

PART – 2
CHAPTER 06
CASH FLOW STATEMENT

Question 1

What is a Cash Flow Statement?

Answer: Cash flow statement is the statement which shows the inflow and the outflow of the cash and the cash equivalents from the operating, financing and the investing activities of the company. It records the receipts and the payments of the cash and the cash equivalents that any business incurs during the particular accounting year. The statement of the cash flow helps to establish the ability and the position of the business to generate the cash for its varying needs.

Question 2

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

Answer: As per AS-3 the following are the various activities classified while preparing cash flow statement:
Operating activity – Operating Activity includes all the activities which creates and generate the revenue for any business. For example, for a company dealing with the garments will have its operating activity in the form of procurement of the raw materials, expenses made for manufacturing the garments, etc.

Investing activity – It includes of all the transactions which are related to the long-term investments made by the company. The examples of this can include the sale and he purchase of the fixed asset such as Plant and Machinery.

Financing activities – The financing activity includes of all the transactions which are related to the acquiring of the capital or the long-term funds for any business. The examples of this can be the cash proceeds by the business from the issue of the equity shares and debentures etc.

Question 3

State the uses of cash flow statement?

Answer: The uses of the cash flow statement are as follows:

- Cash flow statement is useful in providing the information about the changes in the financial structure and the net assets and the amount which is generated with the inflows of the cash.
- Cash flows are useful in providing the information about the cash generating capacity of the business by indicating about the position of the business in terms of the cash and the cash equivalents.
- Cash flows helps the business to making comparisons about the operating performance of the business as the accounting treatments and practices might be different in the different enterprises and the cash flow statement will thus help the businesses to determine the cash generating capacity of them.
- The cash flow records the transactions at their historical cost which can help the users to determine important

information about the transactions as and when they require.

Question 4

What are the objectives of preparing cash flow statement?

Answer: The objectives of the preparation of the cash flow statement are as follows:

- The cash flow statement is helpful for the management to make the proper usage of the cash.
- The cash flow statement helps the management of the organization by allowing them to take the corrective actions in the cases when there is the misappropriation of the cash by the management.
- It helps the organizations to establish clearly the needs of the cash for the specific period to ascertain the smooth functioning of the business.
- It is useful in tracking the inflow and the outflow of the cash in the business for a particular accounting period.
- It allows the management of the organization to determine the decisions about the short term financial requirements of the management.

Question 5

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

Answer:

(i) The short term liquid investments which are made by any business which are not subjected to any change their values are referred as the cash equivalents. The cash equivalents are held by the business in order to meet their short term needs and commitments for the investments purpose.

(ii) Cash flows are referred to as the movement of the cash inside and outside the business from the non-cash items. Thus when the cash is generated from transaction of any non-cash item, than it is referred to as the cash inflow; on the other hand when the cash goes out of the business o meet the requirements for the transactions of any non-cash item , than it is referred to as the cash outflows.

Question 6

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

Answer: Following is the format of the cash flows from operating activities under indirect method:

| |
|--|
| Net profit before tax |
| (add) deductions made in P&L made for non-cash items like depreciation, goodwill to be written off |
| (add) deductions made in P&L made for non-operating item like interest |
| (less) additions made in P&L for non-operating items like dividend received and profit on sale of fixed assets |
| Operating profit before changes in working capital |
| (add) increase in current liabilities |
| (add) decrease in current assets |

| |
|---|
| (less) increase in current assets |
| (less) decrease in current liabilities |
| Cash flows from operating activities before tax and extraordinary items |
| (less) income tax |
| (add/less) effects of extraordinary items |
| Net cash from operating activities |

Question 7

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

- (i) Hotel**
- (ii) Film production house**
- (iii) Financial enterprise**
- (iv) Media enterprise**
- (v) Steel manufacturing unit**
- (vi) Software development business unit.**

Answer: The following are the operating activities of the following enterprises:

- (i) Hotel – The receipt which comes from the sales made to the customers will be the cash inflows and the expenses such as the salaries, rent, groceries etc. will be regarded as the cash outflows.
- (ii) Film production house – The sale of the film rights to the distributors will be regarded as the inflows, while the salaries paid to the actors, rent paid for the location etc. will be regarded as the outflows.

- (iii) Financial enterprise – The receipts which are received on the repayments of the loan and the interest on the loans will be the inflows and on the other hand the outflows will be the salaries, loan recovery expenses etc.
- (iv) Media enterprise – Receipts which are generated from the advertisements will be regarded as the inflows and expenses which are made in the form of the payment of the salaries will be regarded as the outflows.
- (v) Steel manufacturing unit – The sale of steel sheets, steel rods etc. will be regarded as the inflows while the outflows which occur due to the purchase of the raw materials, wages etc. will be the outflows.
- (vi) Software business unit – The receipt which is generated from the sale of software and the renewal of licenses will be regarded as the inflows and the payment of salaries etc. will be regarded as the outflows.

