

Monyetla Project – Accounting Gr 12

Lesson 4: Companies: Cash Flow Statement

ACTIVITY 1: ZOLILE LIMITED

COMPANIES – NOTES AND CASH FLOW STATEMENT

(61 marks; 50 minutes)

ZOLILE LIMITED

**1.1 NOTES TO THE BALANCE SHEET OF ZOLILE LIMITED ON
28 FEBRUARY 2018**

ORDINARY SHARE CAPITAL		
Authorised		
Number of ordinary authorised shares: 800 000		
Issued		
175 000 ✓	Ordinary shares in issue on 1 March 2017 / at the beginning of the year	700 000 ✓
(2 500) ✓	Shares repurchased during the year at R4 ✓✓ each	(10 000) ✓
200 000 ✓	Ordinary shares issued during the year at R5,50 ✓ each	1 100 000 ✓
372 500 ✓	Ordinary shares in issue on 28 February 2018 / at the end of the year	1 790 000 ✓

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RETAINED INCOME	
Balance at the beginning of the year	68 000 ✓
Net profit after tax	523 000 ✓
Repurchase of shares (2 500 ✓ x R1 ✓ OSC) or (R12 500 ✓ – R10 000 ✓ OSC)	(2 500) ✓
Dividends on ordinary shares	(425 000)
Paid (R425 000 ✓ – R320 000 ✓)	105 000 ✓
Recommended	320 000 ✓✓
Balance at the end of the year	163 500 ✓

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1.2 NOTES TO THE CASH FLOW STATEMENT OF ZOLILE LIMITED

Note: Reconciliation between net profit before tax and cash generated from operations	
Profit before tax (523 000 + 224 000)	747 000 √√
Adjustments for:	
Depreciation	56 000 √
Interest expense	78 750 √
Operating profit before changes in working capital	881 750
Changes in working capital	(3 150)
Increase in inventories (210 000 – 175 000)	(35 000) √√
Increase in debtors / receivables (140 000 – 112 000)	(28 000) √√
Increase in creditors / payables (142 100 – 82 250)	59 850 √√
Cash generated from operations	878 600 ☑

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Note: Taxation paid	
Amount as per Income Statement	(224 000) √
Balance beginning of the year	(17 500) √√
Balance end of the year	(45 000) √√
Income tax paid	(286 500) ☑

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1.3 ZOLILE LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2018

CASH FLOW FROM OPERATING ACTIVITIES	233 350
Cash generated from operations	878 600 <input checked="" type="checkbox"/>
Interest paid	(78 750)
Dividends paid (– 425 000 ✓ – 175 000 ✓ + 320 000 ✓) or (175 000 ✓ + 105 000 ✓✓) or (425 000 ✓ + 175 000 ✓ – 320 000 ✓)	one part correct (280 000) <input checked="" type="checkbox"/>
Taxation paid	(286 500) <input checked="" type="checkbox"/>
6	
CASH FLOW FROM INVESTING ACTIVITIES	1 203 000
Purchase of fixed assets (2 937 600 ✓ – 1 047 000 ✓ – 56 000 ✓ – 1 928 600 ✓) or (1 928 600 ✓ + 56 000 ✓ + 1 047 000 ✓ – 2 937 600 ✓)	one part correct (94 000) <input checked="" type="checkbox"/>
Proceeds from sale of fixed assets	1 047 000 ✓
Decrease in fixed deposit (330 000 – 80 000)	250 000 ✓✓
8	
CASH FLOW FROM FINANCING ACTIVITIES	272 500
Proceeds from shares issued (200 000 x R5,50)	1 100 000 ✓
Repurchase of shares	(12 500) ✓
Decrease in loan (940 000 – 125 000)	(815 000) ✓✓
4	
NET CHANGE IN CASH AND CASH EQUIVALENTS	operation 1 708 850 <input checked="" type="checkbox"/>
Cash and cash equivalents at the beginning of the year (2 000 – 922 000)	(920 000) ✓✓
Cash and cash equivalents at the end of the year	788 850 ✓

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TOTAL MARKS		61
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Lesson 4: Companies: Cash Flow Statement

ACTIVITY 2: CLASSICO LIMITED

COMPANIES – NOTES AND BALANCE SHEET

(30 marks; 24 minutes)

CLASSICO LIMITED

	WORKINGS	ANSWER
2.1	(a) R3 000 000 – R2 500 000	(R500 000) ✓✓
	(b) 20% x (900 000 – 240 000)	(R132 000) ✓✓
	(c) R52 500 + R55 500 = R108 000 R258 000 – R108 000	R150 000 ✓✓

