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| **ACCOUNTING GRADE 12 TEST 6 SELF-STUDY (LOCKDOWN)**  **TOPIC : CASH FLOW STATEMENT AND INTERPRETATION** |  |

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| **QUESTION 1: FIXED ASSETS, CASH FLOW STATEMENT AND INTERPRETATION**  **(70 marks; 45 minutes)** | | |  | |
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| The given information relates to Tyali Ltd. The company has an authorised share capital of 900 000 ordinary shares. The financial year ended on 29 February 2020. | | |  | |
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| **REQUIRED:** | | |  | |
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| 1.1 | | **Refer to Information A, B and C.** | |  | |
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|  | | Calculate the missing figures indicated by **(a)** to **(e)** in the Fixed Asset Note below. | | (17) | |
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| 1.2 | | Prepare the Cash Flow Statement for the year ended 29 February 2020. (Where applicable show calculations / figures in brackets to earn part marks). | | (30) | |
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| 1.3 | | Calculate the Debt-Equity ratio for 2020.  (Round-off to TWO decimal points.) | | (3) | |
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| 1.4 | | The directors decided to increase the loan during the current financial year. Explain TWO financial indicators to indicate why this was a good decision. Quote figures. | | (8) | |
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| 1.5 | | The board of directors is of the opinion that the shareholders should be happy with their percentage return and the market price of their shares. Quote and explain TWO financial indicators with figures to support their opinion. | | (6) | |
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| 1.6 | | The Cash Flow Statement reflects some important decisions taken by the Directors.  Apart from the loans, identify TWO good decisions. Explain the effect of these decisions on the company. Quote figures. | | (6) | |

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| **INFORMATION:** | |  |
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| A | **Extract from the Income Statement for the year ended 29 February 2020** |  |
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|  | |  |  | | --- | --- | |  | **R** | | Depreciation | ? | | Interest expense | 208 800 | | Net profit before tax | ? | | Income tax | 713 250 | | Net profit after tax | ? | |  |
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| B | **Extract from the Balance Sheet on 29 February** |  |
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|  | |  |  |  | | --- | --- | --- | |  | **2020** | **2019** | | Land and Buildings | 5 800 000 | 6 800 000 | | Vehicles | 2 700 000 | ? | | Equipment | ? | 850 000 | | Accumulated depreciation on vehicles | ? | 960 000 | | Accumulated depreciation on equipment | ? | 180 000 | | Financial Assets (Fixed Deposit) | 2 000 000 | 2 000 000 | | Trade and other receivables | **405 750** | **168 300** | | Trade debtors | 378 675 | 144 600 | | Accrued income | 27 075 | 0 | | SARS (Income tax) | 0 | 23 700 | | Inventories | 360 750 | 436 185 | | Cash and cash equivalents | 2 841 250 | 1 429 465 | | Shareholders’ equity | **11 000 250** | **10 200 000** | | Ordinary share capital | 10 260 000 | 9 000 000 | | Retained income | 740 250 | 1 200 000 | | Mortgage loan SS Bank | 2 100 000 | 1 380 000 | | Trade and other payables | ? | **763 950** | | Trade creditors | 55 200 | 72 450 | | Income received in advance | 19 350 | 15 000 | | SARS (Income tax) | 31 950 | 0 | | Shareholders for dividends | ? | 676 500 | |  |
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| C | **Fixed Asset Note** |  |
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|  | |  |  |  |  | | --- | --- | --- | --- | |  | **Land and Building** | **Vehicles** | **Equipment** | | **Carrying value on 28 Feb 2019** | 6 800 000 | 840 000 | **(c)** | | Cost | 6 800 000 | **(b)** | 850 000 | | Accumulated depreciation | 0 | (960 000) | (180 000) | | **Movements** |  |  |  | | Additions at cost |  | 900 000 | 400 000 | | Disposals | **(a)** | 0 | **(d)** | | Depreciation |  | (171 000) | **(e)** | | **Carrying value on 29 Feb 2020** | 5 800 000 |  |  | | Cost | 5 800 000 | 2 700 000 |  | | Accumulated depreciation |  |  |  | |  |
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|  | **Land and Building** |  |
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|  | * Part of the Land and Building was sold at carrying value during the financial year. |  |
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|  | **Vehicles** |  |
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|  | * A new delivery van was bought on 1 November 2019. * No vehicles were sold during the financial year. |  |
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|  | **Equipment** |  |
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|  | * A printer bought for R150 000 on 1 March 2017, was sold at carrying value on 31 August 2019. * A new printer was purchased on 31 August 2019. * Depreciation on equipment is written-off at 10% p.a. on the cost price. |  |
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| D | **The following is an extract from Note 1 to the Cash Flow Statement: Reconciliation between Net Profit before Tax and Cash Generated from Operations** |  |
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|  | |  |  | | --- | --- | |  | **R** | | Operating profit before changes in working capital | 2 854 800 | | Cash effects of changes in working capital | (198 615) | |  |

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| E | **Share capital and Dividends** |  |
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|  | * Authorised shares: 900 000 * On 1 March 2019, there were 600 000 shares in issue. * On 31 August 2019 an interim dividend of 243 cents per share was paid. * On 1 November 2019, 40% of the unissued shares were issued  for R1 800 000. * On 29 February 2020, 5% of the issued shares were repurchased at  R16 each. * A final dividend of 90 cents per share was recommended. All shares, including the shares repurchased, qualified for final dividends. |  |

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| F | **Income Tax** | | |  |
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|  | * Tax is 30% of the net profit. | | |  |
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| G | **Financial indicators on 29 February:** | |  | |
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|  | |  |  |  | | --- | --- | --- | |  | **2020** | **2019** | | Earnings per share | 252 cents | 110 cents | | % return on average shareholders’ equity (ROSHE) | 15,7% | 12,3% | | % return on average capital employed (ROTCE) | 20,9% | 21,3% | | Net asset value per share | 1 608 cents | 1 700 cents | | Debt-equity ratio | ? | 0,13:1 | | The market price of shares on the JSE | 1 680 cents | 1 560 cents | | Interest on alternative investments | 7,5% | 6,5% | | Interest on loans | 12,0% | 10,5% | | |  | |
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| **70** |