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: The nature and the type of the business can rightly change the category into which the particular activity may be classified. For instance, a firm which is engaged in the purchase of the land and the buildings will have its operating activities which are in the form of sale and the purchase of the land. On the other hand the sale and purchase of the land

will be not regarded as the operational activity in the cases of the other businesses.

Question 9

Describe the procedure to prepare Cash Flow Statement.

Answer: The procedure to make the cash flow is as follows:

- Firstly, determine the flows of the cash from the operating activities of the business.
- Next, the business shall determine the flows of the cash from its investing activities.
- Then it must determine the flows of the cash from its financing activities.
- The next step involves the total of the sum of all the three activities.
- The final step involved the deduction of the opening balance of the cash and the cash equivalents from the resulting sum of all the three activities which will result the figure which is the closing the balance of the cash and the equivalents of the cash.

Question 10

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

Answer: The indirect method of ascertaining the cash flow from the operating activities involve all the non-operating and the non-cash items. Under this method, cash flow is ascertained from the flow of the cash of the operating activities begin with the net profit or the net loss. The

income statement in this method is on the accrual basis which hence includes both non-operating items such as interest paid, loss or the profit made on the sale of any fixed assets ; and the non-cash items such as write off of the goodwill, depreciation. Following is the sample of the nest cash flows from the operating activities:

| |
|--|
| Net profit before tax |
| (add) deductions made in P&L made for non-cash items like depreciation, goodwill to be written off |
| (add) deductions made in P&L made for non-operating item like interest |
| (less) additions made in P&L for non-operating items like dividend received and profit on sale of fixed assets |
| Operating profit before changes in working capital |
| (add) increase in current liabilities |
| (add) decrease in current assets |
| (less) increase in current assets |
| (less) decrease in current liabilities |
| Cash flows from operating activities before tax and extraordinary items |
| (less) income tax |
| (add/less) effects of extraordinary items |
| Net cash from operating activities |

Question 11

Explain the major Cash Inflow and outflows from investing activities.

Answer: Cash flows is referred to as the movement of the non-cash items of the business in and outside the business.

Thus the cash inflow is referred to as the situation in which the cash comes from the non-cash item and on the other hand when the cash is used by the business to get the non-cash item than it is referred as cash outflow. The transactions of the business which are related to the long term investments in the business are called as the investing activities.

The example of the cash flow from the investing activities is as follows:

Sale of machinery – Cash inflows

Purchase of machinery – Cash outflows

Question 12

Explain the major Cash Inflows and outflows from financing activities.

Answer: Cash flows is referred to as the movement of the non-cash items of the business in and outside the business. Thus the cash inflow is referred to as the situation in which the cash comes from the non-cash item and on the other hand when the cash is used by the business to get the non-cash item than it is referred as cash outflow. For instance, the sale of the computer of the business generates cash for the business and hence is cash inflow and on the other hand the cash spent on the purchase of the new computer is the cash outflow. The financing activity is referred to all those transactions which are related to the acquiring of the long term capital or the funds for the business. Thus, the cash flow from the financing activities can be in the following forms:

Proceed from long term borrowings – Cash inflows
Repayment of long term borrowings – Cash outflows

Question 13

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

Answer:

| Cash Flow from Operating Activities as on March 31, 2017 | | |
|---|---------------|---------------|
| Particulars | Amount | Amount |
| | Rs | Rs |
| Net Profit during the year | | 500000 |
| Items to be adjusted: | | |
| Add: Depreciation | 200000 | |
| Less: Gain on sale of assets | -50000 | 150000 |
| Operating Profit before Working Capital changes | | 650000 |
| Add: Increase in Bills Payable | 60000 | |
| Less: Increase in Bills Receivables | -40000 | 20000 |
| Net Cash from Operations | | 670000 |

Question 14

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

| | Rs |
|---------------------------------|----------|
| Inventory in the beginning | 40,000 |
| 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:

| Trade Payable A/c | | | | | |
|-------------------|-------------|--------|------|-------------|--------|
| Date | Particular | Amount | Date | Particular | Amount |
| | Cash (B.F.) | 159500 | | Balance b/d | 14000 |
| | Balance c/d | 14500 | | Purchases | 160000 |
| | | 174000 | | | 174000 |

Cash paid for Inventory amounts to Rs.159500.

Question 15

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

Answer:

(a) Amount paid for Machinery = $250000 \times 20/100 = 50000$
Part payment Rs.50000 for acquiring machinery Rs.250000
is related with Investing Activities.

(b) Amount paid for acquiring shares (250000)
Dividend received 50000
Net Cash used in Investing Activities (200000)

Amount paid to acquire assets and dividend received is a
part of Investing Activities.

(c) Inflow of cash of Rs.60000 on sale of machinery is a part
of Investing Activities.

