

Accounts

(Part 2) (Chapter - 6) (Cash Flow Statement)
(Class 12)

Short Answer Question

Question 1:

What is a Cash Flow Statement?

Answer 1:

A cash flow statement is a financial statement that provides aggregate data regarding all cash inflows a company receives from its ongoing operations and external investment sources. It also includes all cash outflows that pay for business activities and investments during a given period. Cash flows are mainly divided in 3 activities: operating, investing and financing activities

Question 2:

How are the various activities classified (as per AS-3 revised) while preparing cash flow statement?

Answer 2:

As per the Revised Accounting Standard 3 (AS-3), preparation of Cash Flow Statement for each period is mandatory. AS-3 specifies that Cash flows are mainly divided in 3 activities:

1. Cash Flow from Operating Activities
2. Cash Flow from Investing Activities
3. Cash Flow from Financing Activities

Question 3:

State the objectives of cash flow statement.

Answer 3:

The uses of cash flow statement are as follows:

1. It is proper management of cash for short term and keeping the firm informed about inflows and outflow of cash.
2. It helps in analysing the liquidity position which the other financial statement may not be able to analyse.
3. It captures all the changes in cash and cash equivalence thereby determining areas of improvement.
4. It helps in studying the pattern of receipts and payments of cash from various activities of a company.
5. It identifies the source of cash flow and helps find allocation via segregation in operating, investing and financing activities of the business separately.
6. It assists in making major investment and working capital management decision.

Question 4:

What are the objectives of preparing cash flow statement?

Answer 4:

The important objectives for preparing Cash Flow Statement are as follows:

1. Inflow and Outflow: The most important objective is management of cash for short term and keeping the firm informed about inflows and outflow of cash.
2. Variable changes: It captures all the changes in cash and cash equivalence thereby determining areas of improvement.
3. Easily understood: It helps in analysing the liquidity position and depicts the true liquidity position to the creditors and the investors.

4. Forecast: It assists in making major investment and working capital management decision It also ascertains the availability of cash in near future.

Question 5:

State the meaning of the terms: Cash Equivalents, Cash flows.

Answer 5:

Cash equivalents are investments securities that are meant for short-term investing and are highly liquid (readily converted to cash); they have high credit quality and are highly liquid. Cash equivalents, also know "cash and equivalents," are one of the three main asset classes in financial investing, along with stocks and bonds. It is held for the purpose of meeting short term cash commitments rather than for investment or any other purpose.

Cash flow is the net amount of cash and cash-equivalents being transferred into and out of a business.

Question 6:

Prepare a format of cash flow from operating activities under direct and indirect method.

Answer 6:

Direct Method:

Cash Flow from Operating Activities	Amount (₹)
Cash receipts from customers	XX
Cash paid to suppliers and employers	(XX)
Cash generated from operations	XX
Cash generated from operations	(XX)
Cash flow before extraordinary items	XX
+/- Extraordinary items	XX
Net Cash from operating activities	XX

Indirect Method:

Cash Flow from Operating Activities	Amount (₹)
Net Profit before tax and extraordinary items	
Add: Non-cash expenses	
Depreciation	
Goodwill	
Interest paid	
Loss on sale of fixed assets	
Foreign exchange	
Less: Non-operating income	
Dividend received	
Profit on sale of fixed assets	
Interest received	
Operating profit before working capital changes	
Add:	

Decrease in Current Asset	
Increase in Current Liabilities	
Less:	
Increase in Current Liabilities	
Decrease in Current Assets	
Cash generated from Operating Activities	
Income Tax paid	
Cash flow before Extraordinary items	
+/- Extraordinary items	
Net Cash flow from operating activities	

Question 7:

State clearly what would constitute the operating activities for each of the following of enterprises:

1. Hotel
2. Film production house
3. Financial enterprise
4. Media enterprise
5. Steel manufacturing unit
6. Software development business unit.

Answer 7:

Hotels:

1. Revenue from hotel room accommodation.
2. Expenditure of all staff expenses wages

Film Production House:

1. Revenue from selling film rights.
2. Payment to the staff, actors, actresses, directors.

Financial Enterprises:

1. Receipts from repayment of loans, interest incomes from investments.
2. Repayment of loans, recovery expenditure for recover of loans etc, salaries of employees.

Media Enterprises:

1. Sale of space for advertisements.
2. Payments to staff, reporters, photographers.

Steel Manufacturing Unit:

1. Receipts from sale of steel tools and products.
2. Payment for iron, coal, salaries to staff.

Software Development Business Unit:

1. Receipts from sale of software and renewal of licenses.
2. Payment of salaries to their employees.

Question 8:

“The nature/type of enterprise can change altogether the category into which a particular activity may be classified.” Do you agree? Illustrate your answer.

