**Appendix 1**

Projected income statement for Munaku Contractors Ltd for 12 months (shs 000,000):

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Cost item | Narrative | Jan | Feb | Mar | April | May | June | july | Aug | Sept | oct | Nov | Dec | Total |
| Kilometres done |  |  2  |  2  |  2  |  2  |  2  |  2  |  2  |  2  |  2  |  2  |  2  |  2  |  24  |
| Kilometres billed |  |  |  4  |  |  4  |  |  4  |  |  4  |  |  4  |  |  4  |  24  |
| Price per km |  |  450  |  450  |  450  |  450  |  450  |  450  |  450  |  450  |  450  |  450  |  450  |  450  |   |
| **Revenue** |  |  **900**  |  **900**  |  **900**  |  **900**  |  **900**  |  **900**  |  **900**  |  **900**  |  **900**  |  **900**  |  **900**  |  **900**  |  **10,800**  |
| Costs |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Material | 8,000 tonnesx20000 plus vat at 20% |  384  |  384  |  384  |  384  |  384  |  384  |  384  |  384  |  384  |  384  |  384  |  384  | 4,608 |
| Direct labour | 60m/kms |  120  |  120  |  120  |  120  |  120  |  120  |  120  |  120  |  120  |  120  |  120  |  120  |  1,440  |
| Machine hire | 12m/kms |  24  |  24  |  24  |  24  |  24  |  24  |  24  |  24  |  24  |  24  |  24  |  24  |  288  |
| Fuel | 9000ltsx3500 |  63  |  63  |  63  |  63  |  63  |  63  |  63  |  63  |  63  |  63  |  63  |  63  |  756  |
| Overheads | 100m/kms |  200  |  200  |  200  |  200  |  200  |  200  |  200  |  200  |  200  |  200  |  200  |  200  |  2,400  |
| Management salaries | 15m/month |  15  |  15  |  15  |  15  |  15  |  15  |  15  |  15  |  15  |  15  |  15  |  15  |  180  |
| Depreciation | 2,437,500 per kms |  4.875  |  4.87  |  4.87  |  4.875  |  4.87  |  4.875  |  4.875  |  4.875  |  4.87  |  4.875  |  4.875  |  4.87  |  58.5  |
| Amortisation | 1,250,000 per kms (for 3 years) |  2.5  |  2.5  |  2.5  |  2.5  |  2.5  |  2.5  |  2.5  |  2.5  |  2.5  |  2.5  |  2.5  |  2.5  |  30  |
| Interest |  |  10.90  |  10.9  |  10.9  |  10.90  |  10.9  |  10.90  |  10.90  |  10.90  |  10.9  |  10.90  |  10.90  |  10.9  |  130.8  |
| Total cost |  |  813.3  |  824.  |  824  |  824.3  |  824  |  824  |  824.3  |  824.3  |  824.  |  824.3  |  824.3  |  824.  |  9,880.4  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Jan | Feb | Mar | April | May | June | july | Aug | Sept | oct | Nov | Dec | Total |
| Net profit |  |  86.63 |  75.7 |  75.7  |  75. 7  |  75.7  |  75.7  |  75.7  |  75.7  |  75.7  |  75.7  |  75.7  |  75.7  |  919.600  |
| Provision for taxation 30% |  |  26  |  22.7  |  22.7  |  22.7  |  22.1  |  22.71  |  22.71  |  22.71  |  22.7  |  22.71  |  22.71  |  22.7  |  275.880  |
| Profit after Taxation |  |  60.63  |  53.0  |  53.0  |  53.0  |  53.0  |  53.0  |  53.08  |  53.0  |  53.0  |  53.0  |  53.0  |  53.0  |  643.720  |

Compute basic profitability ratios and note that this is consistent with the expected business performance e.g. ROI.

643.72x100/7,071= 9.1%. This does not seem a good return and the planners have to go back on table to see how to improve it. Suggest what could be done to improve this profitability.