Question 16

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 | | Note No. | Amount (Rs) |
|-------------|----------------------------|-------------|-----------------|
| i) | Revenue from Operations | | 10,00,000 |
| ii) | Expenses | | |
| | Cost of Material Consumed | 1 | 50,000 |
| | Purchase of Stock-in-trade | | 5,00,000 |
| | Other Expenses | 2 | 3,00,000 |
| | Total Expenses | | 8,50,000 |

| | | |
|-------------|-----------------------------------|-----------------|
| iii) | Profit before Tax (I – ii) | 1,50,000 |
|-------------|-----------------------------------|-----------------|

Additional information:

- (i) Trade receivables decrease by Rs 30,000 during the year.**
- (ii) Prepaid expenses increase by Rs 5,000 during the year.**
- (iii) Trade creditors decrease by Rs 15,000 during the year.**
- (iv) Outstanding expenses payable increased by Rs 3,000 during the year.**
- (v) Operating expenses included depreciation of Rs 25,000.**

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

Answer:

| Cash Flow from Operating Activities as on March 31, 2017 | | |
|---|---------------|---------------|
| Particulars | Amount | Amount |
| | Rs | Rs |
| Net Profit earned during the year | | 150000 |
| Items to be added: | | |
| Depreciation | 25000 | 25000 |
| Operating Profit before Working Capital changes | | 175000 |
| Add: Increase in Current Liabilities | | |
| O/s Expenses | 3000 | |
| Add: Decrease in Current Assets | | |
| Trade Receivables | 30000 | |

| | | |
|---------------------------------------|--------|---------------|
| Stock | 50000 | 83000 |
| Less: Decrease in Current Liabilities | | |
| Trade Creditors | -15000 | |
| Less: Increase in Current Assets | | |
| Prepaid Expenses | -5000 | -20000 |
| Net Cash from Operations | | 238000 |

Question 17

Compute cash from operations from the following figures:

(i) Profit for the year 2016-17 is a sum of Rs. 10,000 after providing for depreciation of Rs. 2,000.

(ii) The current assets of the business for the year ended March 31, 2016 and 2017 are as follows:

| Particulars | March 31, 2016 (Rs.) | March 31, 2017 (Rs.) |
|------------------------------|----------------------------|----------------------------|
| Trade Receivables | 14,000 | 15,000 |
| Provision for Doubtful Debts | 1,000 | 1,200 |
| Trade Payables | 13,000 | 15,000 |
| Inventories | 5,000 | 8,000 |
| Short-term Investments | 10,000 | 12,000 |
| Expenses payable | 1,000 | 1,500 |
| Prepaid Expenses | 2,000 | 1,000 |
| Accrued Income | 3,000 | 4,000 |
| Income received in advance | 2,000 | 1,000 |

Answer:

| Cash Flow Statement for the year ending March 31, 2017 | | |
|---|---------------|---------------|
| | Amount | Amount |
| Particulars | Rs | Rs |
| Cash flow from Operating Activities | | |
| Net Profit | | 10000 |
| Items to be added: | | |
| Depreciation | 2000 | 2000 |
| Operating Profit before Working Capital changes | | 12000 |
| Less: Increase in Current Assets | | |
| Trade Receivables | -1000 | |
| Accrued Income | -1000 | |
| Other Current Assets | -2000 | |
| Inventories | -3000 | |
| Add: Increase in Current Liabilities | | |
| Provision for Doubtful Debts | 200 | |
| Trade Payables | 2000 | |
| Expense Payable | 500 | |
| Add: Decrease in Current Assets | | |
| Prepaid Expenses | -1000 | |
| Less: Decrease in Current Liabilities | | |
| Income received in advance | 1000 | -4300 |
| Net Cash from Operating Activities | | 7700 |

Question 18

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 Mar. 2016
and 31 Mar. 2017**

| Particulars | Note No. | Figures as the end of 2017 (Rs) | Figures as on end of reporting 2016 (Rs) |
|-----------------------------------|-----------------|--|---|
| II) Assets | | | |
| 1. Non-current Assets | | | |
| a) Fixed assets | | | |
| i) Tangible assets | | | |
| i) Tangible assets | 1 | 12,40,000 | 10,20,000 |
| ii) Intangible assets | 2 | 4,60,000 | 3,80,000 |
| b) Non-current investments | 3 | 3,60,000 | 2,60,000 |

Notes: 1 Tangible assets = Machinery

2 Intangible assets = Patents

Notes

| | Figures of current year | Figures of previous year |
|-----------------------------|--------------------------------|---------------------------------|
| 1. Tangible Assets | | |
| Machinery | 12,40,000 | 10,20,000 |
| 2. Intangible Assets | | |
| Goodwill | 3,00,000 | 1,00,000 |
| Patents | 1,60,000 | 2,80,000 |

| | | |
|-----------------------------------|-----------------|-----------------|
| | 4,60,000 | 3,80,000 |
| 3. Non-current Investments | | |
| 10% long term investments | 1,60,000 | 60,000 |
| Investment in land | 1,00,000 | 1,00,000 |
| Shares of Amartex Ltd. | 1,00,000 | 1,00,000 |
| | 3,60,000 | 2,60,000 |
| | | |

Additional Information:

- (a) Patents were written-off to the extent of Rs. 40,000 and some Patents were sold at a profit of Rs. 20,000.
- (b) A Machine costing Rs. 1,40,000 (Depreciation provided thereon Rs. 60,000) was sold for Rs. 50,000. Depreciation charged during the year was Rs. 1,40,000.
- (c) On March 31, 2016, 10% Investments were purchased for Rs. 1,80,000 and some Investments were sold at a profit of Rs. 20,000. Interest on Investment was received on March 31, 2017.
- (d) Amartax 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 Rs. 30,000.

