

TASK 3.50
Jasmine Ltd: Complete Cash Flow Statement
3.50.1 NOTES TO THE BALANCE SHEET ON 31 MARCH 20.5

	<i>R '000</i>
1. ORDINARY SHARE CAPITAL	
<u>Authorised:</u> 5 000 000 ordinary shares	
<u>Issued:</u> 2 000 000 ordinary shares in issue at beginning of year	4 200
500 000 ordinary shares issued on 1 April 20.4	1 500
50 000 ordinary shares repurchased on 31 March 20.5	(114)
2 450 000 ordinary shares in issue at end of year	5 586
2. RETAINED INCOME	
Balance at beginning of year	370
Net profit after tax	560
Repurchase of 12 000 shares	(46)
Dividends for the year	(300)
Balance at end of year	584

3.50.2 JASMINE LTD
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 20.5

	Note	<i>R '000</i>
Cash flows from operating activities		(325)
Cash generation from operations	1	380
Interest paid		(37)
Dividends paid	3	(360)
Tax paid	4	(308)
Cash flows from investing activities		(1 773)
Purchase of non-current assets*		(1 732)
Increase in investment		(50)
Proceeds from disposal of non-current assets		9
Cash flows from financing activities		1 593
Proceeds from issue of share capital		1 500
Repurchase of shares [50 000 x 3.20] or [114 + 46]		(160)
Proceeds from long-term borrowings		253
Net change in cash equivalents	2	(505)
Cash and cash equivalents – beginning of year	2	310
Cash and cash equivalents – end of year	2	(195)

***Purchase of Equipment:**

	<i>R '000</i>
Book value at beginning	1 840
Additions	1 732
Disposals	(9)
Depreciation	(53)
Book value at end	3 510

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 20.5

1. Reconciliation between profit before taxation and cash generated from operations	R '000
Profit before tax	777
Adjustments in respect of:	
Depreciation	53
Interest expense	37
Operating profit before changes in working capital	867
Changes in working capital:	(487)
Increase in inventory	(1 005)
Decrease in debtors	1 528
Decrease in creditors	(1 010)
Cash generated from operations	380

2. Cash and cash equivalents	Net change R '000	20.5 R '000	20.4 R '000
Bank	(505)	(195)	310
	(505)	(195)	310

3. Dividends paid	R '000
Amount owing at the end of the previous year	60
Total dividends for the year – interim and final	300
Amount owing at the end of the current year	-
Amount paid	360

4. Taxation paid	R '000
Amount owing at the end of the previous year	40
Income Statement amount	240
Amount owing at the end of the current year	28
Amount paid	308

3.50.3	At the AGM, some of the shareholders are demanding that a final dividend be declared. Would you support their opinion? Explain briefly.
<p>The shareholders are not justified in asking for more dividends. The interim dividends exceed the net profit significantly and there is a negative cash flow of R505 000. The bank is now in overdraft. They must wait until the operating activities generate sustainable inflows.</p>	
3.50.4	Explain the most significant points from the Cash Flow Statement. Quote figures to support your answer.
<p>There is a cash deficit from operating activities of R302 000. This is very poor as operations should generate cash, not cause a deficit. A lot of non-current assets were bought (R1.732m). Obviously the directors are trying to expand the business. A significant number of new shares were issued (500 000) which generated R1.5m to assist in buying the new assets. The stock levels have been reduced significantly by just more than R1m. This is good as excess stock causes liquidity problems if it cannot be sold.</p>	