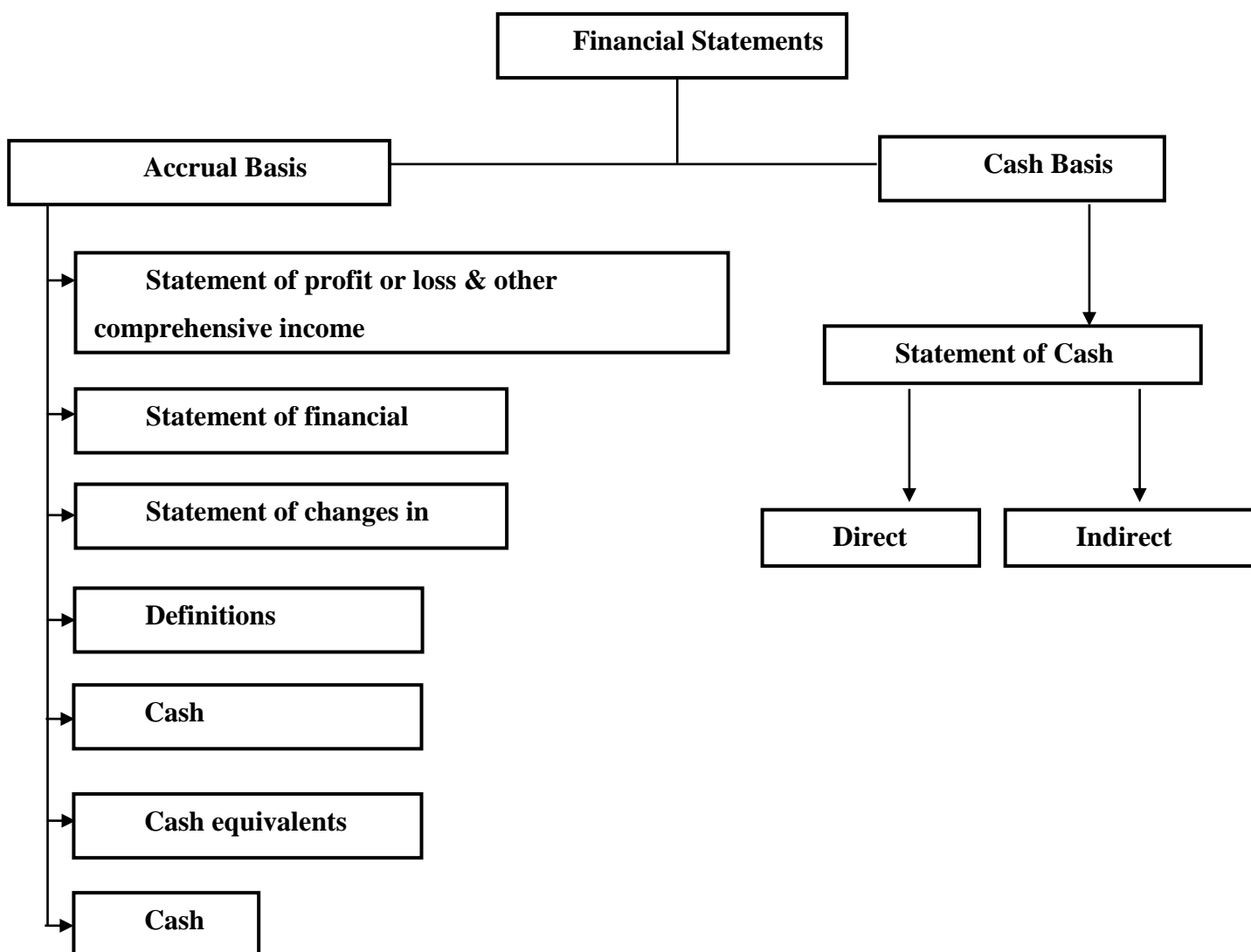


Prepare Statement of Cash flows of a limited liability company

Learning Outcomes :