Answer 8:

Yes, the nature or type of an enterprise can change the category into which a particular activity may be classified. Let us suppose that Firm A is engaged in banking activities and Firm B in manufacturing service. For the Firm A interests received or paid are classified under operating activities whereas for the firm that is engaged in manufacturing business, interests paid are classified under financing activities and interest received as investing activities. Therefore, the classification of activities depends on the nature and type of enterprise.

Long Answer Question

Question 1:

Describe the procedure to prepare Cash Flow Statement.

Answer 1:

- Step 1: Calculate the cash flows from operating activities
- Step 2: Calculate the cash flows from investing activities
- Step 3: Calculate the cash flows from financing activities
- Step 4: Ascertain the net increase or decrease in all the three activities
- Step 5: Deduct the opening balance of cash and cash equivalents from Step 4 to as certain closing balance of cash and cash equivalents.

There are two methods viz. Direct Method and Indirect Method for the preparation of Cash Flow Statement.

Question 2:

Describe "Indirect" method of ascertaining Cash Flow from Operating Activities.

Answer 2:

Cash flows from operating activities are primarily derived from the principal revenue-producing activities of the enterprise. Therefore, they generally result from the transactions and other events that enter into the determination of net profit or loss. Examples of cash flows from operating activities are:

- (a) cash receipts from the sale of goods and the rendering of services
- (b) cash receipts from royalties, fees, commissions and other revenue
- (c) cash payments to suppliers for goods and services
- (d) cash payments to and on behalf of employees
- (e) cash receipts and cash payments of an insurance enterprise for premiums and claims, annuities and other policy benefits
- (f) cash payments or refunds of income taxes unless they can be specifically identified with financing and investing activities;

Indirect Method:

Cash Flow from Operating Activities	Amount (₹)
Net Profit before tax and extraordinary items	
Add: Non-cash expenses	
Depreciation	
Goodwill	
Interest paid	
Loss on sale of fixed assets	

Foreign exchange	
Less: Non-operating income	
Dividend received	
Profit on sale of fixed assets	
Interest received	
Operating profit before working capital changes	
Add:	
Decrease in Current Asset	
Increase in Current Liabilities	
Less:	
Increase in Current Liabilities	
Decrease in Current Assets	
Cash generated from Operating Activities	
Income Tax paid	
Cash flow before Extraordinary items	
+/- Extraordinary items	
Net Cash flow from operating activities	

Question 3:

Explain the major Cash Inflow and outflows from investing activities.

Answer 3:

The separate disclosure of cash flows arising from investing activities 22 AS 3 is important because the cash flows represent the extent to which expenditures have been made for resources intended to generate future income and cash flows.

Examples of cash flows arising from investing activities are:

- (a) cash payments to acquire fixed assets (including intangibles). These payments include those relating to capitalised research and development costs and self-constructed fixed assets;
- (b) cash receipts from disposal of fixed assets (including intangibles)
- (c) cash payments to acquire shares, warrants or debt instruments of other enterprises and interests in joint ventures
- (d) cash receipts from disposal of shares, warrants or debt instruments of other enterprises and interests in joint ventures (other than receipts from those instruments considered to be cash equivalents and those held for dealing or trading purposes)
- (e) cash advances and loans made to third parties (other than advances and loans made by a financial enterprise)
- (f) cash receipts from the repayment of advances and loans made to third parties (other than advances and loans of a financial enterprise)
- (g) cash payments/ receipts for futures contracts, forward contracts, option contracts and swap contracts except when the contracts are held for dealing or trading purposes, or the payments.
- (h) any income arising from fixed assets or investments like interest, dividend, rent etc. In case of financial enterprises interest and dividend is treated as operating activities.

Indirect Method:

Particulars	Amount (₹)
Cash Flow from Investing Activities Net	
Sale of Fixed Asset	
Sale of Long-Term Investment	
Interest received	
Dividend received	
Rent Received	
<i>Less:</i>	
Purchase of Fixed Asset	
Purchase of Long-term Asset	
Net Cash flow from Investing activities	

Question 4:

Explain the major Cash Inflows and outflows from financing activities.

Answer 4:

The separate disclosure of cash flows arising from financing activities is important because it is useful in predicting claims on future cash flows by providers of funds (both capital and borrowings) to the enterprise. Examples of cash flows arising from financing activities are:

- cash proceeds from issuing shares or other similar instruments
- cash proceeds from issuing debentures, loans, notes, bonds, and other short or long-term borrowings
- cash repayments of amounts borrowed
- Dividend paid to the preference shareholders and equity shareholders

Indirect Method:

Particulars	Amount (₹)
Cash Flow from Financing Activities	
Proceeds from Issue of shares	
Proceeds from Issue of Debentures and other Long-term Borrowings	
<i>Less:</i>	
Repayment of Debentures and other Long-term Borrowings	
Redemption of preference Share	
Interest paid	
Dividend paid	
Net Cash Flow from Financing Activities	
Net Increase (or Decrease in Cash and Cash Equivalents (A+B+C))	
Cash and Cash Equivalents at the beginning	
Cash and Cash Equivalents at the end	

Numerical Questions

Question 1:

Anand Ltd., arrived at a net income of ₹5,00,000 for the year ended March 31, 2017. Depreciation for the year was ₹2,00,000. There was a profit of ₹50,000 on assets sold which was transferred to Statement of Profit and Loss account. Trade Receivables increased during the year ₹40,000 and Trade Payables also increased by ₹60,000. Compute the cash flow from operating activities by the indirect approach.

