TASK 3.47 Waverley Ltd: Complete Cash Flow Statement

3.47.1 WAVERLEY LTD
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 20.4

	Note	*R'000*
Cash flows from operating activities		(871)
Cash generation from operations	1	(41)
Interest paid		(210)
Dividends paid	3	(150)
Tax paid	4	(470)
Cash flows from investing activities		(1 690)
Purchase of non-current assets (800 + 874*)		(1 674)
Sale of non-current assets		46
Increase in investment		(62)
Cash flows from financing activities		4 030
Proceeds from issue of share capital		2 000
Proceeds from long-term borrowings		2 300
Repayment of long-term borrowings		(270)
Net change in cash equivalents	2	1 469
Cash and cash equivalents – beginning of year	2	31
Cash and cash equivalents – end of year	2	**1 500**

***Purchase of Fixed assets:**

		R'000
Book value at beginning		9 245
Additions:	Land & buildings	800
	Equipment	**874**
Disposals		(46)
Depreciation		(140)
Book value at end		10 733

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 20.4

1. Reconciliation between profit before taxation and cash generated from operations	***R'000***
Profit before taxation [700 + 410]	1 110
Adjustments in respect of:	
Depreciation	140
Interest expense	210
Operating profit before changes in working capital	1 460
Changes in working capital:	(1 501)
Increase in inventory	(3 381)
Increase in debtors	(2 400)
Increase in creditors	4 280
Cash generated from operations	**(41)**

2. Cash and cash equivalents	**Net change**	**20.4**	**20.3**
	R'000	***R'000***	***R'000***
Bank	1 433	1 460	27
Cash float	17	20	3
Petty cash	19	20	1
	1 469	**1 500**	**31**

3. Dividends paid	***R'000***
Amount owing at the end of the previous year	60
Total dividends for the year – interim and final	230
Amount owing at the end of the current year	(140)
Amount paid	**150**
4. Taxation paid	
Amount owing at the end of the previous year	100
Income Statement amount	410
Amount owing at the end of the current year	(40)
Amount paid	**470**

3.47.2 Some of the shareholders feel that their cash flow is disappointing. What appears to be the reason for their concern? Why would they have this opinion if the cash assets increased significantly?

The cash generated by operations is poor.
The company should not be relying on loans and issue of shares to the extent it does.
Working capital also appears to be a problem, especially stock.
Net profit is R700 000, which means that sales at selling price could reasonably be R7m.
Stock however is valued at R9.6m.
Other valid explanations possible.

3.47.3 How much extra did the company borrow from North West Bank during the year? Provide a possible reason why the company might need the loan to increase by this amount.

They borrowed an extra R740 000 (i.e. 1 120 + 210 – 270 + 740 = 1 800).
They might need this for expansion of the business early in the next financial year.