- Explains statement of Cash flows as per the applied accounting standard.
- Explains operating Activities
- Explains investing activities
- Explains financing activities
- Prepares statement of cash flows by applying accounting standard

▪ Session Guide



Introduction

Income statement and the Statement of Financial Position are the main components of financial statements which provide information on the enterprise for the parties who are interested in the business. The Income Statement reveals the operational results of the accounting period and the Statement of financial Position shows the financial position of the enterprise for a specific date. However, the cash flow changes took place during the period and reasons for such changes cannot be identified using the Statement of Financial Position. But, those are also very important for the parties who are interested in the enterprise. Therefore, it is important to provide such changes as a part of financial statements.

“The statement which shows the changes in cash flows during an accounting period” can be defined as a statement of cash flows. This is prepared according to “Sri Lanka Accounting Standard (LKAS) 07 – Statements of Cash Flows”

Objective of LKAS 07

Information about the cash flows of an enterprise is useful in providing users of financial statements with a basis to assess the ability of the enterprise to generate cash and cash equivalents and the needs of the enterprise to utilize those cash and cash equivalents. The economic decisions that are taken by users require an evaluation of the ability of an enterprise to generate cash and cash equivalents and the timing and certainty of their generation.

The objective of LKAS – 07 is to require the provision of information about the historical changes in cash and cash equivalents of an enterprise by means of a cash flow statement, which classifies cash flows during the period, from operating, investing and financing activities.

Statement of cash flow presents the sources of cash generated and sources of cash used by a business within a period concerned.

Benefits of a Statement of Cash Flows

- Cash Flow Statement helps in knowing the exact figure of cash inflows and outflows from various operations of the business. It helps in comparing the cash budgets of past assessments with the present to assess the future requirements of the cash. It gives the accurate information about the cash-based transactions in the business.
- Cash flow statement majorly used in preparing the cash budget for future needs and helps in knowing the periodical requirement of cash in the business.
- It reveals the key changes required for the financial positioning of the business and prioritizes important activities to the management.
- It provides the information about various investing and financing cash transactions takes place during the year and helps in evaluating the financial structure of the business. Cash Flow statement helps in identifying the profitability of the business when it compared with the ratio analysis.

Operating, investing and financing activities can be shown in a Statement of Financial Position in the following manner.

Statement of Financial Position

Equity } Financing	xxxx	Non-current Assets	
NCL }	xxxx	PPE } Investing	xxxx
		Investments }	xxxx
CL	xxxx	Current Assets	xxxx

Operating

Important facts about the definitions given in accounting standard.

Cash

Cash comprises cash in hand and demand deposits.

Ex. Cash balance, Petty cash balance.

Cash equivalents

Short term, highly liquid investments that are readily convertible to known amounts of cash which are subjected to a significant risk of changes in value.

Example : 3 months Treasury bills

Cash Flows

Receipts are known as cash inflows and payments are known as cash outflows

Following are the examples for cash inflows.

-
-
-
-
-

Following are the examples for cash outflows.

-
-
-
-
-

Operating Activities

Cash flows from the principal revenue producing activities of the entity and other activities that are not investing or financing activities.

Examples

- Receipts from selling goods or services
- payments to suppliers for providing goods or services
- Payment of salaries and others for employees.
- Receipts from insurance compensation and payments for insurance premium.
- Any other cash flow which can not be identified as investing or financing activities

Investing Activities :

Investing activities means expenditures have been made for resources intended to generate future income and cash flows. It includes acquisition and disposal of long term assets for future business developments.

Example :

- Cash payments to acquire, construct or capitalization development cost relating to property, plant and equipment, intangibles and other long term assets.
- Cash receipts from sale of property, plant and equipment, intangibles and other long term assets.
- Cash payments to acquire equity or debt instruments of other entities, investments in joint ventures and cash receipts from sale of those investments.
- Cash advances and loans made to other parties and cash receipts from the repayments.
- Interest received, dividend received, rent received.