Answer 1:

Cash Flow from Operating Activities as on 31 March' 2017

Particulars	Amount (₹)	Amount (₹)
Net Profit before tax and extraordinary items		5,00,000
Add: Non-cash expenses		
Depreciation	2,00,000	
Less: Non-operating income		
Profit on sale of fixed assets	(50,000)	<u>1,50,000</u>
Operating profit before working capital changes		6,50,000
Add:		
Increase in Bills payable	60,000	
Less:		
Increase in Bills receivable	(40,000)	<u>20,000</u>
Net Cash flow from operating activities		<u>6,70,000</u>

Question 2:

From the information given below you are required to calculate the cash paid for the inventory:

Particulars	Amount
Inventory in the beginning	40,000
Credit Purchases	1,60,000
Inventory in the end	38,000
Trade payables in the beginning	14,000
Trade payables in the end	14,500

Answer 2:

Particulars	Amount (₹)	Particulars	Amount (₹)
Balance c/d	14,500	Balance b/d	14,000
Cash (bal. fig.)	<u>1,59,500</u>	Purchases	<u>1,60,000</u>
	1,74,000		1,74,000

Question 3:

For each of the following transactions, calculate the resulting cash flow and state the nature of cash flow, viz., operating, investing and financing

- Acquired machinery for ₹2,50,000 paying 20% by cheque and executing a bond for the balance payable.
- Paid ₹2,50,000 to acquire shares in Informa Tech. and received a dividend of ₹50,000 after acquisition.
- Sold machinery of original cost ₹2,00,000 with an accumulated depreciation of ₹1,60,000 for ₹60,000.

Answer 3:

- Amount for machinery = $2,50,000 \times 20\% = 50,000$
It is a part of investing activity
- Amount paid for acquiring share (2,50,000)
Dividend received 50,000
Amount used in Investing Activities (2,00,000)
- Inflow of cash of ₹60,000 on sale of machinery is a part Investing Activities.

Question 4:

The following is the Profit and Loss Account of Yamuna Limited: Statement of Profit and Loss of Yamuna Ltd. for the Year ended March 31, 2017

Particulars	Amount (₹)
Revenue from Operations 10,00,000	10,00,000
Expenses:	
Cost of Materials Consumed	1,50,000
Purchases of Stock-in-trade	5,00,000
Other Expenses	3,00,000
Total Expenses	<u>8,50,000</u>
Profit before tax	1,50,000

Particulars Note Amount

Additional information:

- Trade receivables decrease by ₹30,000 during the year.
- Prepaid expenses increase by ₹5,000 during the year.
- Trade payables increase by ₹15,000 during the year.

4. Outstanding expenses payable increased by ₹3,000 during the year.

5. Other expenses included depreciation of ₹25,000.

Compute net cash from operations for the year ended March 31, 2017 by the indirect method.

Answer 4:

Cash Flow from Operating Activities as on 31 March' 2017

Particulars	Amount (₹)	Amount (₹)
Net Profit before tax and extraordinary items		1,50,000
Add: Non-cash expenses		
Depreciation		25,000
Operating profit before working capital changes		1,75,000
Add:		
Increase in Expenses		
Trade Receivable		
Stock	3,000	
	30,000	
Less:		
Trade Creditors	50,000	
Prepaid Expenses		
Net Cash flow from operating activities	(15,000)	63,000
	(5,000)	2,38,000

Question 5:

Compute cash from operations from the following figures:

1. Profit for the year 2016-17 is a sum of ₹10,000 after providing for depreciation of ₹2,000.

2. The current assets and current liabilities of the business for the year ended March 31, 2016 and 2015 are as follows:

Particulars	Amount (₹) 2016	Amount (₹) 2017
Trade Receivables 14,000; 15,000	14,000	15,000
Provision for Doubtful Debts 1,000; 1,200	1,000	1,200
Trade Payables 13,000; 15,000	13,000	15,000
Inventories 5,000; 8,000	5,000	8,000
Other Current Assets 10,000; 12,000	10,000	12,000
Expenses payable 1,000; 1,500	1,000	1,500
Prepaid Expenses 2,000; 1,000	2,000	1,000
Accrued Income 3,000; 4,000	3,000	4,000
Income received in advance 2,000; 1,000	2,000	1,000

