

TASK 3.48 Micro (Pty) Ltd: Complete Cash Flow Statement

3.48.1 NOTES TO THE FINANCIAL STATEMENTS

1. FIXED ASSETS	Land & buildings	Equipment	Total
Carrying value at beginning of year	1 050 000	1 100 000	2 150 000
Cost	1 050 000	1 420 000	2 470 000
Accumulated depreciation	0	(320 000)	(320 000)
Movements:	400 000	(80 000)	320 000
Additions	400 000	95 000	495 000
Disposals at carrying value	0	(25 000)	(25 000)
Depreciation	0	(150 000)	(150 000)
Carrying value at end of year	1 450 000	1 020 000	2 470 000
Cost	1 450 000	1 478 000	2 928 000
Accumulated depreciation	0	(458 000)	(458 000)

3.48.2 MICRO (PTY) LTD

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 APRIL 20.8

	Note	
Cash flows from operating activities		30 000
Cash generation from operations	1	884 000
Interest paid [40 000 + 169 000 – 55 000]		(154 000)
Dividends paid	3	(310 000)
Tax paid	4	(390 000)
Cash flows from investing activities		(770 000)
Purchase of fixed assets (400 000 + 95 000*)		(495 000)
Increase in investment		(300 000)
Proceeds from disposal of non-current assets		25 000
Cash flows from financing activities		820 000
Proceeds from issue of share capital		950 000
Payment of capital portion of long-term borrowings		(130 000)
Net change in cash equivalents	2	80 000
Cash and cash equivalents – beginning of year	2	170 000
Cash and cash equivalents – end of year	2	250 000

*Purchase of Fixed assets:

Book value at beginning	2 150 000
Additions: Land & buildings	400 000
Equipment	95 000
Disposals (37 000 – 12 000)	(25 000)
Depreciation	(150 000)
Book value at end	2 470 000

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 30 APRIL 20.8

1. Reconciliation between profit before taxation and cash generated from operations	
Profit before taxation (520 000 + 550 000)	1 070 000
Adjustments in respect of:	
Depreciation	150 000
Interest expense	169 000
Operating profit before changes in working capital	1 389 000
Changes in working capital:	(505 000)
Decrease in inventory	250 000
Decrease in debtors	20 000
Decrease in creditors	(775 000)
Cash generated from operations	884 000

2. Cash and cash equivalents	Net change	20.8	20.7
Bank	65 000	210 000	145 000
Cash float	10 000	20 000	10 000
Petty cash	5 000	20 000	15 000
	80 000	250 000	170 000

3. Dividends paid	
Amount owing at the end of the previous year	180 000
Total dividends for the year – interim and final	330 000
Amount owing at the end of the current year	(200 000)
Amount paid	310 000
4. Taxation paid	
Amount owing at the end of the previous year	(50 000)
Income Statement amount	550 000
Amount owing at the end of the current year	(110 000)
Amount paid	390 000

3.48.3	In your opinion, should the directors be satisfied with the cash flow situation? Explain.
<p>Any valid explanation. It appears operating activities are not providing the cash inflow desired. Lack of cash flow is being compensated for by financing activities, which is not ideal.</p>	