Answer:

| Cash Flow from Investing Activities | | |
|--|---------------|---------------|
| | Amount | Amount |
| Particulars | Rs | Rs |
| Cash Inflow | | |
| Proceeds from Sale of Patents | 100000 | |

| | | |
|--|---------|----------------|
| Proceeds from Sale of Machinery | 50000 | |
| Proceeds from Sale of 10% Long-term Investment | 100000 | |
| Interest received on 10% Long-term Investment | 6000 | |
| Dividend received from Amartex Ltd. | 10000 | |
| Rent received | 30000 | 296000 |
| Cash Outflow | | |
| Purchase of Goodwill | -200000 | |
| Purchase of Machinery | -440000 | |
| Purchase of 10% Long-term Investment | -180000 | -820000 |
| Net Cash used in Investing Activities | | -524000 |

| Patents A/c | | | | | |
|--------------------|----------------------|---------------|-------------|--------------------|---------------|
| Date | Particular | Amount | Date | Particular | Amount |
| | Balance b/d | 280000 | | P/L (written off) | 40000 |
| | P/L (Profit on Sale) | 20000 | | Bank (Sale) (B.F.) | 100000 |
| | | | | Balance c/d | 160000 |
| | | 300000 | | | 300000 |

| Machinery A/c | | | | | |
|----------------------|-------------------|---------------|-------------|-------------------|---------------|
| Date | Particular | Amount | Date | Particular | Amount |
| | Balance b/d | 1020000 | | Depreciation | 140000 |

| | | | | | |
|--|-------------------------------|---------|--|-------------|---------|
| | Bank (Purchases) (B.F.) | 440000 | | Bank | 50000 |
| | | | | P/L | 30000 |
| | | | | Balance c/d | 1240000 |
| | | 1460000 | | | 1460000 |

| 10% Long-term Investment A/c | | | | | |
|-------------------------------------|----------------------|---------------|-------------|-------------------|---------------|
| Date | Particular | Amount | Date | Particular | Amount |
| | Balance b/d | 60000 | | Bank (B.F.) | 100000 |
| | Bank | 180000 | | Balance c/d | 160000 |
| | P/L (Profit on Sale) | 20000 | | | |
| | | 260000 | | | 260000 |

Question 19

From the following Balance Sheet of Mohan Ltd.

Prepare cash flow Statement:

**Balance Sheet of Mohan Ltd.
as at 31 Mar. 2016 and 31 Mar. 2017**

| Particulars | Note No. | March 31, 2017 (Rs) | March 31, 2016 (Rs) |
|-----------------------------------|-----------------|----------------------------|----------------------------|
| 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 | 1 | 80,000 | 1,00,000 |
| 3. Current liabilities | | | |

| | | | |
|-------------------------------------|----------|-----------------|-----------------|
| Trade payables | | 1,20,000 | 1,40,000 |
| Short-term provisions | 2 | 70,000 | 60,000 |
| Total | | 7,70,000 | 6,60,000 |
| II) Assets | | | |
| 1. Non-current assets | | | |
| a) Fixed assets | 3 | 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

| | 2017 | 2016 |
|---------------------------------------|-----------------|-----------------|
| 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 |
| | 90,000 | 1,20,000 |
| 5. Cash and cash equivalents | | |
| Bank | 30,000 | 90,000 |
| | | |

Additional Information:

Machine Costing Rs. 80,000 on which accumulated depreciation was Rs. 50,000 was sold for Rs. 20,000.

Answer:

| Cash Flow Statement of Mohan Ltd. | | |
|--|---------------|---------------|
| Particulars | Amount | Amount |
| | Rs | Rs |
| A. Cash flow from Operating Activities | | |
| Profit as per the Balance Sheet | 40000 | |
| Proposed Dividend | 70000 | |
| Net Profit before Extraordinary Items | | 110000 |
| Adjustments: | | |
| Depreciation | 70000 | |
| Loss on Sale of Machine | 10000 | 80000 |
| Operating Profit before Working Capital changes | | 190000 |
| Less: Increase in Current Assets | | |
| Inventories | -20000 | |
| Bill Receivables | -10000 | |
| Add: Decrease in Current Assets | | |
| Debtors | 40000 | |
| Less: Decrease in Current Liabilities | | |
| Trade Payable | -20000 | -10000 |
| Net Cash from Operations | | 180000 |
| B. Cash Flow from Investing Activities | | |