Answer 5:**Cash Flow Statement for 31 March' 2017**

Particulars	Amount (₹)	Amount (₹)
Net Profit before tax and extraordinary items		10,000
Add: Non-cash expenses		
Depreciation		2,000
Operating profit before working capital changes		12,000
Less: Increase in Current Assets		
Trade Receivable		
Accrued Income	(1,000)	
Short term investment	(1,000)	
Stock	(2,000)	
	(3,000)	
Add: Increase in Current Liabilities		
Provision for Debts		
Trade Payable	200	
Expenses Payable	2,000	
	500	
Add: Decrease in Current Assets		
Prepaid Expenses	1,000	
Less:		
Advance Income		4,300
Net Cash flow from operating activities	(1,000)	7,700

Question 6:

From the following particulars of Bharat Gas Limited, calculate Cash Flows from Investing Activities. Also show the workings clearly preparing the ledger accounts:

Balance Sheet of Bharat Gas Ltd., as on 31 March, 2016 and 31 March 2017

Particulars	Amount 2016	Amount 2017
Assets		
1. Non-current Assets		
(a) Fixed assets		
(i) Tangible assets	12,40,000	10,20,000

(ii) Intangible assets	4,60,000	3,80,000
(b) Non-current investments	3,60,000	2,60,000
2. Tangible Assets		
Machinery	12,40,000	10,20,000
3. Intangible Assets		
Goodwill	3,00,000	1,00,000
Patents	1,60,000	2,80,000
4. Non-current Investments		
10% long term investments	1,60,000	60,000
Investment in land	1,00,000	1,00,000
Shares of Amar tex Ltd.	1,00,000	1,00,000

- (a) Patents were written-off to the extent of ₹40,000 and some Patents were sold at a profit of ₹20,000.
- (b) A Machine costing ₹1,40,000 (Depreciation provided thereon ₹60,000) was sold for ₹50,000. Depreciation charged during the year was ₹1,40,000.
- (c) On March 31, 2016, 10% Investments were purchased for ₹1,80,000 and some Investments were sold at a profit of ₹20,000. Interest on Investment was received on March 31, 2017.
- (d) Amar tax Ltd., paid Dividend @ 10% on its shares.
- (e) A plot of Land had been purchased for investment purposes and let out for commercial use and rent received ₹30,000.

Answer 6:

Cash Flow from Investing Activities

Particulars	Amount
Cash Inflow	
Sale of Patent	1,00,000
Sale of Machinery	50,000
Sale of Investment	1,00,000
Interest on Investment	6,000
Dividend received	10,000
Rent Received	30,000
Cash Outflow	
Less:	
Purchase of Goodwill	(2,00,000)
Purchase of Machinery	(4,40,000)
Purchase of Investment	(1,80,000)
Net Cash flow from Investing activities	(5,24,000)

Patent Account

Particulars	Amount (₹)	Particulars	Amount (₹)
Balance b/d	2,80,000	Profit and Loss	40,000
Profit on Sale	20,000	Bank	1,00,000
	<u>3,00,000</u>	Balance c/d	<u>1,60,000</u>
			3,00,000

Machinery Account

Particulars	Amount (₹)	Particulars	Amount (₹)
Balance b/d	10,20,000	Depreciation	1,40,000
Purchase (bal. fig.)	4,40,000	Bank	50,000
	<u>14,60,000</u>	Profit and Loss	30,000
		Balance c/d	<u>12,40,000</u>
			14,60,000

Investment Account

Particulars	Amount (₹)	Particulars	Amount (₹)
Balance b/d	60,000	Bank (bal. fig.)	1,00,000
Bank	1,80,000	Balance c/d	<u>1,60,000</u>
Profit and Loss	20,000		2,60,000
	<u>2,60,000</u>		

Question 7:

From the following Balance Sheet of Mohan Ltd., prepare cash flow Statement:

Balance Sheet of Mohan Ltd., as on 31 March, 2016 and 31 March 2017

Particulars	Amount (₹) 2016	Amount (₹) 2017
(I) Equity and Liabilities		
1. Shareholders' Funds		
(a) Equity share capital	3,00,000	2,00,000
(b) Reserves and surplus	2,00,000	1,60,000
2. Non-current liabilities		
(a) Long-term borrowings	80,000	1,00,000
3. Current liabilities		
Trade payables	1,20,000	1,40,000
Short-term provisions	70,000	60,000
Total	7,70,000	6,60,000

(II) Assets		
1. Non-current assets		
Fixed assets	5,00,000	3,20,000
2. Current assets		
(a) Inventories	1,50,000	1,30,000
(b) Trade receivables	4,90,000	1,20,000
(c) Cash and cash equivalents	5,30,000	90,000
Total	7,70,000	6,60,000

Notes to accounts:

