

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 the 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 follow in 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		
	Amount	Amount
Particulars	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.

- (a) Acquired machinery for Rs 2,50,000 paying 20% drawn and executing a bond for the balance payable.
- (b) Paid Rs 2,50,000 to acquire shares in Informa Tech. and received a dividend of Rs 50,000 after acquisition.
- (c) 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
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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		
	Amount	Amount
Particulars	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	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	2	1,20,000	1,40,000
Short-term provisions		70,000	60,000
Total		7,70,000	6,60,000
II) Assets	3		
1. Non-current assets			
a) 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

	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.		
	Amount	Amount
Particulars	Rs	Rs
A. Cash flow from Operating Activities		
Profit as per the Balance Sheet	40000	
Proposed Dividend	70000	
Net Profit before Extraordinary Items		1 10000
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.	31 st March 2017 (Rs)	31 st 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	
Add: Profit of the year	16,000	
Less: Dividend	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)		
	Amount	Amount
Particulars	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	(15,000)	(11,000)
	Depreciation		
		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