| | | |
|---|---------|---------|
| Proceeds from Sale of Fixed Assets | 20000 | |
| Purchase of Fixed Assets | -280000 | |
| Net Cash Outflow from Investing Activity | | -260000 |
| C. Cash Flow from Financing Activities | | |
| Issue of Shares | 100000 | |
| Bank Loan paid | -20000 | |
| Dividend paid | -60000 | |
| Net Cash from Financing Activities | | 20000 |
| D. Net Decrease in Cash and Cash Equivalents (A+B+C) | | -60000 |
| Add: Cash and Cash Equivalents in the beginning | | 90000 |
| E. Cash and Cash Equivalents at the end | | 30000 |

| Fixed Assets A/c | | | | | |
|-------------------------|------------------------------|---------------|-------------|---------------------|---------------|
| Date | Particular | Amount | Date | Particular | Amount |
| | Balance b/d | 400000 | | Bank | 20000 |
| | Bank (Purchase) (B.F.) | 280000 | | P/L | 10000 |
| | | | | Accumulated Dep. | 50000 |
| | | | | Balance c/d | 600000 |
| | | 680000 | | | 680000 |

| Accumulated Depreciation A/c | | | | | |
|-------------------------------------|-------------------|---------------|-------------|-------------------|---------------|
| Date | Particular | Amount | Date | Particular | Amount |
| | Fixed Assets | 50000 | | Balance b/d | 80000 |
| | Balance c/d | 100000 | | P/L (B.F.) | 70000 |
| | | 150000 | | | 150000 |

Question 20

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

**Balance Sheet of Tiger Super Steel Ltd. as on 31
Mar. 2016 and 31 Mar. 2017**

| Particulars | Note No. | March 31, 2017 (Rs) | March 31, 2016 (Rs) |
|----------------------------------|-----------------|----------------------------|----------------------------|
| I) Equity and Liabilities | | | |
| 1. Shareholders' Funds | | | |
| a) Share capital | 1 | 1,30,000 | 2,00,000 |
| b) Reserves and surplus | 2 | 22,800 | 15,200 |
| 2. Current Liabilities | | | |
| a) Trade payables | 3 | 21,200 | 14,000 |
| b) Other current liabilities | 4 | 2,400 | 3,200 |
| c) Short-term provisions | 5 | 38,400 | 22,400 |
| Total | | 2,14,800 | 1,74,800 |
| II) Assets | | | |
| 1. Non-Current Assets | | | |
| a) Fixed assets | | | |
| i) Tangible assets | 6 | 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 | 2,14,800 | 1,74,800 |
| | | |

Notes to accounts:

| | 2017 | 2016 |
|---|-----------------|-----------------|
| 1. Share Capital | | |
| Equity share capital | 1,20,000 | 80,000 |
| 10% Preference share capital | 20,000 | 40,000 |
| | 1,40,000 | 1,20,000 |
| 2. Reserves and surplus | | |
| General reserve | 12,000 | 8,000 |
| Balance in statement of profit and loss | 10,800 | 7,200 |
| | 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 | 15,600 | 11,200 |
| | 28,400 | 22,400 |

| | | |
|---------------------------|---------------|---------------|
| 6. Tangible assets | | |
| Land and building | 20,000 | 40,000 |
| Plant | 76,400 | 36,000 |
| | 96,400 | 76,000 |
| | | |

Answer:

| Cash Flow Statement of Tiger Super Steels Ltd. | | |
|--|---------------|---------------|
| | Amount | Amount |
| Particulars | Rs | Rs |
| A. Cash flow from Operating Activities | | |
| Profit as per the Balance Sheet | 3600 | |
| General Reserve | 4000 | |
| Proposed Dividend | 15600 | |
| Provision for Taxation | 12800 | |
| Net Profit before Taxation and Extraordinary | | 36000 |
| Items to be added: | | |
| Depreciation on Land and Building | 20000 | |
| Depreciation on Plant | 10000 | |
| Goodwill written off | 5200 | 35200 |
| Operating Profit before Working Capital changes | | 71200 |
| Less: Increase in Current Assets | | |
| Trade Receivables | -13200 | |
| Less: Decrease in Current Liabilities | | |
| O/s Expenses | -800 | |
| Add: Decrease in Current Assets | | |

| | | |
|---|------|--------|
| Inventories | 2800 | |
| Add: Increase in Current Liabilities | | |
| Bills Payables | 7200 | -4000 |
| Cash generated from Operating Activities | | 67200 |
| Less: Income Tax paid | | -11200 |
| Net Cash from Operating Activities | | 56000 |
| B. Cash Flow from Investing Activities | | |
| Purchase of Plant | | -40400 |
| Purchase of Investment | | -20000 |
| Net Cash used in Investing Activities | | -60400 |
| C. Cash Flow from Financing Activities | | |
| Issue of Equity Shares | | 40000 |
| Dividend paid | | -11200 |
| Redemption of 10% Preference Shares | | -20000 |
| Net Cash from Financing Activities | | 8800 |
| D. Net Increase in Cash and Cash Equivalents (A+B+C) | | 4400 |
| Add: Cash and Cash Equivalents in the beginning | | 6800 |
| E. Cash and Cash Equivalents at the end | | 11200 |

Working Note: 1.

