



Appendix 1

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

<i>Cost item</i>	<i>Narrative</i>	<i>Jan</i>	<i>Feb</i>	<i>Mar</i>	<i>April</i>	<i>May</i>	<i>June</i>	<i>july</i>	<i>Aug</i>	<i>Sept</i>	<i>oct</i>	<i>Nov</i>	<i>Dec</i>	<i>Total</i>
<i>Kilometres done</i>		2	2	2	2	2	2	2	2	2	2	2	2	24
<i>Kilometres billed</i>			4		4		4		4		4		4	24
<i>Price per km</i>		450	450	450	450	450	450	450	450	450	450	450	450	
<i>Revenue</i>		900	900	900	900	900	900	900	900	900	900	900	900	10,800
<i>Costs</i>														
<i>Material</i>	8,000 tonnesx20000 plus vat at 20%	384	384	384	384	384	384	384	384	384	384	384	384	4,608
<i>Direct labour</i>	60m/kms	120	120	120	120	120	120	120	120	120	120	120	120	1,440
<i>Machine hire</i>	12m/kms	24	24	24	24	24	24	24	24	24	24	24	24	288
<i>Fuel</i>	9000ltsx3500	63	63	63	63	63	63	63	63	63	63	63	63	756
<i>Overheads</i>	100m/kms	200	200	200	200	200	200	200	200	200	200	200	200	2,400
<i>Management salaries</i>	15m/month	15	15	15	15	15	15	15	15	15	15	15	15	180
<i>Depreciation</i>	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
<i>Amortisation</i>	1,250,000 per kms (for 3	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



Training in Financial & Business Management for Road Contractors.



	years)													
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. $643.72 \times 100 / 7,071 = 9.1\%$. 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 tonnes x 200 00 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



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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:



	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug</u>	<u>Sept</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Total</u>
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.