

AAT

Cash and Financial Management

Pocket Notes

These Pocket Notes support study for the following AAT qualifications:

AAT Diploma in Professional Accounting – Level 4

AAT Diploma in Business Skills – Level 4

AAT Diploma in Professional Accounting at SCQF Level 8



Cash and Financial Management

CONTENTS		Reference to Study Text chapter	Page Number
A guide to the assessment			1
Chapter 1	Cash and profit	1	3
Chapter 2	Forecasting cash flows	2	11
Chapter 3	Preparing cash budgets	3	21
Chapter 4	Analysing and monitoring cash budgets	4	31
Chapter 5	Liquidity management	5	41
Chapter 6	Raising finance	6	49
Chapter 7	Investing surplus funds	7	61
Chapter 8	Impact of regulations and policies on financing and investment	8	67
Index			I.1

chapter

1

Cash and profit

- Types of cash flow.
- Cash flow and profit.
- Calculating cash flows.
- Alternative method of calculation.
- Reconciling profit to cash flows.

Cash and profit

Types of cash flow

Cash inflows

Revenue receipts

- · cash sales
- receipts from credit customers

Capital receipts

- taking out a loan
- issue of more shares
- sale of non-current assets

Cash outflows

Revenue payments

- cash purchases
- payments to credit suppliers
- wage payments
- payment of bills/expenses

Capital payments

- repayment of loans
- purchase of non-current assets

Other payments

· dividends/loan interest/drawings

KAPLAN PUBLISHING

Cash flow and profit

Non-cash expenses

- profit charged with depreciation/ provisions
- · no cash flow

Accruals concept

- profit calculated using accruals concept
- cash flow is actual cash flows

Purchase of non-current assets

- · cash outflow
- profit only charged with depreciation

Cash flow

Profit

FIUIIL

Sale of non-current assets

- cash inflow from proceeds
- only profit/loss on disposal included in profit
- watch out or revaluations and leases

Financing transactions

- loans/share issues are large cash inflows
- · no effect on profit

KAPLAN PUBLISHING 5

Cash and profit

Calculating cash flows

Adjust statement of profit or loss figures to calculate cash flows in a period including:

- Actual cash received from receivables
- Actual cash paid to payables
- · Actual cash paid for other expenses
- Actual cash received/paid for sale/ purchase of non-current assets



Definition

- Accrual expense incurred in a period that has not yet been paid.
- Prepayment payment made for an expense yet to be incurred.



Example

The statement of profit or loss for C Lad's business for the quarter ended September is as follows:

	£	£
Revenue	35	2,000
Less: Purchases	(7	8,695)

Gross profit	273,305

Less. Expenses			
Wages	60,560		
Rent of office	40,000		
Insurance of machinery	30,000		
Electricity	12,000		
Depreciation	3,000		

(145,560)

Profit 127,745

KAPLAN PUBLISHING



You are viewing a sample

Interested in the full version?