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

2.1 Choose the correct word from those given in brackets. Write only the word next to the question numbers (2.1.1 to 2.1.3) in the ANSWER BOOK.

2.1.1 An increase in inventory represents an (inflow/outflow) of cash.

2.1.2 A decrease in accounts payable represent an (inflow/outflow) of cash.

2.1.3 An adjustment for (depreciation / income tax) should be made when calculating the cash effects of operating activities.

(3 x 1) (3)

2.2 **EAGLES LTD**

The information relates to the financial year ended 28 February 2023.

REQUIRED:

2.2.1 Prepare the Retained Income note on 28 February 2023. (8)

2.2.2 Complete the Cash Flow Statement on 28 February 2023. (18)

NOTE: Some amounts are provided in the ANSWER BOOK.

2.2.3 Calculate the following financial indicators on 28 February 2023.

- Acid-test ratio (3)
- % Return on average shareholders' equity (ROSHE) (4)
- Dividends per share (4)

INFORMATION:

A. Extract: Statement of Comprehensive Income for the year ended 28 February 2022:

Sales	R 2 450 000
Depreciation	567 490
Profit before interest expense	1 208 200
Net profit before tax	1 120 000
Net profit after tax	784 000

B. **Income tax** was calculated at 30% for the current financial year.

C. Items extracted from Statement of Financial Position on 28 February:

	2023	2022
Fixed deposit	**144 450**	**277 550**
Current assets	**2 175 600**	**2 003 790**
Current liabilities	**753 065**	**719 800**
Inventories	1 469 700	1 431 000
Trade debtors	603 400	557 340
Cash and cash equivalents	92 840	15 450
SARS: Income tax	9 660 **Dr**	20 020 **Cr**
Shareholders for dividends	207 070	150 000
Bank overdraft	0	28 480
Non-current liabilities	**735 000**	**980 000**
Ordinary share capital	**?**	**9 520 000**
Ordinary shareholders equity	**11 887 820**	**9 814 000**

D. Share capital and dividends:

1 March 2022	1 190 000 shares were in issue.
30 June 2022	85 000 shares repurchased at R2 above the average share price. These shares do not qualify for dividends.
30 August 2022	Interim dividends of 12 cents per share paid.
1 November 2022	R2 479 500 received for additional shares issued.
28 February 2023	1 380 500 shares were in issue.
28 February 2023	A final dividend was declared.

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