

Task A10.44: Exercise on Cash Flows

Numbers in this task are to be derived from your Student-ID. If i.e. your student-ID is 125518, the following amounts will apply: $X = 5$; $Y = 1$; $Z = 8$. Accordingly, the purchase amount given in the task as 5X,000 units would be for you: 55,000 units. The other figures apply respectively. You must use your REAL student-ID as stated on the enrol list!

ENTER YOUR STUDENT-ID:				X	Y	Z
------------------------	--	--	--	---	---	---

ROLAH (Pty) Ltd. is a South African pre-owned car dealer ship. At the beginning of the Accounting period 20X1, cars to a total value of 3X,500,000.00 ZAR are on stock.

In 20X1, ROLAH (Pty) Ltd. buys 5Y0 cars at 160,000.00 ZAR/u each on cash. The amount are the net amounts. ROLAH (Pty) Ltd. sells 70Z cars at 210,000.00 ZAR/u during the Accounting period (net selling price). The cars are sold to an extent of 85 % on cash; the remainder on credit to be paid in 20X2. Assume all cars at ROLAH (Pty) Ltd. are bought at 160,000.00 ZAR/u.

Labour at ROLAH (Pty) is amounting to 3,Y00,000.00 ZAR/a payable one month in advance. From 30.06.20X1, labour increases by 8 %. On the balance sheet as at 1.01.20X1 labour is disclosed as prepaid expenses. You have to consider prepaid expenses for Jan/20X2 as well.

For financing, ROLAH (Pty) Ltd. took a bank loan 10,000,000.00 ZAR on 1.01.20X0. The annuity is 10 %/a; half of the amount is for interest.

Required: Prepare an income statement and a statement of cash flows for the Accounting period 20X1.

Solution ($X=5$; $Y=1$; $Z=8$)

Observe the accounts. In addition, a balance sheet has been prepared for cross-checking results as below:

Rolah (Pty) Ltd.'s
STATEMENT of FINANCIAL POSITION
as at 1.01.20X1

A		C, L
<i>Non-current assets</i>	[ZAR]	<i>Equity</i>
P, P, E		Share capital
Intangibles		Reserves
Financial assets		Retained earnings
<i>Current assets</i>		<i>Liabilities (liab.)</i>
Inventory	35,500,000.00	Long-term liab.
Acc. receivables A/R		Short-term liab. A/P
Prepaid expenses	258,333.33	Provisions
Cash/Bank	8,741,666.67	Income tax liab.
Total assets	44,500,000.00	Total equity and liab.
		44,500,000.00

Exhibit 1: Opening balance sheet

Assumption have been made for equity. The amount for cash/bank results from equity. The balance sheet is not required for the solution.

Cash/Bank C/B D OV 8,741,666.67 (1) 97,920,000.00 (8) 151,653,600.00 (4) 3,244,666.67 (6) 475,000.00 c/d (58,230,600.00) (7) 525,000.00 102,164,666.67 102,164,666.67 b/d (58,230,600.00)	Inventories D OV 35,500,000.00 (2) 113,280,000.00 (1) 81,600,000.00 c/d 3,820,000.00 117,100,000.00 117,100,000.00 b/d 3,820,000.00	VAT D (1) 16,320,000.00 (8) 29,736,000.00 c/d 13,416,000.00 29,736,000.00 29,736,000.00 b/d 13,416,000.00
Prepaid expenses PRE D OV 258,333.33 (3) 258,333.33 (5) 279,000.00 c/d 279,000.00 537,333.33 537,333.33 b/d 279,000.00	Issued capital ISS D c/d 25,000,000.00 OV 25,000,000.00 b/d 25,000,000.00	Reserves RES D c/d 10,000,000.00 OV 10,000,000.00 b/d 10,000,000.00
Interest bearing liabilities IBL D (8) 551,250.00 OV 8,975,000.00 c/d 8,423,750.00 8,975,000.00 8,975,000.00 b/d 8,423,750.00	Cost of goods sold-20X1 COS D (2) 113,280,000.00 P&L 113,280,000.00	Accounts receivables A/R D (2) 26,762,400.00 c/d 26,762,400.00 b/d 26,762,400.00
Labour-20X1 LAB D (3) 258,333.33 (5) 279,000.00 (4) 3,244,666.67 c/d 3,224,000.00 3,503,000.00 3,503,000.00 b/d 3,224,000.00 P&L 3,224,000.00	Interest-20X1 D (6) 475,000.00 P&L 475,000.00	Accounts payables A/P D c/d 525,000.00 OV 525,000.00 (7) 525,000.00 b/d 525,000.00 c/d 551,250.00 (8) 551,250.00 1,076,250.00 1,076,250.00 b/d 551,250.00
Profit and Loss P&L D COS 113,280,000.00 REV 148,680,000.00 LAB 3,224,000.00 INT 475,000.00 EBT 31,701,000.00 148,680,000.00 148,680,000.00 ITL 9,510,300.00 b/d 31,701,000.00 R/E 22,190,700.00	Revenue-20X1 D P&L 148,680,000.00 (9) 148,680,000.00	Retained earnings R/E D c/d 22,190,700.00 P&L 22,190,700.00 b/d 22,190,700.00

