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| **ACCOUNTING GRADE 12 TEST 7 SELF-STUDY (LOCKDOWN)**  **TOPIC : CASH FLOW STATEMENT AND INTERPRETATION** |  |

**QUESTION 1 CASH FLOW AND INTERPRETATION**

**(75 marks, 45 minutes)**

**1.1 AMATHOLE LTD.**

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| You are provided with extracts from the financial records of Amathole Ltd. |

**REQUIRED**

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| 1.1.1 | Calculate the total dividends paid that will be reflected on the Cash Flow Statement on 30 June 2019. | | (4) |
| 1.1.2 | Calculate the balance on the SARS (Income Tax) account on 1 July 2018. | | (5) |
| 1.1.3 | Movements in fixed assets: | |  |
|  | (a) | Calculate the amount of cash received for the equipment sold during the year. | (2) |
|  | (b) | Calculate the cost of the new assets purchased during the financial year. | (5) |
| 1.1.4 | Complete the “Cash flow from Financing Activities” section of the Cash Flow Statement on 30 June 2019. | | (8) |
| 1.1.5 | Calculate the closing balance of Retained Income on 30 June 2019. | | (7) |
| 1.1.6 | On the AGM of Amathole Ltd. there was interest shown in purchasing additional machinery and equipment. The company will have to obtain a loan of R2 million at an interest rate of 14%. | |  |
|  | (a) | Calculate the Return on total capital employed (ROTCE). | (9) |
|  | (b) | Show how the proposed additional loan will impact on the debt/equity ratio. Provide a calculation. | (4) |

**INFORMATION**

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| **A.** | **Extract from the Income Statement for the year ended 30 June 2019:**   |  |  | | --- | --- | | Interest on loan | R140 000 | | Depreciation | R136 000 | | Net profit before tax | R1 144 000 | | Income tax | R376 000 | |
| **B.** | **Extract from the Balance Sheet on:**   |  |  |  | | --- | --- | --- | |  | **30 June 2019** | **30 June 2018** | | **Fixed assets** | 6 480 000 | 5 324 000 | | Land and Buildings | 4 900 000 | 4 100 000 | | Equipment (carrying value) | 1 580 000 | 1 224 000 | |  |  |  | | **Shareholder’s equity** | 5 782 000 | 5 470 000 | | Share capital | ? | 4 500 000 | | Retained income | ? | 970 000 | |  |  |  | | Long term loan | 950 000 | 1 038 000 | |  |  |  | |
| **C.** | **Extract from the notes to the financial statements on 30 June 2019:**   |  |  |  | | --- | --- | --- | | **Trade and other receivables** | **30 June 2019** | **30 June 2018** | | SARS (Income tax) | 23 900 | 0 |  |  |  |  | | --- | --- | --- | | **Trade and other payables** | **30 June 2019** | **30 June 2018** | | SARS (Income tax) | 0 | ? | | Shareholders for dividends | R108 000 | R143 000 | |
| **D.** | **Fixed assets:**   * New equipment was bought during the year and an additional warehouse was built. * Old equipment was sold at carrying value on 1 February 2019:  |  |  | | --- | --- | | * Cost price | R160 000 | | * Accumulated depreciation on date of sale | R54 500 | | * Asset sold for cash | R ? |  * No Land and Buildings were sold during the year. |

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| **E.** | **Shares:**   * On 1 July 2018 the company had an issued share capital of 937 500 shares. * On 1 July 2018 the company repurchased 50 000 shares at 60c above the average share price. The average price per share at that stage was R4,80. * During the financial year new shares were issued. |
| **F.** | **Dividends and Tax:**   * Dividends paid and declared during the year, R333 000. * Tax paid during the year, R532 000. |

**1.2 STIYANA LTD.**

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| The following information pertains to the financial records of Sitiyana Ltd. for the year ended 29 February 2020. |

**REQUIRED**

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| 1.2.1 | Calculate the following financial indicators on 29 February 2020: | |  |
|  | (a) | Net Asset Value per share (NAV). | (3) |
|  | (b) | % Return on average Shareholder’s Equity (ROSHE). | (5) |
| 1.2.2 | Comment on the liquidity of the company. Quote THREE financial indicators (with figures and trends) to support your answer. | | (8) |
| 1.2.3 | U. Tsipa is a shareholder and she is unsure if she should sell her shares or not. She asks for your advice. Provide figures in your answer. | | (3) |
| 1.2.4 | Refer to **Information C**. Calculate the total dividends Charlie Darries received during the year. | | (6) |
| 1.2.5 | The dividend pay-out policy has changed from the previous year. Provide calculations to show the change and provide ONE possible reason for the change. | | (6) |

**INFORMATION**

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| **A.** | **Extract from the Income Statement for the year ended 28 February 2020:**   |  |  | | --- | --- | | Interest on loan (14%) | 87 000 | | Net profit before tax | 635 000 | | Net profit after tax | 457 200 | |
| **B.** | **Other financial information and indicators for the past two years:**   |  |  |  | | --- | --- | --- | |  | **2020** | **2019** | | Number of issued shares on 28 Feb 2019 |  | 700 000 | | Number of issued shares on 28 Feb 2020 | 762 000 |  | | Shareholder’s equity | R1 690 000 | R1 510 000 | | Current ratio | 4,1 **:** 1 | 2,1 **:** 1 | | Acid test ratio | 1,6 **:** 1 | 1,4 **:** 1 | | Stock turnover rate | 10 times | 6 times | | Debtors’ collection period | 30 days | 30 days | | Creditor’s payment period | 30 days | 60 days | | Debt/Equity ratio | 0,4 **:** 1 | 0,3 **:** 1 | | % return on shareholder’s equity | ? | 22,3% | | Net asset value per share (NAV) | ? | 216c | | Dividends per share (DPS) | 45c | 15c | | Earnings per share (EPS) | 60c | 55c | | Market price per share | 252c | 236c | |
| **C.** | **Details on Charlie Darries’ dividends:**   * On 1 March 2019 Charlie Darries owned 10 400 shares in Sitiyana Ltd. * He bought 10% of the new shares issued during the year. * The interim dividend paid during the year was 20c per share (the new shares did not qualify for the interim dividend). |

**75**