**2.2 CASH FLOW STATEMENT OF CLASSICO LTD FOR THE YEAR ENDED
31 OCTOBER 2014**

CASH FLOW FROM OPERATING ACTIVITIES	625 000 <input checked="" type="checkbox"/>
Cash generated from operations	1 985 500
Interest paid (175 500 + 5 000 – 13 000)	(167 500) ✓
Dividends paid (- 825 000 ✓ – 380 000 ✓ + 437 000 ✓)	(768 000) <input checked="" type="checkbox"/>
Income tax paid (- 375 000 ✓ – 27 500 ✓ – 22 500 ✓)	(425 000) <input checked="" type="checkbox"/>
10	
CASH FLOW FROM INVESTING ACTIVITIES	534 000 <input checked="" type="checkbox"/>
Fixed assets purchased	(48 000) ✓
Proceeds from sale of fixed assets (500 000 ✓ + 82 000 ✓)	582 000 <input checked="" type="checkbox"/>
5	
CASH FLOW FROM FINANCING ACTIVITIES	785 000 <input checked="" type="checkbox"/>
Proceeds from shares issued (50 000 x R6)	300 000 ✓✓
Buy back shares (20 000 x R7)	(140 000) ✓✓
Increase in loan (2 000 000 – 1 375 000)	625 000 ✓✓
7	
NET CHANGE IN CASH AND CASH EQUIVALENTS	1 944 000 <input checked="" type="checkbox"/>
Cash and cash equivalents at the beginning of the year	207 500 ✓
Cash and cash equivalents at the end of the year 3	2 151 500 ✓

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TOTAL MARKS		31
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ACTIVITY 3: KING LIMITED

COMPANIES – CASH FLOW STATEMENT AND NOTES**(53 marks; 42 minutes)****KING LIMITED****3.1 NOTES TO THE FINANCIAL STATEMENTS ON 30 JUNE 2018**

ORDINARY SHARE CAPITAL		
Authorised		
Number of ordinary authorised shares: 5 000 000 shares		
Issued		
3 000 000	Ordinary shares in issue at the beginning of the year	18 000 000 <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> operation
1 000 000 <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> operation	Ordinary shares issued during the year at R7,80 <input checked="" type="checkbox"/> each	7 800 000 <input checked="" type="checkbox"/> operation
(200 000) <input checked="" type="checkbox"/>	Ordinary shares bought back at R6,45 <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> each	(1 290 000) <input checked="" type="checkbox"/> operation
3 800 000	Ordinary shares in issue at the end of the year	24 510 000

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RETAINED INCOME	
Balance at the beginning of the year	1 370 000 <input checked="" type="checkbox"/>
Profit after tax	3 250 800 <input checked="" type="checkbox"/>
Buy back shares (200 000 x R2,55 <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>) see OSC R9 – R6,45	(510 000) <input checked="" type="checkbox"/> one part correct
Dividends on ordinary shares	(3 100 000) <input checked="" type="checkbox"/> operation
Paid	1 200 000
Recommended (3 800 000 <input checked="" type="checkbox"/> x 50c <input checked="" type="checkbox"/>)	1 900 000 <input checked="" type="checkbox"/> one part correct
Balance at the end of the year	1 010 800 <input checked="" type="checkbox"/> operation, one part correct

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3.2 CASH GENERATED FROM OPERATIONS	
Gross operating profit before changed in working capital	5 127 160
Changes in working capital	(221 960) <input checked="" type="checkbox"/> operation
Change in inventories (759 600 – 589 500)	(170 100) <input checked="" type="checkbox"/>
Decrease in receivables [(446 900 <input checked="" type="checkbox"/> + 2 400 <input checked="" type="checkbox"/>) – 297 200 <input checked="" type="checkbox"/>	152 100 <input checked="" type="checkbox"/> one part correct
Decrease in payables (321 700 – 117 740)	(203 960) <input checked="" type="checkbox"/>

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3.3 Calculate the following figures that will appear in the Cash Flow Statement on 30 June 2018:
<p>Dividends paid:</p> <p>1 200 000 <input checked="" type="checkbox"/> + 2 137 500 <input checked="" type="checkbox"/> = R3 337 500 <input checked="" type="checkbox"/> one part correct</p> <p>OR – 3 100 000 <input checked="" type="checkbox"/> – 2 137 500 <input checked="" type="checkbox"/> + 1 900 000 <input checked="" type="checkbox"/> = (R3 337 500) <input checked="" type="checkbox"/></p>
<p>Tax paid:</p> <p>– 1 393 200 <input checked="" type="checkbox"/> + 500 000 <input checked="" type="checkbox"/> + 200 000 <input checked="" type="checkbox"/> = (R693 200) <input checked="" type="checkbox"/> one part correct</p> <p>OR 1 393 200 <input checked="" type="checkbox"/> – 500 000 <input checked="" type="checkbox"/> – 200 000 <input checked="" type="checkbox"/> = R693 200 <input checked="" type="checkbox"/></p> <p>Mark the line</p>

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3.4 CASH EFFECTS OF INVESTING ACTIVITIES	(4 800 000) <input checked="" type="checkbox"/> operation
Purchase of fixed assets (5 462 000 <input checked="" type="checkbox"/> + 300 000 <input checked="" type="checkbox"/>	(5 762 000) <input checked="" type="checkbox"/> one part correct
Proceeds from sale of fixed assets (200 000 <input checked="" type="checkbox"/> – 38 000 <input checked="" type="checkbox"/>	162 000 <input checked="" type="checkbox"/> one part correct
Decrease in fixed deposit (1 800 000 – 1 000 000)	800 000 <input checked="" type="checkbox"/>

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CASH EFFECTS OF FINANCING ACTIVITIES	4 400 000 <input checked="" type="checkbox"/> operation
Proceeds from shares issues see 3.1	7 800 000 <input checked="" type="checkbox"/>
Buy back shares (200 000 \checkmark x R9 \checkmark)	(1 800 000) <input checked="" type="checkbox"/> one part correct
Decrease in loan (2 400 000 – 800 000)	(1 600 000) $\checkmark\checkmark$

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TOTAL MARKS		53
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