Exercise – Macers Corp

# Background

You are an accountant working with "Macers Corp.", and have been assigned to prepare company's books for fiscal year 2017 (FY17). You have decided to record the following transactions into three key financial statements: Income statement, Balance sheet and Cash flow statement at the end of FY17. Applicable tax rate is 20%.

# Objective

To check workings, ending cash balance in Cash flow statement shall match with balance sheet cash after taking into account all the following transactions

# Transactions (FY 2017)

1. The company purchased inventory for AED 14m in cash
2. Purchased additional inventory worth AED 95m from a vendor and paid AED 13m in cash
3. The company sold inventory worth AED 42m and generated sale proceeds of AED 58m in cash
4. Sold additional inventory worth AED 58m to another buyer and generated sale proceeds of AED 65m, however received AED 50m in cash
5. Paid AED 78m to vendor, to settle the former credit purchase
6. Received AED 12m against previous receivables
7. The company spent AED 7m cash in incurring selling and marketing (SG&A) expenses during FY17
8. Interest expense for FY17 amounted to AED 5m, however company paid only AED 1m in cash
9. The company purchased property, plant and equipment (PP&E) for AED 35m in cash
10. Macers Corp recognized a depreciation expense of AED 10m during FY17
11. To fund future expansion, the company decided to raise a bank loan amounting to AED 30m from ABDH Bank and categorized it as long term debt
12. During the year, the shareholders of Macers Corp infused equity worth AED 20m in the company
13. The company paid AED 20m of current short term debt outstanding in cash
14. During FY17, company paid dividends worth AED 1m to reward equity shareholders
15. Macers Corp. paid income taxes of 0.2 million in cash (@ of 20%)

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