A close up of a mans face

Description automatically generated

**National Diploma Plant/Animal**

**Farm Finance**

**Handout 6C**

**SAICA(Ltd) Cash Flow from Investment Activities**

1. **CASH FLOWS FROM INVESTMENT ACTIVITIES**

|  |  |  |  |
| --- | --- | --- | --- |
| Investments to maintain operating capacity |  |  | (14 930) |
| Replacement of plant |  |  | (16 810) |
| Proceeds on disposal of plant |  |  | 1 880 |
| Investments to expand operating capacity |  |  | (6 865) |
| Additions to Land and buildings |  |  | (2 680) |
| Additions to Equipment |  |  | (68 5) |
| Investments purchased |  |  | (3 500) |
|  |  |  | (21 795) |

**EXPLANATION**

* The replacement of the Plant can be calculated using the following “T” account.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Plant | | | | | |
| Balance |  | 103 770 | Asset disposal |  | 2 080 |
| \*Purchase |  | 16 810 | Balance |  | 118 500 |
|  |  | 120 580 |  |  | 120 580 |

\*The purchases are the balancing figure on the Plant account

* Because there was no Land and Buildings and Equipment sold the difference in their cost prices from the previous year indicates the additions to these assets.
* Remember an increase in investments indicates that more money was invested outside the business. (outflow of funds)