

The following information was obtained from the financial statements of Mamoek Limited at 31 March 2008.

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

	R '000
Gross turnover	96 000
Cost of Sales	(62 400)
Gross Profit	<u>33 600</u>
Other operating income	1 300
Profit on disposal of Plant	1 300
Investment income	389
Dividends received	164
Interest received	225
Operating costs	(20 089)
Depreciation	12 295
Auditor's remuneration	800
Director's remuneration	1 200
Administrative expenses	5 794
Profit on ordinary activities before interest	15 200
Interest paid	(3 200)
Profit on ordinary activities before taxation	<u>12 000</u>
Taxation	(5 400)
Profit on ordinary activities after taxation	<u><u>6 600</u></u>

BALANCE SHEET AT 31 MARCH 2008

	2008	2007
	R'000	R'000
ASSETS		
Non-current assets	126 800	116 000
Fixed assets	121 800	114 500
Investments in shares at cost	5 000	1 500
Current assets	44 680	46 400
Inventory	19 300	21 850
Debtors	25 380	22 750
Bank		1 800
	171 480	162 400
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EQUITY AND LIABILITIES		
Capital and Reserves	97 380	81 810
Ordinary share capital	33 000	26 000
Preference share capital	6 000	4 000
Share premium	20 000	18 000
Non-distributable reserves	10 000	10 000
Distributable reserves	28 380	23 180
General reserve	22 800	20 000
Retained income	5 580	3 180
Non-current liabilities	41 280	47 120
Long term loan	21 000	29 000

Debentures	20 280	18 120
Current liabilities	32 820	34 100
Creditors	25 870	27 500
Receiver of Revenue	5 400	6 000
Shareholders for dividends	300	600
Bank overdraft	1 250	
	171 480	162 400

ADDITIONAL INFORMATION

I. FIXED ASSETS

2008 (R'000)

	Land and Building	Plant	Equipment	Total
Gross carrying value	17 100	118 500	4 330	139 930
Acc Depreciation	1 100	16 700	330	18 130
Opening balance	420	5 270	145	5 835
Depreciation	680	11 430	185	12 295
		101	4	121
Net carrying value	16 000	800 000		800

2007 (R'000)

	Land and Building	Plant	Equipment	Total
Gross carrying value	14 420	103 770	3 645	12 335
Acc Depreciation	420	6 770	145	5 835
Opening balance	140	3 000	45	1 685
Depreciation	280	3 770	100	4 150
		97		114
Net carrying value	14 000	000 3 500		500

2. Plant with a cost price of R2 080 (R'000) and a net carrying value of R580 (R'000) was sold for R1 880 (R'000). Plant purchased was in replacement of the plant sold.

REQUIRED

Prepare the Cash Flow Statement of Mamoek LTD for the year ended 31 March 2008 using both methods (indirect and direct).

VERY IMPORTANT

Did you notice that the information given in Mamoek (LTD) is exactly the same as the information given in SAICA (LTD)? This means that we have already calculated the cash flows from operating activities, from investment activities and from financing activities. All that remain now is to put them together in the correct format according to the requirements of Statement AC 118.

MAMOEK LTD

CASH FLOW STATEMENT FOR THE YEAR ENDED

31 MARCH 2008

	Note	R'000
Cash flows from operating activities		13 585
Cash receipts from customers		93 370
Cash paid to suppliers and employees		(69 274)
Cash generated from operations	1	24 096
Interest received		225
Dividends received		164
Interest paid		(3 200)
Taxation paid (6 000+5 400-5 400)		(6 000)
Dividends paid (600+1 400-300)		(1 700)
Cash flows from investment activities		(21 795)
Purchase of fixed assets/tangible assets		(20 175)
Replacements	2	(16 810)
Additions	3	(3 365)
Proceeds on disposal of fixed assets/tangible assets	4	1 880
Investments purchased		(3 500)
Cash flows from financing activities		5 160

Decrease in long term loans		(8 000)
Proceeds from shares issued	5	11 000
Proceeds from Debentures issued		2 160
Net decrease in cash and cash equivalents		(3 050)
Cash and Cash equivalents at beginning of period		1 800
Cash and cash equivalents at end of period		<u>(1 250)</u>

NOTES TO THE CASH FLOW STATEMENT

1. Reconciliation of net profit before taxation to cash generated from operations.

	R'000
Profit before taxation	12 000
Adjusted for	
Depreciation	12 295
Interest paid	3 200
Profit on disposal of plant	(1 300)
Investment income	(38 9)
Operating profit before changes in working capital	25 806
Changes in working capital	(1 710)
Decrease in inventory	2 550
Increase in debtors	(2 630)
Decrease in creditors	(1 630)
	24 096

2. REPLACEMENT OF FIXED ASSETS/TANGIBLE ASSETS

Plant purchased	16 810
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3. ADDITIONS TO FIXED ASSETS/TANGIBLE ASSETS

Land and Buildings purchased	2 680
Equipment purchased	685
	3 365

4. PROCEEDS ON DISPOSAL OF FIXED ASSETS/TANGIBLE ASSETS

Carrying value of asset sold	580
Profit on disposal	1 300

Total proceeds	1 880
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5. PROCEEDS FROM SHARES ISSUED

Ordinary shares	7 000
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Share premium on ordinary shares	2 000
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Preference shares	2 000
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	11 000
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EXPLANATION

1. You are referred to the explanations of the calculations for SAICA LTD
2. The cash received from customers and cash payments to suppliers and employees are calculated as follows:

Cash received from customers

Debtors			
Balance	22 750	*Bank	93 370
Sales	96 000	balance	25 380
	118 750		118 750

All the sales are taken into account as credit sales and the bank is the balancing figure.

Cash payments to suppliers and employees

Creditors			
*Bank	61 480	Balance	27 500
Balance	25 870	Purchases	59 850
	87 350		87 350
			59 850

- Purchases are determined as follows:

Cost of Sales	62 400
Less: Decrease in inventory	(2 550)
	59 850

- The bank is the balancing figure, but this is only the payment to suppliers. What about the other payments to employees? Therefore, the payment to suppliers and employees are calculated as follows:

Payments to suppliers	R61 480
Payments to employees:	
Auditors' remuneration	800
Directors' remuneration	1 200
Admin expenses	5 794
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	69 274
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