Particulars	Amount (₹) 2016	Amount (₹) 2017
1. Long-term borrowings		
Bank Loan	80,000	1,00,000
2. Short-term provision		
Proposed dividend	70,000	60,000
3. Fixed assets	6,00,000	4,00,000
Less: Accumulated Depreciation	(1,00,000)	(80,000)
(Net) Fixed Assets	5,00,000	3,20,000
4. Trade receivables		
Debtors	60,000	1,00,000
Bills receivables	30,000	20,000
5. Cash and cash equivalents Bank	30,000	90,000

Additional Information:

Machine Costing ₹80,000 on which accumulated depreciation was ₹50,000 was sold for ₹20,000. 9% bank loan Rs. 20,000 was repaid on March 31, 2017. Proposed dividend for the year 2015-16 was Rs. 60,000.

Answer 7:

Cash Flow Statement of Mohan Ltd.

Particulars	Amount (₹)	Amount (₹)
Cash Flow from Operating Activities		
Profit as per Balance Sheet	40,000	
Proposed Dividend	70,000	
Net profit before tax and extraordinary items		1,10,000

Add: Non-cash expenses		
Depreciation	70,000	
Loss on Sale of Machine	<u>10,000</u>	<u>80,000</u>
Operating profit before working capital changes		1,90,000
Add: Decrease in Current Asset		
Debtor	40,000	
Less: Increase in Current Asset		
Inventories		
Bills Receivable	(20,000)	
	(10,000)	
Less: Decrease in Current Liabilities		
Trade Payable		
	(20,000)	<u>(10,000)</u>
Net Cash flow from operating activities (i)		1,80,000
Cash Flow from Investing Activities		
Sale of Fixed Asset		
Purchase of Fixed Asset	20,000	
	<u>(2,80,000)</u>	
Net Cash flow from investing activities (ii)		(2,60,000)
Cash Flow from Financing Activities		
Share Issue Proceeds	1,00,000	
Bank Loan Payment	(20,000)	
Dividend Paid	<u>(60,000)</u>	
Net Cash flow from financing activities (iii)		20,000
Net Decrease in Cash and Cash Equivalents (i + ii + iii)		(60,000)
Add: Cash and Cash Equivalence at beginning		90,000
Cash and Cash Equivalence at the end		30,000

Fixed Asset Account

Particulars	Amount (₹)	Particulars	Amount (₹)
Balance b/d	4,00,000	Profit and Loss	10,000
		Bank	20,000
		Accumulated depreciation	50,000
Bank (bal. fig.)	<u>2,80,000</u>	Balance c/d	<u>6,00,000</u>
	3,00,000		3,00,000

Accumulated Depreciation Account

Particulars	Amount (₹)	Particulars	Amount (₹)
Fixed Asset	50,000	Balance b/d	80,000
Balance c/d	<u>1,00,000</u>	Profit and Loss	<u>70,000</u>
	1,50,000	(bal. fig.)	1,50,000

Question 8:

From the following Balance Sheets of Tiger Super Steel Ltd. prepare Cash Flow Statement:

Balance Sheet of Tiger Super Steel Ltd. as on 31 March, 2016 and 31 March 2017

Particulars	Amount (₹) 2016	Amount (₹) 2017
(I) Equity and Liabilities		
1. Shareholders' Funds		
(a) Share capital	1,40,000	1,20,000
(b) Reserves and surplus	22,800	15,200
2. Current Liabilities		
(a) Trade payables	21,200	14,000
(b) Other current liabilities	2,400	3,200
(c) Short-term provisions	<u>28,400</u>	<u>22,400</u>
Total	2,14,800	1,74,800
(II) Assets		
1. Non-Current Assets		
(a) Fixed assets		
(i) Tangible assets	96,400	76,000
(ii) Intangible assets	18,800	24,000
(b) Non-current investments	14,000	4,000
2. Current Assets		
(a) Inventories	31,200	34,000

(b) Trade receivables	43,200	30,000
(c) Cash and Cash Equivalents	11,200	6,800
Total	2,14,000	1,74,800

Notes to accounts:

Particulars	Amount 2016	Amount 2017
1. Share Capital		
Equity share capital	1,20,000	80,000
10% Preference share capital	20,000	40,000
	<u>1,40,000</u>	<u>1,20,000</u>
2. Reserves and surplus		
General reserve 12,000; 8,000	12,000	8,000
Balance in statement of 10,800; 7,200 profit and loss	<u>10,800</u>	<u>7,200</u>
	22,800	15,200
3. Trade payables		
Bills payable	21,200	14,000
4. Other current liabilities		
Outstanding expenses	2,400	3,200
5. Short-term provisions		
Provision for taxation	12,800	11,200
Proposed dividend	<u>15,600</u>	<u>11,200</u>
	28,400	22,400
6. Tangible assets		
Land and building	20,000	40,000
Plant	<u>76,400</u>	<u>36,000</u>
	96,400	76,000

Additional Information:

Depreciation Charge on Land & Building Rs 20,000, and Plant Rs 10,000 during the year.