Financing Activities:

Financing activities means the cash flows which make changes in composition of equity capital and debt capital of a business. They are connected with the ways of capital raising of a business.

Example

- Proceeds from issuing shares or other equity instruments.
- Payments to owners to acquire or redeem shares.
- Proceeds from issuing debentures and long term loans or repayment of amount borrowed.
- Payment of lease installments. (Except interest)
- Payment of dividends for shareholders (Distribution among owners)

Example 01

Recognize the following items referring LKAS 7. State whether the items are cash and cash equivalent in the space provided.

Petty cash balance
Cash balance (favourable)
Investment (2 years)
Treasury Bills (3 months)
Fixed Deposit (1 year)

Example 02

Put a (✓) in the suitable column to categorize following items according to the cash flow categorization in LKAS – 7 using direct method.

Items	Operating	Investing	Financing
Cash and cheque received from trade debtors			
Salaries and wages paid for employees.			
Income tax payment			
Dividend payment			
Rent received for business place			
Lease installment payment (except interest)			
Capitalization of reserves			
Purchase of machine for business use			
Cheque payments for trade creditors			
Proceeds from selling used office equipment			
Loan interest paid			
Cash collection from right issue			
Obtaining a bank loan			
Payment of audit fee			
Receipt of fixed deposit interest			
Repayment of Bank loan			
Purchase of property, plant and equipment			
Electricity and insurance payment			
Purchase of Long-term investments			
Cash sales			
Cash purchases			

ADVANCED LEVEL – 2007

Define “operating activities” according to Sri Lanka Accounting Standards (LKAS) No. 07.

☛ ADVANCED LEVEL – 2010

Indicate whether each of the following items can be classified as cash flows generated from operating activities or not.

Item	Yes / No
EPF payable	
Cash paid for office rent	
Salaries paid to employees	
Depreciation	

☛ ADVANCED LEVEL – 2008

Define “financing activities” according to Sri Lanka Accounting Standards (LKAS) No. 07.

☛ ADVANCED LEVEL – 2009

Indicate whether each of the following cash flows is classified under **operating activities**, **investing activities** or **financing activities**.

Cash Flow	Activity
Payment of interest	
Re-payment of a loan	
Remuneration paid to directors	
Proceeds from sale of non-current assets	

☛ ADVANCED LEVEL – 2014

Indicate whether each of the following cash flows is classified under **operating activities**, **investing activities** or **financing activities**.

Cash Flow	Activity
Settlement of amounts due to suppliers of goods	
Payment of the annual lease installment to a lease creditor	
Payment of dividends to ordinary shareholders	
Purchase of a motor vehicle on cash	

☛ ADVANCED LEVEL – 2015

Indicate whether each of the following cash flows is classified under **operating activities**, **investing activities** or **financing activities**.

Cash Flow	Activity
Receipt of cash from the issue of ordinary shares	
Receipt of cash from the trade debtors	
Receipt of cash from the sale of a motor vehicle	
Receipt of interest on a fixed deposit	

☛ ADVANCED LEVEL – 2011

“Net cash flows generated from operating activities necessarily imply that an entity has earned a profit for the same period”.

(a) Do you agree with the above statement?

.....

(b) State a reason to justify the answer to (a) above

.....

☛ ADVANCED LEVEL – 2016

The following information relates to a company for the year ending 31.03.2016.

- During the year, an office equipment costing Rs.250 000 was sold for a gain of Rs. 50 000. On the date of sale, the accumulated depreciation of this asset was Rs. 120 000.
- On 01.04.2015, a land costing Rs.1 500 000 was purchased by paying Rs.500 000 in cash in hand and the balance by a bank loan obtained by mortgaging the land. An interest of Rs.100 000 was paid on this loan on 31.03.2016.

