



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

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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.

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

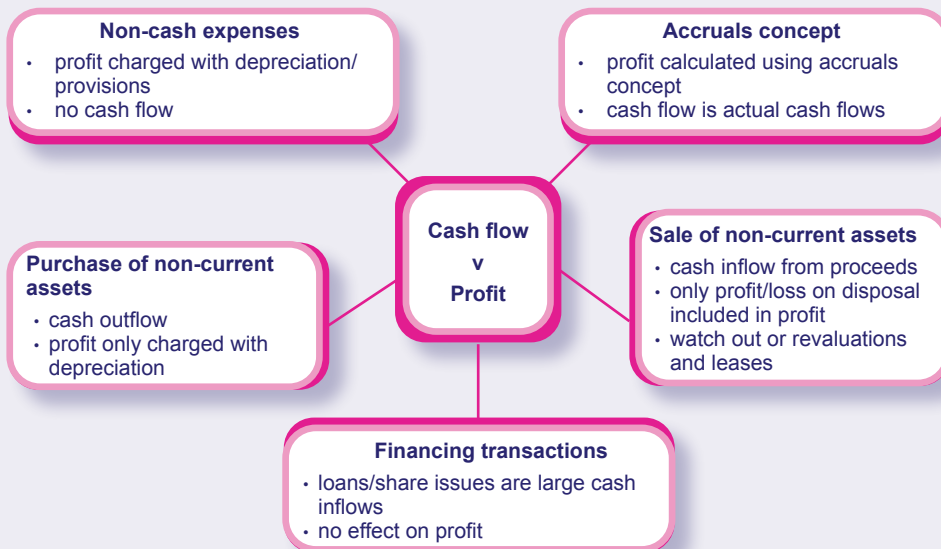
Capital payments

- repayment of loans
- purchase of non-current assets

Other payments

- dividends/loan interest/drawings

Cash flow 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.

e.g.

Example

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

	£	£
Revenue		352,000
Less: Purchases		(78,695)
		<hr/>
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	
		<hr/>
		(145,560)
Profit		<hr/> 127,745 <hr/>



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