Exercise – Kelly Corp

# Background

You are an accountant working with "Kelly 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 and ending cash balance in Cash flow statement shall match with ending balance sheet cash after taking into account all the following transactions

# Transactions (FY 2017)

1. Bought inventory amounted to AED 150 mn, however paid only AED 20 mn from existing cash
2. Company sold goods worth AED 140 mn for AED 190 mn, out of which AED 40 mn is still receivable from the customer
3. Company received AED 22 mn in cash as advance against a future order which will be delivered in FY18
4. Company made a payment of AED 90 million to suppliers
5. Kelly corp. collected AED 20 mn from previously outstanding receivables
6. Kelly corp. incurred Selling, general and admin (SG&A) expenses amounted to AED 20 mn for FY17. This included advanced expenses worth AED 5 mn related to next fiscal year, which is FY18
7. Due to future expansion, the company bought Property, plant and equipment (PP&E) amounted to AED 30 mn, and financed the transaction with long term debt of AED 1 mn
8. Depreciation expense during the year was AED 12 mn
9. The company recognized an impairment expense of AED 4 mn on PP&E during the year
10. Company invested AED 20 mn in buying patents from Techno Ltd and recognized an a amortization expense of AED 5 mn for FY17.
11. Company sold one of its machines with a carrying value of AED 19 mn for AED 24 mn in cash
12. Interest expense for the year FY17 amount to AED 3.5 mn
13. The company decided to repurchase and cancel common shares worth AED 30 mn
14. Dividend declared/proposed during the year amounted to AED 5 mn, however actual dividend paid amounted to AED 4 mn
15. Kello Corp. paid an income tax amounted to 20% of pretax profits

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