State the cash flows arising due to above transactions (with value) and the appropriate classification of these cash flows in terms of LKAS 7 (Statement of Cash Flows).

Cash flow	Amount (Rs)	Classification
A-
B-
C-
D-

Reporting of cash flows

Two methods are available to report cash flows for concerned period as

- Direct method
- Indirect method

Calculation of Operating Cash Flows under Direct method

Format

Direct Method

.....**Business**

Statement of cash flows for the year ended

(Rs.)

Operating Activities		
Cash sales	xxx	
Debtor receipts	xxx	
Cash purchase	(xx)	
Payments to suppliers	(xx)	
Cash payment for administration expenses	(xx)	
Cash payment for distribution expenses	(xxx)	
Cash payment for other operating expenses	(xx)	
Cash generated from / used in operating activities	xx	
Interest paid	(xx)	
Tax paid	(xx)	
Net cash flows generated from / used in operating Activities		xx
Investing Activities		
Received cash from disposal of property, plant and Equipment	xxx	
Received cash from selling other Non-current Assets	xx	
Loan provided to employees	(xx)	
Dividend received	xx	
Interest received	xx	
Rent received	xx	
Purchase of property, plant and equipment	(xx)	
purchase of other non-current assets	(xx)	
Net cash flows generated from/used in investing activities		xx
Financing Activities		
Share issue	xx	
Loan obtaining	xx	
Other Long term loan obtaining	xx	
Dividend paid	(xx)	
Distribution among share holders	(xx)	
Repayment of loan	(xx)	
Loan installment paid	(xx)	
Lease installment paid (Except interest)	(xx)	
Net cash flow generated from / used in financial activities		xxx
Net increase / decrease in cash and cash equivalents		xxx
Opening cash and cash equivalents		xxx
Closing cash and cash equivalents		xxx

Example 03

Following cash control account was prepared by Newway PLC for the year ended 31.03.2017

Newway PLC			
Cash Control a/c for the year ended 31/03/2017			
			(Rs.'000)
Balance B/F a 01.04.2016	1500	Cash purchases	2 000
Cash sales	4 000	Creditor payments	3 500
Debtor receipt	7500	Expenses	
Income		Administration expenses paid	2 000
Dividend for invetsment	400	Distribution expense paid	1 200
Rent Income	200	Loan interest paid	1 000
Other receipts		Other payments	
Disposing a land	5 500	Income tax paid	2 000
Ordinary Share Issue	3 000	Purchase of motor vehicle	4 500
Bank loan obtained	2 000	Purchase of furniture & office equipment	1 500
Collection from right issue	1 000	Lease repayment	1 000
		Loan installment and payment	2 800
		Dividend paid	2 400
		Balance C/d 31.3.2017	1200
	25 100		25 100
01.04.2017 Balance B/F	1200		

Note : Lease interest of Rs. 500 was included in paid lease installment

Required :

Prepare statement of cash flow for the year ended 31.3.2017 of Newway PLC by applying direct approach according to LKAS - 7

Example 04

Summarized cash receipts and payments of Nuwangi PLC for the year ended 31st March 2018 is given below.

Cash receipts	Rs. '000	Cash payments	Rs. '000
Cash sales	8 900	Administration expenses	1 600
From customers	10 500	Distribution expenses	1 850
Bank loans	500	Cash purchases	6 210
Interest on fixed deposits	100	payments to creditors	7 500
Disposal of computers	150	Purchase of equipment	1 000
Disposal of investments	210	Settlement of bank loans	200
Issue of shares	400	Interest paid	120
	20 760	Income tax paid	950
	=====	Dividends paid	200
			19 630
			=====

Required :

Statement of Cash Flows Nuwangi PLC for the year ended 31st March 2018 (The total of cash and bank balances as at 01.04.2017 was Rs.600 000)