| Plant A/c | | | | | |
|------------------|------------------------------|---------------|-------------|-------------------|---------------|
| Date | Particular | Amount | Date | Particular | Amount |
| | Balance b/d | 36000 | | Depreciation | 10000 |
| | Bank (Purchase) (B.F.) | 50400 | | Balance c/d | 76400 |
| | | 86400 | | | 86400 |

2.

| | |
|-------------------------|-------|
| Net Profit before Tax | 3600 |
| Profit and Loss Account | 12800 |
| Provision for Tax | 16400 |

Question 21

From the following information, prepare cash flow statement:

| Particulars | Note No. | 31st March 2015 (Rs) | 31st March 2014 (Rs) |
|---|-----------------|--|--|
| I) Equity and Liabilities | | | |
| 1. Shareholders' Funds | | | |
| a) Share capital | | 7,00,000 | 5,00,000 |
| b) Reserves and surplus | | 4,70,000 | 2,50,000 |
| 2. Non-current Liabilities (8% Debentures) | | 4,00,000 | 6,00,000 |
| 3. Current Liabilities | | | |
| a) Trade payables | | 9,00,000 | 6,00,000 |
| Total | | 24,70,000 | 19,50,000 |
| II) Assets | | | |

| | | |
|-------------------------------------|------------------|------------------|
| 1. Non-current assets | | |
| a) Fixed assets | | |
| i) Tangible | 7,00,000 | 5,00,000 |
| ii) Intangible-Goodwill | 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 Rs. 80,000.

Answer:

| Cash Flow Statement for the year ending March 31, 2015 | | |
|---|---------------|---------------|
| | Amount | Amount |
| Particulars | Rs | Rs |
| A. Cash flow from Operating Activities | | |
| Net Profit | | 220000 |
| Items to be added: | | |
| Interest on Debentures | 48000 | |
| Depreciation on Fixed Assets | 80000 | |
| Goodwill written off | 80000 | 208000 |
| Operating Profit before Working Capital changes | | 428000 |
| Add: Increase in Current Liabilities | | |
| Creditors | 300000 | |
| Less: Increase in Current Assets | | |

| | | |
|---|---------|---------|
| Inventories | -100000 | |
| Trade Receivables | -200000 | - |
| Cash generated from Operating Activities | | 428000 |
| Less: Income Tax paid | | - |
| Net Cash from Operating Activities | | 428000 |
| B. Cash Flow from Investing Activities | | |
| Purchase of Fixed Assets | -280000 | |
| Net Cash used in Investing Activities | | -280000 |
| C. Cash Flow from Financing Activities | | |
| Issue of Share Capital | 200000 | |
| Redemption of Debentures | -200000 | |
| Interest paid on Debentures | -48000 | |
| Net Cash from Financing Activities | | -48000 |
| D. Net Increase in Cash and Cash Equivalents (A+B+C) | | 100000 |
| Add: Cash and Cash Equivalents in the beginning | | 300000 |
| E. Cash and Cash Equivalents at the end | | 400000 |

Working Note:

| Fixed Assets A/c | | | | | |
|-------------------------|-------------------|---------------|-------------|-------------------|---------------|
| Date | Particular | Amount | Date | Particular | Amount |
| | Balance b/d | 500000 | | Depreciation | 80000 |
| | Purchase (b/f) | 280000 | | Balance c/d | 700000 |
| | | 780000 | | | 780000 |

Question 22

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

| Particulars | Note No. | 31 st March 2017 (Rs) | 31 st March 2016 (Rs) |
|--|----------|----------------------------------|----------------------------------|
| I) Equity and Liabilities | | | |
| 1. Shareholders' Funds | | | |
| a) Share capital | 1 | 4,00,000 | 2,00,000 |
| b) Reserves and surplus-Surplus | | 2,00,000 | 1,00,000 |
| 2. Non-current Liabilities | | | |
| a) Long-term borrowings | 2 | 1,50,000 | 2,20,000 |
| 3. Current Liabilities | | | |
| a) Short-term borrowings (Bank overdraft) | | 1,00,000 | - |
| b) Trade payables | | 70,000 | 50,000 |
| c) Short-term provision (Provision for taxation) | | 50,000 | 30,000 |
| Total | | 9,70,000 | 6,00,000 |
| II) Assets | | | |
| 1. Non-current assets | | | |
| a) Fixed assets | | | |
| i) 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 | | |
| Long-term loan | - | 2,00,000 |
| Long-term 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.