**Appendix 11**

Projected cash flow for Munaku Contractors Ltd for 12 months:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Cost item | Narrative | Jan | Feb | Mar | April | May | June | July | Aug | Sept | Oct | Nov | Dec | Total |
| Kilometres done |  |  2  |  2  |  2  |  2  |  2  |  2  |  2  |  2  |  2  |  2  |  2  |  2  |  24  |
| Kilometres billed |  |  |  4  |  |  4  |  |  4  |  |  4  |  |  4  |  |  4  |  24  |
| Price per km |  |  |  450  |  |  450  |  |  450  |  |  450  |  |  450  |  |  450  |  |
| Revenue receipts |  |  -  |  |  |  1,800  |  |  1,800  |  |  1,800  |  |  1,800  |  |  1,800  |  9,000  |
| Share capital |  |   |  |  |  |  |  |  |  |  |  |  |  |  -  |
| Loan Capital |  |   |  |  |  |  |  |  |  |  |  |  |  |  -  |
| **Total receipts** |  |  **-**  |  **-**  |  **1,800**  |  |  **1,800**  |  |  **1,800**  |  |  **1,800**  |  |  **1,800**  |  |  **9,000**  |
| Payments |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Additional land 5 acres |  |  500  |  |  |  |  |  |  |  |  |  |  |  |  500  |
| Building and equipment |  |  520  |  |  |  |  |  |  |  |  |  |  |  |  520  |
| Start up capital |  |  90  |  |  |  |  |  |  |  |  |  |  |  |  90  |
| Material | 8,000 tonnesx20000 plus vat at 20% |  384  |  384  |  384  |  384  |  384  |  384  |  384  |  384  |   384  |   384  |  384  |   384  |  4,608  |
| Direct labour | 60m/km |  120  |  120  |  120  |  120  |  120  |  120  |  120  |  120  |  120  |   120  |   120  |   120  |  1,440  |
| Machine hire | 12m/km |  24  |  24  |  24  |  24  |  24  |  24  |  24  |  24  |  24  |   24  |   24  |   24  |  288  |
| Fuel | 9000ltsx3500 |  63  |  63  |  63  |  63  |  63  |  63  |  63  |  63  |   63  |   63  |   63  |   63  |  756  |
| Overheads | 100m/kms |  200  |  200  |  200  |  200  |  200  |  200  |  200  |  200  |   200  |   200  |   200  |   200  |  2,400  |
| Management salaries | 15m per month |  7.5  |  7.5  |  7.5  |  7.5  |  7.5  |  7.5  |  7.5  |  7.5  |  7.5  |  7.5  |  7.5  |  7.5  |  90  |
| dividends/drawings | 10m per month |  10  |  10  |  10  |  10  |  10  |  10  |  10  |  10  |   10  |   10  |   10  |   10  |  120  |
| Depreciation | 2,437,500 per kms |  |  |  |  |  |  |  |  |  |  |  |  |  -  |
| Amortisation | 1,250,000 per kms for 3 years |  |  |  |  |  |  |  |  |  |  |  |  |  -  |
| Loan repayment and interest |  |  26.9  |  26.9  |  26.9  |  26.9  |  26.9  |  26.9  |  26.9  |  26.9  |  26.9  |  26.9  |  26.9  |  26.9  |  322.8  |
| **Total payments** |  |  **1,945.4**  |  **835.4**  |  **835.4**  |  **835.4**  |  **835.4**  |  **835.4**  |  **835.4**  |  **835.4**  |  **835.4**  |  **835.4**  |  **835.4**  |  **835.4**  |  **11,134.8**  |

Net cash flow:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Jan | Feb | Mar | April | May | June | July | Aug | Sept | Oct | Nov | Dec | Total |
| **Net cash**  |  |  **(1,945.4)** |  **(835.4)** |  **964.6**  |  **(835.4)** |  **964.6**  |  **(835.4)** |  **964.6**  |  **(835.4)** |  **964.6**  |  **(835.4)** |  **964.6**  |  **(835.4)** |  **(2,134.8)** |
| Opening balance |  |  (999) |  (2,944.4) |  (3,779.8) |  (2,815.2) |  (3,650,6) |  (2,686) |  (3,521.4) |  (2,556.8) |   (3,392.2) |  (2,427.6) |  (3,263) |  (2,298.4) |  (999) |
| **Closing balance** |  |  **(2,944.4)** |  **(3,779.8)** |  **(2,815.2)** |  **(3,650.6)** |  **(2,686)** |  **(3,521.4)** |  **(2,556.8)** |  **(3,392.2)** |  **(2,427.6)** |  **(3,263)** |  **(2,298.4)** | **(3,133.8)** |  **(3,133.8)** |

Compare the cash flow monthly figures and note that they are very different from the monthly profit figures!

Study the pattern of the closing balances and suggest ways to improve it. For long term capital you need to look at the long term forecast to determine what the hard core cash shortage is that must be funded over the long term. The cash flow pattern is not satisfactory the way it is. Planners have to go back and suggest ways to improve it. Suggest what you think could be done to address this situation.