



University of Sadat city



Faculty of commerce
Business Administration

Section 3

Funds and Uses Statement

FACULTY OF COMMERCE

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كلية التجارة
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Exercise 1

The following is the financial data of the two balance sheets of Al Ahly Company for the years 2022 and 2023:

Items	2022	2023
Assets:		
Cash	200000	250000
Equipment	250000	200000
Inventory	350000	380000
Land	150000	160000
Building	100000	70000
Account Receivable	150000	200000
Prepaid Expenses	160000	150000
Notes Receivable	200000	170000
Marketable Securities	50000	0
Accumulated Depreciation	150000	180000
Liabilities & Equity:		
Accounts Payable	100000	120000
Notes Payable	150000	100000
Wages Payable	75000	35000
Deferred tax liability	100000	125000
Long term loans	250000	210000
Capital	300000	300000
Retained Earnings	175000	200000

Required:

1. Prepare the company's sources of funds and uses statement.
2. If you have the following data about the company's profitability position:
 - ✓ Retained earnings in 2022 = 175,000 pounds
 - ✓ Realized profits in 2023 = 75,000 pounds
 - ✓ Available Distributable profits in 2023 = 250,000 pounds
 - ✓ Distributed profits for 2023 = 50,000 pounds
 - ✓ Retained profits for 2023 = 200,000 pounds .. Is the statement different in this case?
3. Does the company apply the principle of matching or coverage in finance? What is the result of applying it or not applying it?

Answer:

1. Source and uses statement of the Al Ahly Company for the period from 2022 to 2023.

Items	2022	2023	Change + (-)	Movement of funds	
				Uses	Sources
Assets					
Current Assets					
Cash	200000	250000	50000	50000	
Account Receivable	150000	200000	50000	50000	
Inventory	350000	380000	30000	30000	
Prepaid Expenses	160000	150000	(10000)		10000
Notes Receivable	200000	170000	(30000)		30000
Marketable securities	50000	0	(50000)		50000
Fixed Assets					
Land	150000	160000	10000	10000	
Building	100000	70000	(30000)		30000
Equipment	250000	200000	(50000)		50000
Accumulated Depreciation	150000	180000	30000		30000
Liabilities & Owner's Equity					
Short-term Liabilities					
Account Payable	100000	120000	20000		20000
Notes Payable	150000	100000	(50000)	50000	
Wages Payable	75000	35000	(40000)	40000	
Long-term Liabilities					
Long-term Loans	250000	210000	(40000)	40000	
Deferred tax Liability	100000	125000	25000		25000
Owner's Equity					
Capital	300000	300000	----		
Retained Earnings	175000	200000	25000		25000
Total				270000	270000

- 2 - Sources and uses statement of "Al Ahly" Company for the period from 2022 - 2023 After taking into account the profitability position

Uses	Value	Sources	Value
Cash	50000	Prepaid Expenses	10000
Account Receivable	50000	Notes Receivable	30000
Inventory	30000	Marketable Securities	50000
Land	10000	Building	30000
Notes Payable	50000	Equipment	50000
Wages Payable	40000	Accumulated Depreciation	30000
Long-term Loans	40000	Accounts Payable	20000
Distributed profits	50000	Deferred tax liability	25000
		Realized profits	75000
Total Uses	320000	Total sources	320000

The difference between the previous statement and the first statement is noted in:

- 1- The increase in both sources and uses from 270000 thousand pounds to 320000 pounds.
- 2- The last statement took into account the profitability position of the company, as the distributed profits are considered a use of funds and the realized profits are a source for them.

3-In order to determine whether the company applies the principle of alignment or coverage in financing or not, we must link the components of the list of sources and uses to the time element, as follows:

- 3- Sources and uses statement of the “Al Ahly” company for the period from 2022-2023 after linking its components to the time element

Uses	Value	Sources	Value
Cash	50000	Prepaid Expenses	10000
Account Receivable	50000	Notes Receivable	30000
Inventory	30000	Marketable Securities	50000
Notes Payable	50000	Accounts Payable	20000
Wages Payable	40000		
Short-term Uses	220000 (69%)	Short-term Sources	110000 (34%)
Land	10000	Building	30000
Long-term Loans	40000	Equipment	50000
Distributed Profits	50000	Accumulated Depreciation	30000
		Deferred Tax Liability	25000
		Realized Profits	75000
Long-term Uses	100000 (31%)	Long-term Sources	210000 (66%)
Total Uses	320000 (100%)	Total Sources	320000 (100%)

From the previous statement, we conclude that: The company suffers from a financial defect represented by its failure to apply the principle of alignment or coverage in financing, as it financed a large portion of short-term uses from long-term financing sources, equivalent to 110 thousand pounds, at a rate of 35%, and the result of this is: an increase in the company's liquidity at the expense of its profitability.

Assignment

Exercise 2

The following is the financial data of the two balance sheets of MEG Company for the years 2019 and 2020:

Items	2019	2020
Assets:		
Cash	10000	10000
Equipment	47500	50000
Inventory	240000	277500
Land	-----	15000
Building	10000	12500
Account Receivable	215000	200000
Prepaid Expenses	187500	172500
Notes Receivable	257500	265000
Accumulated Depreciation	200000	217500
Liabilities & Equity:		
Accounts Payable	192500	202500
Notes Payable	10000	7500
Long term loans	147500	147500
Capital	242500	232500
Retained Earnings	80000	100000

Required:

1. Prepare the company's sources of funds and uses statement.
2. If you have the following data about the company's profitability position:
 - ✓ Realized profits in 2020 = 37500 pounds
 - ✓ Distributed profits for 2020 = 17500 pounds Is the statement different in this case?
3. Does the company apply the principle of matching or coverage in finance? What is the result of applying it or not applying it?