

**Qatar University**  
**College of Business and Economics Department of**  
**Accounting and Information Systems**

**ACCT 221 – Intermediate Accounting I**

**Fall 2016**

**Case Study (group work)**

The completion of this project requires forming groups or teams, each of which consists of **four** members, no more no less

**Cash Flows analysis**

**Deadline of group project submission is 15<sup>th</sup> November 2016**

This project is weighted 10% of total ACCT221 marks

The aim of this project is to develop the students' ability to critically analyse accounting issues and to apply accounting knowledge to solve problems (L01). As well as to improve the students skills in terms of work effectively in teams (L05).

A construction company, Doha plc, has the following summaries from the income statement and statement of financial position for the year ended 31 December 2015:

Revenue	460,750
Cost of sales	<u>(328123)</u>
Gross Profit	132,627
Other Income	
Interest received	<u>868</u>
	133,495
Expenses includes interest paid QR85000	<u>(123478)</u>
Profit before Taxation	10,017
Taxation	<u>(3,005)</u>
Profit for Year	<u><b>7,012</b></u>

Doha plc

Statement of financial position for the year ended 31 December

	2014		2015	
<b>Assets</b>				
<b>Current Assets</b>				
Cash	8800		1500	
Inventories	2800		6400	
Account receivable	<u>3200</u>		<u>4500</u>	
Total current assets		<u>14800</u>		<u>12400</u>
<b>Non-current Assets</b>				
Property, plant and equipment				
Land and buildings	20000		26000	
Accumulated depreciation	(7000)		(8000)	
Plant and machinery	25000		30000	
Accumulated depreciation	(8500)		(10000)	
Total non-current assets		<u>29500</u>		<u>38000</u>
<b>Intangible Assets</b>				
Patents		<u>4000</u>		4500
<b>Total Assets</b>		<b>48300</b>		<b>54900</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Account payables	4600		5000	
Accruals	400		350	
Taxation	4200		3200	
Total current liabilities		<u>9200</u>		<u>8550</u>
<b>Non-current liabilities</b>		<u>12100</u>		<u>12505</u>
<b>Equity</b>				
Share capital	18630		22568	
Retained earnings	8370		11277	
Total Equity		<u>27000</u>		<u>33845</u>
<b>Total liabilities and Equity</b>		<b>48300</b>		<b>54900</b>

**Notes:**

1. There were no sales of property, plant and equipment during the year.
2. The dividends paid during the year were QR 4105.

**Required:**

1. Prepare a statement of cash flows using indirect method for the year ended 31 December.
2. The statement of cash flow is classified into three separate types of activities. Discuss how this design will help the users of cash flow statement to assess the cash flows of the Doha plc.
3. Analyse (explain) all increase or decrease in the items in cash flow statement if any, indicating to the way that company used in managing its cash.
4. Explain how Doha plc can have positive net income but negative cash flows.
5. Doha plc company applied for a loan from QNB bank. Assume that you financial advisor to QNB and request you to give your opinion of the subject. To do so you have access to the financial statements of the company, and calculating certain financial ratios such as liquidity ratio and current ratio. After you finish all calculations, do you recommend to give the loan to the Doha company or not? Explain why in both cases.
6. Regardless of the information provided above about the Doha plc company. Suppose that Doha plc company recorded net loss of QR 50000 (negative net income) for the year ended in 2013. Suppose the company recorded QR50000 in depreciation for the year, used up QR25000 of prepaid insurance expenses and wrote off QR35,000 of bad debts it knew it could never collect. what is amount of net cash flows from operating activities ? Is the net cash flows from operating activities positive or negative? Why support your answer with calculation.

**Notes:**

Please note that the writing should be in essay style, the report should contains about 1500 words except title page. Use Times New roman with font size 12. Title page should be included (name and student identity number).

Due date for submitting the case study is **15 November, 2016 (midnight)** using the SafeAssignment and hard copy to your instructor in next day.