Exhibit 2: Accounts

See the income statement and the statement of cash flows below:

Rolah (Pty) Ltd.'s STATEMENT of PROFIT & LOSS and OTHER COMPREHENSIVE INCOME for the year ended 31.12.20X1	
	[ZAR]
Revenue	148,680,000.00
Other income	
	148,680,000.00
Cost of goods sold COS	(113,280,000.00)
Labour	(3,224,000.00)
Depreciation	0.00
Other expenses	0.00
Earnings before int. & taxes (EBIT)	32,176,000.00
Interest	(475,000.00)
Earnings before taxes (EBT)	31,701,000.00
Income tax expenses	(9,510,300.00)
Deferred taxes	
Earnings after taxes (EAT)	22,190,700.00

Exhibit 3: Income statement

Rolah (Pty) Ltd.'s STATEMENT of CASH FLOWS for the period ended 31.12.20X1		
<i>Cash flow from operating activities</i>	[ZAR]	[ZAR]
EAT	22,190,700.00	
add Interest paid	475,000.00	
	<u>22,665,700.00</u>	
<i>changes in working capital</i>		
changes in A/R	(26,762,400.00)	
changes in prepaid expenses	(20,666.67)	
changes in inventory	31,680,000.00	
changes in A/P	0.00	
changes in income tax liabilities	9,510,300.00	
changes in VAT/r only materials	(16,320,000.00)	
changes in VAT/p	<u>29,736,000.00</u>	
		<u>50,488,933.33</u>
<i>Cash flow from investing activities</i>		
Investments	<u>0.00</u>	
		<u>0.00</u>
<i>Cash flow from financing activities</i>		
Pay-off plus interest	(1,000,000.00)	
...		
		<u>(1,000,000.00)</u>
Total cash flow		<u><u>49,488,933.33</u></u>

Exhibit 4: Statement of cash flows

For the purpose of checking results, see the balance sheet (not required)!

Rolah (Pty) Ltd.'s STATEMENT of FINANCIAL POSITION as at 31.12.20X1			
A			C, L
<i>Non-current assets</i>	[ZAR]	<i>Equity</i>	[ZAR]
P, P, E		Share capital	25,000,000.00
Intangibles		Reserves	10,000,000.00
Financial assets		Retained earnings	22,190,700.00
<i>Current assets</i>		<i>Liabilities (liab.)</i>	
Inventory	3,820,000.00	Long-term liab.	8,423,750.00
Acc. receivables A/R	26,762,400.00	Short-term liab. A/P	13,967,250.00
Prepaid expenses	279,000.00	Provisions	
Cash/Bank	<u>58,230,600.00</u>	Income tax liab.	<u>9,510,300.00</u>
Total assets	<u>89,092,000.00</u>	Total equity and liab.	<u>89,092,000.00</u>

Exhibit 5: Balance sheet as at 31.12.20X1

Variable solution: ROLAH.xls