

**QUESTION 2: CASH FLOW STATEMENT AND FINANCIAL INDICATORS****(40 marks; 30 minutes)****CONCEPTS**

- 2.1 Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question numbers (2.1.1 to 2.1.3) in the ANSWER BOOK.
- 2.1.1 The current ratio is a financial indicator which is relevant to the (liquidity/solvency) of a company.
- 2.1.2 An increase in a fixed deposit will lead to an (inflow/outflow) of cash in the Cash Flow Statement.
- 2.1.3 A decrease in inventories will lead to an (inflow/outflow) of cash in the Cash Flow Statement. (3)

**JINGLE LTD**

The information relates to the financial year ended 29 February 2024.

**REQUIRED:**

- 2.2 Prepare the Retained Income Note for the financial year ended 29 February 2024. (8)
- 2.3 Refer to the partially completed Cash Flow Statement provided. Calculate and/or provide the figures denoted by (i) to (v). (17)
- 2.4 Calculate the following financial indicators for the financial year ended 29 February 2024:
- Acid-test ratio (4)
  - Interim dividend per share (in cents) (4)
  - % return on average shareholders' equity (ROSHE) (4)

**INFORMATION:****A. Share capital:**

Number of shares	Details
1 450 000	Shares in issue on 1 March 2023
30 000	Shares repurchased on 1 June 2023, at R3,70 above the average share price
250 000	Shares issued on 1 November 2023, at R17,20 per share
1 670 000	Shares in issue on 29 February 2024

**B. Dividends:**

- Interim dividends were paid on 31 August 2023 to all shares in the share register.
- A final dividend was declared on 29 February 2024.

**C. Extract from the Statement of Comprehensive Income for year ended 29 February 2024:**

Depreciation	R1 620 000
Operating profit	4 826 000
Interest on loans	966 000
Income tax (at a tax rate of 30%)	1 950 000

**D. Extract from the Statement of Financial Position on 28/29 February:**

	2024	2023
Fixed assets at carrying value	R43 095 000	R39 365 000
Current assets (Note 1)	9 623 000	8 029 000
Current liabilities (Note 2)	18 310 000	12 044 000
<b>Shareholders' equity</b>	<b>28 248 000</b>	<b>25 729 000</b>
Ordinary share capital	?	22 910 000
Retained income	?	2 819 000

**Note 1: Items included under Current assets**

	2024	2023
Inventories	R4 190 000	R3 883 000
Cash & cash equivalents	55 000	1 030 000

**Note 2: Items included under Current liabilities**

	2024	2023
Shareholders for dividends	R2 338 000	R2 320 000
SARS: Income tax	115 000	86 000
Bank overdraft	3 274 000	0

**E. Fixed assets:**

- A vehicle was sold at carrying value.
- Fixed assets were also purchased during the financial year.

**F. Partially completed Cash Flow Statement on 29 February 2024:**

<b>Cash effects of operating activities</b>	
<b>Cash generated from operations</b>	
Interest paid	(966 000)
Dividends paid	(5 728 000)
?	(i)
<b>Cash effects of investing activities</b>	
?	(ii)
Proceeds from sale of fixed assets	232 000
Change in investments	
<b>Cash effects of financing activities</b>	
?	(iii)
?	(iv)
Change in loans	
<b>Net change in cash &amp; cash equivalents</b>	
<b>Cash &amp; cash equivalents on 1 March 2023</b>	1 030 000
?	(v)

**QUESTION 2**

2.1

2.1.1	
2.1.2	
2.1.3	

3

2.2 **RETAINED INCOME NOTE**

Balance at the beginning of the year	2 819 000
Ordinary share dividends	
Final dividends	2 338 000
Balance at the end of the year	

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2.3 **CASH FLOW STATEMENT FOR THE YEAR ENDED 29 FEBRUARY 2024**

Cash effects of operating activities	
Cash generated from operations	
Interest paid	(966 000)
Dividends paid	(5 728 000)
(i)	
Cash effects of investing activities	
(ii)	
Proceeds of sale of fixed assets	232 000
Change in investments	
Cash effects of financing activities	
(iii)	
(iv)	
Change in loans	
Net change in cash & cash equivalents	
Cash & cash equivalents on 1 March 2023	1 030 000
(v)	

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- 2.4 Calculate the following financial indicators for the financial year ended 29 February 2024:

Acid-test ratio	
WORKINGS	ANSWER

4

Interim dividend per share (in cents)	
WORKINGS	ANSWER

4

% return on average shareholder's equity (ROSHE)	
WORKINGS	ANSWER

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