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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:**

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| --- | --- |
| Interest on loan | R140 000 |
| Depreciation | R136 000 |
| Net profit before tax | R1 144 000 |
| Income tax | R376 000 |

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| **B.** | **Extract from the Balance Sheet on:**

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| --- | --- | --- |
|  | **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 |
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| **C.** | **Extract from the notes to the financial statements on 30 June 2019:**

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| **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 |

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| **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.
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| **F.** | **Dividends and Tax:*** Dividends paid and declared during the year, R333 000.
* Tax paid during the year, R532 000.
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**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:**

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| --- | --- |
| Interest on loan (14%) | 87 000 |
| Net profit before tax | 635 000 |
| Net profit after tax | 457 200 |

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| **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 |

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| **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).
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**75**