

S.5 ENTREPRENEURSHIP HOLIDAY WORK

The following projections relates to Makalanda traders for the 2017

- i. Share capital shs 600,000 as 1 march 2017
- ii. Cash sales for March 2017 shs 8,250,000 and expected to increase by shs750, 000
- iii. Monthly debts to be collected are shs 2,000,000 and expected to increase by shs 200,000 per month
- iv. A loan worth shs 7500,000 to acquired from tropical bank in April 2017
- v. Monthly credit sale shs 4,000,000, But 60% will be paid in the month of sale and balance to be paid in the following month.
- vi. Start up equipments worth shs 7,500,000 to be bought in April 2017
- vii. Monthly expenses for servicing of refrigerators are expected to be shs 200,000
- viii. Monthly payments are salaries shs 2,250,000 security shs 750, 000, insurance shs 225,000
- ix. Monthly utility bills of shs 750,000 are to be made
- x. Monthly loan repayment shs 900,000 will start in may
- xi. Purchases are expected to shs 2,000,000 monthly

Required;

Prepare a cash flow statement for Makalanda for the period from March to June 2017

Give any five importance of the cash flow statement to Kalanda traders

The following information relates to Umoja investments for the months of May, June, July, and August, 2012

- i. Opening balance as at 1st May, 2012 was shs 320,000
- ii. Output of 800,900,700 and 100 units were sold at Shs.500 each during the month of May, July and August respectively.
- iii. Loans of shs. 500,000 and shs. 300,00 were obtained from inland bank ltd in June and August
- iv. Receipts from debtors of shs 100,000, shs. 80,000 and shs. 30,000 were registered for the months of June, July and August respectively.
- v. Purchases of 700, 800, 900, and 1,000 units of raw materials were made in the months of May, June, July, and August respectively at a cost of shs 200 per unit.
- vi. Labor costs for the month of May, June, July and August were shs. 150,000, shs. 120,000, and shs.100, 000 and shs.140,000 respectively.
- vii. A machine was bought and paid for in July for shs. 1,000,000
- viii. Monthly fixed costs of shs. 20,000 per month were paid.
- ix. Monthly rent receivable from a shoe-shiner shs.50,000

Required:

- a) Prepare a statement showing cash inflows and cash outflows for the months of May to August 2012
- b) Comment on the cash position of Umoja investments Ltd for the four months.

Tell enterprises has availed you with the following projections for the months of July, August, September and October, 2014.

- i. On July 1st 2014 cash balance shs. 26,000,000
- ii. The sales manager expects to sell goods on credit worth 40,000,000 monthly. Payment from credit customers is expected as follows: 60% credit sales in the month of sale and the balance in the month following the sale.
- iii. The finance manager expects to obtain two loans of shs 20,000,000 in each of the months of August and October 2014.
- iv. Monthly cash purchases worth shs 40,500,000 are expected to be made
- v. Monthly cash sales are expected to be shs 60,000,000. A commission of 10% is paid to sales clerks each time cash is received.
- vi. A delivery van is to be bought in the month of August 2014 at a cost of 35,000,000
- vii. Monthly wage bill is estimated to be shs.12, 500,000. An increase of 10% is expected in the month of October 2014
- viii. A loan interest of 5% per month is payable in the month following acquisition of the loan
- ix. Expansion of business buildings expected cost shs 6,200,000 in the month of July 2014 and shs. 30,000,000 in the month of August
- x. General expenses are expected to amount to shs7,100,000 per month. All expenses are paid in the month in which they are incurred.
- xi. Income tax for the 1st quarter of the year shs 12,000,000 to be paid in September 2014.

Required:

- a) Prepare a cash flow statement (cash budget) for Tell enterprises for the period July to October 2014
- b) Suggest telling Enterprises five ways of managing cash short falls in the cash flow statement.