received
		Opening Balance	Opening Balance	Opening Balance
		Profits for Year	Profits for Year	Profits for Year
		Acquisition during period	Goodwill on Acq of Sub during period	Acquisition during period
		Disposal during period	Removal of goodwill on Disposal	Disposal during period
		Dividends	Impairment	Dividends
		Closing Balance	Closing Balance	Closing Balance
(3) Impact of acquisition on SOFP line items Working capital adjustments, share capital, PPE etc.	(3) Impact of disposal on SOFP line items Working capital adjustments, share capital, PPE etc.	Or use T account approach	Or use T account approach	Or use T account approach

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Suggested Approach - Consolidated SOCF (NB use T accounts where required)	
Step 1	Read requirements + background information to case
Step 2	Briefly review all notes to question to (i) assess links between notes; (ii) key CF adjustments (revaluations, disposals etc.) (iii) note key dates (e.g. mid year acq./disposal); and (iv) identify group structure (sub, assoc, JV etc)
Step 3	Work out answer - i.e. movement in cash & cash equivalents during the period & set up placeholder CSOCF (Operating, Investing & Financing sections)
Step 4	Start with operating cashflows - operating profit line and identify key non cash adjustments Create list of typical ones (e.g. depreciation, amortisation, profit/loss on disposal of PPE) NB if not told about impairment/amortisation of Gwill/IA you may need to do the Sub acquisition/disposal workings to figure out movement Complete Working capital adjustments (NB adjusting for mid year acquisition/disposal of Sub) + interest and tax paid
Step 5	Deal with acquisition (if not already done in step 4) - goodwill, NCI & net cash cost/proceeds (included in investing activities)
Step 6	Take each line item in CSOFP and work through using a T account where required (NB take account of acq/disposal of Sub where relevant) Do up "cheat sheet" for difficult areas as a memory jog e.g. PPE (disposal, revaluations etc), NCI, Retained Earnings Once complete, populate into relevant section of CSOCF as you go
Step 7	Tot up CSOCF and compare your answer to the correct one from Step 3 - review each line item in CSOFP to ensure you have explained the movement Note: These are only high level steps - with practice you will refine your own approach
Key Tips	
Focus on basics first - need to know individual company SOCF + group accounting before you attempt this area	
Know how to deal with the key areas that regularly come up - acq/disposal of sub during the year, PPE complexities (reval, disposal etc), associate/JV	
Use T accounts for the more detailed line items - easier to track and understand the movements during the year	
See the CSOCF as a puzzle - you know the end solution and now need to explain the movement in each CSOFP line item using the CSPLOCI + notes in question	

Questions	
Mid-Year Acquisition	A'16 Q2 S'15 Q2 A'13 Q2
Mid-Year Disposal	Chopper (Connolly Chp 33)