Answer:

| Cash Flow Statement of Yogeta Ltd. | | |
|---|---------------|---------------|
| | Amount | Amount |
| Particulars | Rs | Rs |
| A. Cash flow from Operating Activities | | |
| Profit as per the Balance Sheet | 100000 | |

| | | |
|--|---------|---------|
| Proposed Dividend | 50000 | |
| Provision for Taxation | 60000 | |
| Net Profit before Taxation and Extraordinary | | 210000 |
| Items to be added: | | |
| Depreciation | 50000 | 50000 |
| Operating Profit before Working Capital changes | | 260000 |
| Add: Increase in Current Liabilities | | |
| Trade Payable | 20000 | |
| Less: Increase in Current Assets | | |
| Inventories | -70000 | |
| Trade Receivables | -50000 | -100000 |
| Cash generated from Operating Activities | | 160000 |
| Less: Income Tax paid | | -40000 |
| Net Cash from Operating Activities | | 120000 |
| B. Cash Flow from Investing Activities | | |
| Purchase of Fixed Assets | -350000 | |
| Net Cash used in Investing Activities | | -350000 |
| C. Cash Flow from Financing Activities | | |
| Issue of Equity Shares | 100000 | |
| Issue of Preference Shares | 100000 | |
| Loan from Rahul | 130000 | |
| Less: Repayment of Loan | -200000 | |

| | | |
|---|--------|---------|
| Dividend paid | -50000 | |
| Net Cash from Financing Activities | | 80000 |
| D. Net Decrease in Cash and Cash Equivalents (A+B+C) | | -150000 |
| Add: Cash and Cash Equivalents in the beginning | | 50000 |
| E. Cash and Cash Equivalents at the end | | -100000 |

Working Note: 1

| Provision for Taxation A/c | | | | | |
|----------------------------|-------------|--------|------|-------------|--------|
| Date | Particular | Amount | Date | Particular | Amount |
| | Bank (B.F.) | 40000 | | Balance b/d | 30000 |
| | Balance c/d | 50000 | | P/L | 60000 |
| | | 90000 | | | 90000 |

2.

| Fixed Assets A/c | | | | | |
|------------------|-------------|--------|------|--------------|--------|
| Date | Particular | Amount | Date | Particular | Amount |
| | Balance b/d | 400000 | | Depreciation | 50000 |
| | Bank | 350000 | | Balance c/d | 700000 |
| | | 750000 | | | 750000 |

Question 23

Following is the Financial Statement of Garima Ltd.,
prepare cash flow statement.

| Particulars | Note No. | 31st March 2017 (Rs) | 31st March 2016 (Rs) |
|---|-----------------|--|--|
| I) Equity and Liabilities | | | |
| 1. Shareholders' Funds | | | |
| a) Share capital | 1 | 4,40,000 | 2,80,000 |
| b) Reserve and surplus-Surplus | 2 | 40,000 | 28,000 |
| 2. Current Liabilities | | | |
| a) Trade payables | | 1,56,000 | 56,000 |
| c) Short-term provisions (Provision for taxation) | | 12,000 | 4,000 |
| Total | | 6,48,000 | 3,68,000 |
| II) Assets | | | |
| 1. Non-current assets | | | |
| a) Fixed assets | | | |
| i) Tangible | | 3,64,000 | 2,00,000 |
| 2. Current assets | | | |
| a) Inventories | | 1,60,000 | 60,000 |
| b) Trade receivables | | 80,000 | 20,000 |
| c) Cash and cash equivalents | | 28,000 | 80,000 |
| d) Other current assets | | 16,000 | 8,000 |
| Total | | 6,48,000 | 3,68,000 |
| | | | |

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 | 1,40,000 | 80,000 |
| | 4,40,000 | 2,80,000 |
| 2. Reserve and surplus | | |
| Surplus in statement of profit and loss at the beginning of the year | 28,000 | |
| <i>Add: Profit of the year</i> | 16,000 | |
| <i>Less: Dividend</i> | 4,000 | |
| Profit at the end of the year | 40,000 | |
| | | |

Additional Information:

1. Interest paid on Debenture Rs 600
2. Dividend paid during the year Rs 4,000
3. Depreciation charged during the year Rs 32,000

Answer:

| Cash Flow Statement (Indirect Method) | | |
|---|---------------|---------------|
| Particulars | Amount | Amount |
| | Rs | Rs |
| A. Cash flow from Operating Activities | | |
| Profit as per the Balance Sheet | 12000 | |
| Proposed Dividend | 4000 | |
| Provision for Taxation | 12000 | |

| | | |
|--|---------|---------|
| Net Profit before Taxation and Extraordinary | | 28000 |
| Items to be added: | | |
| Interest paid on Debentures | 600 | |
| Depreciation | 32000 | 32600 |
| Operating Profit before Working Capital changes | | 60600 |
| Add: Increase in Current Liabilities | | |
| Trade Payables | 100000 | |
| Less: Increase in Current Assets | | |
| Other Current Assets | -8000 | |
| Inventories | -100000 | |
| Trade Receivables | -60000 | -68000 |
| Cash generated from Operating Activities | | -7400 |
| Less: Income Tax paid | | -4000 |
| Net Cash from Operating Activities | | -11400 |
| B. Cash Flow from Investing Activities | | |
| Purchase of Fixed Assets | -196000 | |
| Net Cash used in Investing Activities | | -196000 |
| C. Cash Flow from Financing Activities | | |
| Issue of Equity Shares | 100000 | |
| Issue of Preference Shares | 60000 | |
| Less: Interest paid on Debentures | -600 | |
| Less: Dividend paid | -4000 | |

| | | |
|---|--|--------|
| Net Cash from Financing Activities | | 155400 |
| D. Net Decrease in Cash and Cash Equivalents (A+B+C) | | -52000 |
| Add: Cash and Cash Equivalents in the beginning | | 80000 |
| E. Cash and Cash Equivalents at the end | | 28000 |