Answer 8:

Cash Flow Statement of Super Steel Ltd.

Particulars	Amount (₹)	Amount (₹)
Cash Flow from Operating Activities		
Profit as per Balance Sheet	3,600	
Proposed Dividend	15,600	
Provision for Tax	12,800	
General Reserve	<u>4,000</u>	

Net profit before tax and extraordinary items		
Add: Non-cash expenses		36,000
Depreciation (land and plant)		
Goodwill written off		
	30,000	
Operating profit before working capital changes	<u>5,200</u>	35,200
Add: Decrease in Current Asset Inventories		71,200
Add: Increase in Current Liabilities Bills Payable	2,800	
Less: Increase in Current Asset Bills Receivable	7,200	
Less: Decrease in Current Liabilities Outstanding expenses	(13,200)	
Net Cash flow from operating activities (i)	(800)	<u>(4,000)</u>
Cash Flow from Investing Activities		56,000
Purchase of Fixed Asset		
Purchase of Investment		
Net Cash flow from investing activities (ii)	(40,400)	
	<u>(20,000)</u>	
Cash Flow from Financing Activities		(60,400)
Share Issue Proceeds	40,000	
Dividend Paid	(11,200)	
Redemption of Preference Shares	<u>(20,000)</u>	
Net Cash flow from financing activities (iii)		<u>8,800</u>
Net Decrease in Cash and Cash Equivalents (i + ii + iii)		4,400
Add: Cash and Cash Equivalence at beginning		6,800
Cash and Cash Equivalence at the end		11,200

Question 9:

From the following information, prepare cash flow statement:

Particulars	Amount (₹) 2015	Amount (₹) 2014
I) Equity and Liabilities		
1. Shareholders' Funds		
a) Share capital	7,00,000	1,20,000
b) Reserves and surplus	4,70,000	15,200
2. Non-Current Liabilities		
(8% Debentures)	4,00,000	6,00,000
a) Trade payables	9,00,000	6,00,000
b) Other current liabilities		
Total	24,70,000	19,50,000
II) Assets		
1. Non-Current Assets		
a) Fixed assets		
i) Tangible assets	7,00,000	5,00,000
ii) Intangible assets	1,70,000	2,50,000
2. Current Assets		
a) Inventories	6,00,000	5,00,000
b) Trade receivables	6,00,000	4,00,000
c) Cash and Cash Equivalents	4,00,000	3,00,000
Total	24,70,000	19,50,000

Additional Information:

Depreciation Charge on Plant amount to ₹80,000.

Answer 9:**Cash Flow Statement**

Particulars	Amount (₹)	Amount (₹)
Cash Flow from Operating Activities		
Net Profit		2,20,000
Add: Non-cash expenses		
Depreciation	48,000	
Interest on Debentures	80,000	
Goodwill written off	80,000	2,08,000

Operating profit before working capital changes		4,28,000
Add: Increase in Current Liabilities		
Creditors	3,00,000	
Less: Increase in Current Asset		
Bills Receivable		
Trade Receivable	(1,00,000)	
	<u>(2,00,000)</u>	NIL
Net Cash flow from operating activities (i)		4,28,000
Cash Flow from Investing Activities		
Profit on Sale of Fixed Asset	(2,80,000)	
Net Cash flow from investing activities (ii)		<u>(2,80,000)</u>
		56,000
Cash Flow from Financing Activities		
Share Issue Proceeds		
Interest on debentures	2,00,000	
Redemption of debentures	(2,00,000)	
Net Cash flow from financing activities (iii)	<u>(48,000)</u>	
		(48,000)
Net Decrease in Cash and Cash Equivalents (i+ii+iii)		
Add: Cash and Cash Equivalence at beginning		1,00,000
Cash and Cash Equivalence at the end		3,00,000
		<u>4,00,000</u>

Fixed Asset Account

Particulars	Amount (₹)	Particulars	Amount (₹)
Balance b/d	5,00,000	Depreciation	80,000
Purchases (bal. fig.)	<u>2,80,000</u>	Balance b/d	<u>7,00,000</u>
	7,80,000		7,80,000

Question 10:

From the following Balance Sheet of Yogita Ltd., prepare cash flow statement:

II. Assets			
1. Non-current assets			
Fixed assets			
Tangible	7,00,000	4,00,000	
2. Current assets			
a) Inventories	1,70,000	1,00,000	
b) Trade Receivables	1,00,000	50,000	
c) Cash and cash equivalents	—	50,000	
Total	9,70,000	6,00,000	

Notes to Accounts:

Particulars	31st March 2017 (Rs.)	31st March 2016 (Rs.)
1. Share capital		
a) Equity share capital	3,00,000	2,00,000
b) Preference share capital	1,00,000	—
	4,00,000	2,00,000
2. Long-term borrowings		
8% Long-term loan	—	2,00,000
9% Loan from Rahul	1,50,000	20,000
	1,50,000	2,20,000

Additional Information:

Net Profit for the year after charging Rs. 50,000 as Depreciation was Rs. 1,50,000. Dividend paid on Share was Rs. 50,000, Tax Provision created during the year amounted to Rs. 60,000. 8% loan was repaid on March 31, 2017 and an additional 9% loan of Rs. 1,30,000 was obtained from Rahul on April 01, 2016.

