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| <p>Part (a) Prepare, using the indirect method, an extract from the consolidated statement of cash flows of the Infinite Structures Group for FY2023, in accordance with IAS 7 <i>Statement of Cash Flows</i>, in so far as the information allows.</p> <ul style="list-style-type: none"> • Do not prepare notes to the statement of cash flows • Round all amounts to the nearest rand. • Do not provide comparative figures. • Ignore the reconciliation at the bottom of the statement that shows the opening balance and the closing balance of cash and cash equivalents as well as the net increase (decrease) in cash and cash equivalents. | Marks | |
| <p>Infinite Structures Group Consolidated statement of cash flows for the year ended 31 December 2023</p> | | |
| | R | |
| Cash flows from operating activities | | |
| Profit before tax | 328 700 000 | ½ |
| Adjusted for: | | |
| Add interest expense on bonds (W1) (AMRT1, INT) | 899 426 | 1C |
| Deduct profit on sale of land (given) | (220 000) | 1 |
| Add depreciation on right-of-use asset (W2) (R3 702 098 / 3 (½) x 10/12 (½)) | 1 028 361 | 1C |
| Add finance costs on lease liability (W2) [(R3 228 061 – R1 200 000) x 12% (½) x 10/12 (½)] or (AMRT2, INT (½) x 10/12 (½)) | 202 806 | 1C |
| Add finance costs on dismantling provision (W2) (R334 537 x 12% (½) x 10/12 (½)) or (AMRT1, INT (½) x 10/12 (½)) | 33 454 | 1C |
| Add depreciation on distribution warehouse (W3) [(R7 827 106 – R2 000 000 (½)) / 30 (½) x 6/12 (½)] | 97 118 | 1½ |
| Add interest on foreign loan [(£500 000 x 6,75% (½) x 6/12 (½)) x R22,89 (½)] | 386 269 | 1½ |
| Add forex loss on foreign interest [(£500 000 x 6,75% (½) x 6/12 (½)) x (R24,40 – R20,49) (1)] + [(£500 000 x 6,75% x 6/12) (1C) x (R24,40 – R22,89) (1)] | 91 462 | 4 |
| Add forex loss on foreign loan [£500 000 (½) x (R24,40 - R20,49) (1)] | 1 955 000 | 1½ |
| Refer W5 for alternative calculation of the above two items | | |
| Add IFRS 5 impairment loss (W4) | 206 856 | |
| Deduct dividends received (given) | (600 000) | 1 |
| Operating profit before changes in working capital | 332 780 743 | |
| Changes in working capital (given) | (176 450 000) | 1 |
| Cash generated from operations | 156 330 743 | |
| Interest paid [R800 000 (1) ^{bonds} + ((£500 000 x 6,75%) (½) x R24,40 (½)) foreign loan] | (1 623 500) | 2 |
| Taxation paid (R8 750 000 (½) + R95 670 550 (½) – R11 120 000 (½)) | (93 300 550) | 1½ |
| Dividends paid (R1 210 000 (½) + R1 000 000 (½) + R252 500 (1) – R1 995 000 (½)) | (467 500) | 2½ |
| Dividends received | 600 000 | 1 |

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| Cash flows from investing activities | | |
| Acquisition of subsidiary (R10 000 000 (½) + R7 500 000 (½) – R2 700 000 (1)) | (14 800 000) | 2 |
| Purchase of land (given) | (1 500 000) | 1 |
| Proceeds from sale of land [(R2 200 000 (½) + R4 100 000 (½) + R1 500 000 (½) + R500 000 (½) + R120 000 (½) – R3 350 000 (½) – R3 100 000 (1) + R220 000 (½)] | 2 190 000 | 4½ |
| Installation costs on right of use asset | (73 500) | 1 |
| | | |
| Cash flows from financing activities | | |
| Proceeds from issue of bonds [(10 000 x R1 000) (½) – R96 000 (½)] (W1) | 9 904 000 | 1 |
| Costs of the lease (R102 000 (½) – R36 000 (1)) | (66 000) | 1½ |
| Lease instalment (advance on commencement) | (1 200 000) | 1 |
| Repayment of foreign loan [£500 000 x R24,40] | (12 200 000) | 1 |
| | | |
| WORKINGS | | |
| | | |
| W1: Bonds issued | | |
| n = 5 (½) PV = 9 904 000 (1) (10 000 000 – 96 000) FV = 10 500 000 (1) (10 000 000 x 1,05) Pmt = 800 000 (1) (R10 000 000 x 8%) Comp i = 9,081438273% | | 3½ |
| | | |
| W2: Right-of-use asset and lease liability | | |
| Lease liability (BGN (½); n = 3 (½); i = 12% (½); Pmt = 1 200 000 (½); Comp PV = 3 228 061) or (n = 2 (½); i = 12% (½); Pmt = 1 200 000 (½); Comp PV = 2 028 061; R2 028 061 + R1 200 000 (½) = R3 228 061 | 3 228 061 | 2 |
| Dismantling provision [FV = 470 000 (½); n = 3 (½); i = 12% (1) (8.76%/73%)] | 334 537 | 2 |
| Initial direct costs (R102 000 (½) – R36 000 (½) + R73 500 (½)) | 139 500 | 1½ |
| Right-of-use asset | 3 702 098 | |
| | | |
| W3: Distribution warehouse | | |
| Construction costs [£500 000 (½) x R15,07 (½)] | 7 535 000 | 1 |
| Abnormal wastage | - | ½ |
| Opening celebration | - | ½ |
| Borrowing costs capitalised [(£500 000 x 6,75% (½) x 6/12 (½)) x R15,11 (½)] | 254 981 | 1½ |
| Forex loss on interest (IAS23.6(e)) [(£500 000 x 6,75% (½) x 6/12 (½)) x (R17,31 – R15,11) (1)] | 37 125 | 2B |
| Cost of distribution warehouse | 7 827 106 | |
| | | |
| W4: IFRS 5 impairment losses | | |
| Land | 3 100 000 | 1 |
| Carrying amount of building Cost (W3) | 7 827 106 | ½C |
| Accumulated depreciation [(R7 827 106 – R2 000 000) / 30 (½C) x 9.5 (1)] | (1 845 250) | 1½ |

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| Total carrying amount | | | 9 081 856 | |
| Impairment loss – 1/7/2023 (R9 000 000 – R9 081 856) | | | 81 856 | ½ |
| Impairment loss – 31/12/2023 (R8 875 000 – R9 000 000) | | | 125 000 | ½ |
| or (R8 875 000 – R9 081 856) | | | 206 856 | |
| W5: Forex difference on foreign loan (capital and interest) (alternative calculation) | | | | |
| | £ | Rate | R | |
| Loan balance | (½) 500 000 | (1) 20,49 | 10 245 000 | 1½ |
| Interest (£500 000 x 6.75% (½) x 6/12 (½)) | 16 875 | (½) 20,49 | 345 769 | 1½ |
| Interest (£500 000 x 6.75% x 6/12) | (1C) 16 875 | (½) 22,89 | 386 269 | 1½ |
| | 533 750 | | 10 977 038 | |
| Paid | (533 750) | (1) 24,40 | (13 023 500) | 1 |
| Forex loss | | | 2 046 462 | |
| | | | Available | 52½ |
| | | | Bonus | 2 |
| | | | Maximum | 48 |
| | | | <i>Communication skills – presentation; layout and structure</i> | 2 |
| | | | Total for part I | 50 |