

**CASH FLOW VS FUNDS FLOW
STATEMENT**

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BY :

NAME : ROSNI BT JULIS

ITM NO :

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TABLE OF CONTENTS

ACKNOWLEDGEMENT	i
TERMINOLOGY	ii
DEFINATION	iii
ABSTRACT	v
Chapter 1 : INTRODUCTION	
A. Overview	1
B. Related Standard and Exposure Draft	3
C. Objectives	4
D. Methodology	5
E. Scope and Limitations	6
Chapter 2 : LITERATURE RIVIEW	
A. Development	7
B. Pros and Cons of the Cash Flow Statement	9
Chapter 3 : DATA COLLECTION	12
Chapter 4 : ANALYSIS OF DATA	
A. Reason for Withdrawal	13
B. Benefits of the Cash Flow Statement	17
i. <i>Direct Method vs SSAP 10</i>	17
ii. <i>Indirect Method</i>	27
iii. <i>FRS 1 Format</i>	29
C. Problems and Weaknesses of the Cash Flow Statement	32
Chapter 5 : CONCLUSION	33
BIBLIOGRAPHY	
APPENDICES	
Appendix 1 : Final Account of Astarte Limited year end 31/12/X1	
Appendix 2 : Final Account of ABC PLC year end 31/12/X2	
Appendix 3 : Operating Cash Flows	
Appendix 4 : Investing Cash Flows	
Appendix 5 : Financing Cash Flows	

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ABSTRACT

The Statement of Source and Application of Fund is no longer valuable to the business entity. Due to that fact The Account Standard Committee had issued the ED 54 " Cash Flow Statement " on 26 July 1990. There are two methods recommended by the ED 54 which are the direct and indirect method.

The ASB then issued the FRS 1 " Cash Flow Statement" which superseeds the SSAP 10. This standard should be adopted and regarded as standard for financial statements with accounting periods ending on or after 23 March 1992
(UK and Ireland only).

In July 1991 the IASC issued the ED 36 on the same issues for comment.

The purpose of this paper is to find the weaknesses of the SSAP 10 which led to its withdrawal. The benefits of the Cash Flow Statement is also being investigated by referring to the illustrations that have been prepared.

A. Overview

SSAP 10 (issued in 1975) requires companies and other enterprise to prepare a statement showing the annual funds into and out of the enterprise. In Malaysia it is a requirement that a fund statement should be part of the audited financial account intended to give a true and fair view of the financial position. Where a company presents group accounts, the fund statement should be based on the group accounts.

The objective of the fund statement is to show the manner in which its financial resources have been used. The statement might provide information for the evaluation of a number of key areas such as the corporate objectives of an enterprise, the economic stability and vulnerability of an organisation, capacity to make future resource allocation, organisational prospects and value of interests in or claims on the organisation.

At the lower level it will provide answers to the level of dividend payment that can be sustained, what happened to the proceeds of sale of equipment, will funds generated by current operations cover the existing loans, what type of loan should be used to finance a project and how was expansion financed.