Answer 10:**Cash Flow Statement of Yogeta Ltd.**

	Particulars	Amount (Rs.)	Amount (Rs.)
A. Cash Flow from Operating Activities			
	Net Profit before Taxation and Extraordinary Items (2,00,000 - 1,00,000)		1,00,000
Adjustments for -			
	<u>Add:</u> Depreciation	50,000	
	<u>Add:</u> Dividend paid	60,000	
	<u>Add:</u> Interest paid	29,500	
	<u>Add:</u> Tax Provision	50,000	1,89,500
	Operating Profit before working capital changes		2,89,500
	<u>Less:</u> Increase in Inventories	(70,000)	
	<u>Less:</u> Increase in Trade Receivables	(50,000)	
	<u>Add:</u> Trade payables	20,000	(1,00,000)
	Cash generated from operating activities		1,89,500
	<u>Less:</u> Income Tax paid		(40,000)
	Cash from Operating Activities		1,49,500
B. Cash Flow from Investing Activities			
	Purchases of Fixed Assets		(3,50,000)
	Net Cash used in Investing Activities		(3,50,000)
C. Cash Flow from Financing Activities			
	Issue of Equity Shares	1,00,000	
	Issue of Preference Shares	1,00,000	
	Loan from Rahul	1,30,000	
	<u>Less:</u> Repayment of Loan	(2,00,000)	
	Dividend Paid	(50,000)	
	<u>Less:</u> Interest on Loan	(29,500)	50,500
	Net Cash from Financing Activities		50,500
D. Net decrease in Cash and Cash Equivalent (A + B + C)			
			(1,50,000)
	<u>Add:</u> Cash and Cash Equivalents at the beginning		50,000
E. Cash and Cash Equivalents at the end (Bank Overdraft)			
			(1,00,000)
	8% Long term loan	2,00,000	
	<u>Less:</u> Interest 8%	16,000	16,000
	9% Long term loan (op)	20,000	
	<u>Add:</u> 9% loan from Rahul on April 01, 2016	1,30,000	
	<u>Less:</u> Interest 9%	13,500	13,500
	Total Interest		29,500

Working Notes:

Dr.		Provision for Taxation Account						Cr.
Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs	
	Bank (Balancing figure)		40,000		Balance b/d		30,000	
	Balance c/d		50,000		Profit and Loss		60,000	
			90,000				90,000	

Dr.		Fixed Assets Account						Cr.
Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs	
	Balance b/d		4,00,000		Depreciation		50,000	
	Bank		3,50,000		Balance c/d		7,00,000	
			7,50,000				7,50,000	

Question 11:

Following is the Balance sheet of Garima Ltd., prepare cash flow statement.

Particulars	Amount (₹) 2017	Amount (₹) 2016
(I) Equity and Liabilities		
1. Shareholders' Funds		
(a) Share capital	4,40,000	2,80,000
(b) Reserves and surplus	40,000	28,000
2. Current Liabilities		
(a) Trade Payables	1,56,000	56,000
(b) Short-term provisions (for taxation)	12,000	4,000
Total	6,48,000	3,68,000

(II) Assets		
1. Non-Current Assets		
(a) Fixed assets		
(i) Tangible assets	3,64,000	2,00,000
2. Current Assets		
(a) Inventories		
(b) Trade receivables	1,60,000	60,000
(c) Cash and Cash Equivalents	80,000	20,000
(d) Other Current Assets	28,000	80,000
	16,000	8,000
Total	6,48,000	3,68,800

Notes to accounts:

Particulars	Amount (₹) 2017	Amount (₹) 2016
1. Share Capital		
Equity share capital	3,00,000	2,00,000
Preference share capital	1,40,000	80,000
	4,40,000	2,80,000
2. Reserve and Surplus		
Surplus in statement of profit and loss at the beginning	28,000	
Add: Profit	16,000	
Less: Dividend	4,000	
Profit for the year end	40,000	

Additional Information:

1. Depreciation charged during the year ₹32,000

Answer 11:

Cash Flow Statement (Indirect Method)

Particulars	Amount (Rs.)	Amount (Rs.)
A. Cash flow from Operating Activities		
Net Profit before Taxation and Extraordinary Items (40,000 - 28,000)		12,000
Adjustments for -		