Working Note:

| Plant & Machinery A/c | | | | | |
|----------------------------------|------------------------|---------------|-------------|-------------------|---------------|
| Date | Particular | Amount | Date | Particular | Amount |
| | Balance b/d | 200000 | | Depreciation | 32000 |
| | Bank (Purchase) (B.F.) | 196000 | | Balance c/d | 364000 |
| | | 396000 | | | 396000 |

Question 24

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

(Rs in '000)

| Particulars | Note No. | 31st March 2017 (Rs) | 31st March 2016 (Rs) |
|----------------------------------|-----------------|--|--|
| I) Equity and Liabilities | | | |
| 1. Shareholders' Funds | | | |
| a) Share capital | | 50,000 | 40,000 |

| | | | |
|--|----------|---------------|---------------|
| b) Reserves and surplus- Surplus | 1 | 3,700 | 3,000 |
| 2. Non-Current Liabilities | | | |
| 10% Debentures | | 6,500 | 6,000 |
| 3. Current Liabilities | | | |
| a) Short-term borrowings | 2 | 6,800 | 12,500 |
| b) Trade payables | | 11,000 | 12,000 |
| c) Short-term provisions | 3 | 10,000 | 8,000 |
| Total | | 88,000 | 81,500 |
| II) Assets | | | |
| 1. Non-current assets | | | |
| a) Fixed assets | 4 | 25,000 | 30,000 |
| 2. Current assets | | | |
| a) Inventories | | 35,000 | 30,000 |
| b) Trade receivables | | 24,000 | 20,000 |
| c) Cash and cash equivalents-cash | | 3,500 | 1,200 |
| d) Other current assets- prepaid exp. | | 500 | 300 |
| Total | | 88,000 | 81,500 |

Notes to Accounts

| | Particulars | 31st March 2017 (Rs) | 31st March 2016 (Rs) |
|-----------|--|--|--|
| 1. | Reserve and surplus | | |
| | (i) Balance in statement of profit and loss | 1,200 | 1,000 |
| | (ii) General reserve | 2,500 | 2,000 |

| | | | |
|---------------------------------------|--|-----------------|-----------------|
| | | 3,700 | 3,000 |
| 2. Short-term borrowings | | | |
| Bank Overdraft | | 6,800 | 12,500 |
| 3. Short-term provisions | | | |
| (i) Provision for taxation | | 4,200 | 3,000 |
| (ii) Proposed dividend | | 5,800 | 5,000 |
| | | 10,000 | 8,000 |
| 4. Fixed Assets: | | | |
| Fixed Assets | | 40,000 | 41,000 |
| Less: Accumulated Depreciation | | (15,000) | (11,000) |
| | | 25,000 | 30,000 |
| | | | |

Additional Information:

Interest paid on Debenture Rs. 600

Answer:

| Cash Flow Statement of Computer India Ltd. | | |
|---|---------------|---------------|
| | Amount | Amount |
| Particulars | Rs | Rs |
| A. Cash flow from Operating Activities | | |
| Profit as per the Balance Sheet | 200 | |
| Proposed Dividend | 5800 | |
| General Reserve | 500 | |
| Provision for Taxation | 4200 | |
| Net Profit before Taxation and Extraordinary | | 10700 |

| | | |
|--|-------|--------|
| Items to be added: | | |
| Provision for Depreciation | 4000 | |
| Interest paid on Debentures | 600 | 4600 |
| Operating Profit before Working Capital changes | | 15300 |
| Less: Increase in Current Assets | | |
| Trade Receivables | -4000 | |
| Inventories | -5000 | |
| Prepaid Expenses | -200 | |
| Less: Decrease in Current Liabilities | | |
| Trade Creditors | -1000 | -10200 |
| Cash generated from Operating Activities | | 5100 |
| Less: Income Tax paid | | -3000 |
| Net Cash from Operating Activities | | 2100 |
| B. Cash Flow from Investing Activities | | |
| Sale of Fixed Assets | 1000 | |
| Net Cash used in Investing Activities | | 1000 |
| C. Cash Flow from Financing Activities | | |
| Issue of Equity Shares | 10000 | |
| Issue of 10% Debentures | 500 | |
| Less: Dividend paid | -5000 | |
| Less: Interest paid | -600 | |
| Net Cash from Financing Activities | | 4900 |

| | | |
|---|--------|--------|
| D. Net Increase in Cash and Cash Equivalents (A+B+C) | | 8000 |
| Add: Cash and Cash Equivalents in the beginning | | |
| Cash | 1200 | |
| Bank Overdraft | -12500 | -11300 |
| E. Cash and Cash Equivalents at the end | | |
| Cash | 3500 | |
| Bank Overdraft | -6800 | -3300 |