<u>Add:</u> Depreciation		32,000
<u>Add:</u> Proposed Dividend (Interim Dividend)		4,000
Add: Provision for Taxation		12,000
Operating Profit before Working Capital changes:		60,000
<u>Add:</u> Increase in Current liabilities		
Trade Payables	1,00,000	
<u>Less:</u> Increase in Current Assets		
Inventories	(1,00,000)	
Other current assets (prepaid expenses)	(8,000)	
Trade receivables	(60,000)	(68,000)
Cash generated from Operating Activities		(8,000)
<u>Less:</u> Income Tax paid		(4,000)
Net Cash used in Operating Activities:		(12,000)
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets		(1,96,000)
Net Cash used in Investing Activities		(1,96,000)
C. Cash Flow from Financing Activities:		
Issue of Equity Shares		1,00,000
Issue of Preference Shares		60,000
<u>Less:</u> Dividend Paid		(4,000)
Net Cash from Financing Activities		1,56,000
D. Net decrease in cash and cash equivalent (A + B + C)		
		52,000
<u>Add:</u> Cash and Cash Equivalents in the beginning		80,000
		28,000

Working Notes:

Dr.		Plant and Machinery Account					Cr.	
Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs	
	Balance b/d		2,00,000		Depreciation		32,000	
	Bank (Purchases- Balancing fig.)		1,96,000		Balance c/d		3,64,000	
			3,96,000				3,96,000	

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Question 12:

From the following Balance Sheet of Computer India Ltd., prepare cash flow statement.

Particulars	Amount (₹) 2017	Amount (₹) 2016
I. Equity and Liabilities		
1. Shareholders' Funds		
(a) Share capital	50,000	40,000
(b) Reserve and surplus–Surplus	37,00	3,000
2. Non-Current Liabilities		
10% Debentures		
3. Current liabilities	6,500	6,000
(a) Short-term borrowings-2; 6,800; 12,500	6,800	12,500
(b) Trade payables; 11,000; 12,000	11,000	12,000
(c) Short-term provisions-3; 10,000 8,000	10,000	8,000
Total	88,000	81,500
II. Assets		
1. Non-current assets		
(a) Fixed assets	25,000	30,000
2. Current assets		
(a) Inventories	35,000	30,000
(b) Trade receivables	24,000	20,000
(c) Cash and cash equivalent	3,500	1,200
(d) Other current assets (prepaid expenses)	500	300
Total	81,000	81,500

Notes to accounts:

Particulars	Amount (₹) 2017	Amount (₹) 2016
1. Reserve and Surplus		
Balance in statement of profit and loss	1,200	1,000
General Reserve	2,500	2,000
	3,700	3,000

2. Short Term Borrowing	6,800	12,500
Bank Overdraft		
3. Short-term provisions	4,200	3,000
Provision for tax	5,800	5,000
Proposed dividend	10,000	8,000
4. Fixed Assets:	40,000	41,000
Fixed Assets	(15,000)	(11,000)
Less Accumulated Depreciation	(25,000)	30,000

Additional Information: Interest paid on Debenture ₹600

Answer 12:

		('00,000)	
Particulars		Amount	Amount
		Rs	Rs
A.	Cash Flow from Operating Activities		
	Profit as per Balance Sheet (1,200 – 1,000)	200	
	Proposed Dividend	5,800	
	General Reserve	500	
	Provision for Taxation	4,200	
	Net Profit before Tax and Extraordinary items		10,700
	Items to be added		
	Provision for Depreciation	4,000	

		Interest paid on Debentures	600	4,600
		Operating Profit before Working Capital changes		15,300
		Adjustments		
	Less:	Increase in Current Assets		
		Trade Receivables	(4,000)	
		Inventories	(5,000)	
		Prepaid Expenses	(200)	(9,200)
				6,100
	Less:	Decrease in Current Liabilities		
		Trade Creditors	(1,000)	(1,000)
		Cash generated from Operating Activities		5,100
	Less:	Income Tax Paid		(3,000)
		Net Cash from Operation		2,100
B.		Cash Flow from Investing Activities		

		Sale of Fixed Assets		1,000
	Net Cash from Investing Activities			1,000
C.	Cash Flow from Financing Activities			
		Issue of Equity Shares		10,000
		Issue of 10% Debentures		500
	Less:	Dividend paid		(5,000)
	Less:	Interest paid		(600)
	Net Cash from Financing Activities			4,900
D.	Net Increase in Cash and Cash Equivalent (A+B+C)			8,000
	Add:	Cash and Cash Equivalent in the beginning		
		Cash	1,200	
		Bank overdraft	(12,500)	(11,300)
E.	Cash and Cash Equivalents at the end			
		Cash	3,500	
		Bank overdraft	(6,800)	(3,300)