Example 05

Bevindu PLC provides following information for the year ended 31.03.2018

	Rs. '000
Cash balance as at 01.04.2017	452
Purchase of fixed assets	2 400
Receipts of long term loans	100
Loans granted to employees	50
Re-payments of loans by employees	100
Payments of salaries and wages	65
Dividends received	170
Receipts from customers	7 950
Disposal of fixed assets	900
Distribution cost	15
Dividends paid	650
Payments to suppliers	6 350
Interest paid	190
Income tax paid	710
Cash sales	1 420

Required

The Statement of Cash Flow of Bevindu PLC for the year ended 31.03.2018

ADVANCED LEVEL – 2002

Following information relates to the transactions that took place at Thamindi Ltd. During the year ended 31st December 2016.

- i. All the sales were made on cash basis. Total sales for the year, Rs.750 000
- ii. From the year 2016 total purchases were made on credit. The total purchases were Rs.550 000 out of which 80% had been settled during the year. The discount received in this regard was Rs.40 000.
- iii. Total operating expenses for the year, including depreciation of Rs.20 000 were Rs. 90 000 out of this Rs. 40 000 is payable at the end of the year 2016. Neither accrued not pre-paid operating expenses were there at the beginning of the year 2016.
- iv. Other expenses paid during the year.
- v. Interest expenses Rs. 10 000 – Income tax expenses Rs. 50 000
- vi. During the year total amount of interim dividends declared and paid, Rs. 20 000.
- vii. A land with a fair value of Rs. 500 000 was acquired on cash basis.
- viii. During the year the company paid Rs. 200 000 as part settlement of a long term bank loan.
- ix. During December, 2016, the company purchased for its use office equipment costing Rs. 500 000 on finance lease, and paid Rs. 100 000 as down payment.
- x. Rs. 140 000 was used to acquire shares in ABC PLC.

xi. Cash and bank balance as at 01 January 2016, Rs. 920 000

Required :

Statement of Cash Flows for the year ended 31st December 2016, using **direct method** to calculate the Cash Flows form operating activities.

ADVANCED LEVEL – 2000

The following information has been taken from the Financial Statements of Nisali Ltd.

(i) Income statement for the year ended December 31, 2018

	Rs. '000s	Rs '000s
Sales (All sales are made on credit)		1 560
Less: Cost of sales (All purchases are made on credit)		(936)
Gross profit		<u>624</u>
Add : Other income		
Dividend income		<u>51</u>
		675
Less : Expenses		
Operating expenses	408	
Depreciation	52	
Interest expenses	70	
Loss on sale of motor vehicle	<u>5</u>	
		<u>(535)</u>
Net profit before tax		140
Less : Income tax for the year		<u>(45)</u>
Net profit after tax		<u>95</u>
		=====

(ii) Selected statement of financial position items :

	31.12.2017	31.12.2018
	Rs. '000	Rs '000
Trade debtors	540	500
Trade stock	162	150
Prepaid operating expenses	15	7
Trade creditors	566	490
Accrued interest	40	10
Income tax payable	20	15

Required :

- With the use of **direct method**, show the cash flows from the operating activities, as they would appear in the Statement of Cash Flow for the year ended 31.12.2016.
- In respect to the following items, give examples for each that can be identified from the above information,
 - Non-cash items
 - Investing activities

ADVANCED LEVEL – 2006

Following information has been extracted from the financial statement of Mihindu Ltd.

(i) Statement of financial position items :

	As at 31.03.2017 (Rs. '000)	As at 31.03.2018 (Rs. '000)
Ordinary shares Rs. 10 each	500	700
Preference shares Rs. 10 each	200	250
Profit and Loss account	300	600
Rs. 100 Debentures	300	200
Trade creditors	200	300
Accrued debenture interest	-	20
Income tax payable	50	40
Bank balance	<u>-</u>	<u>40</u>
	1 550	2 150
	=====	=====
Motor vehicles at net value	600	400
Furniture at net value	300	470
Trading stock	150	450
Trade debtors	200	300
Pre-paid operational expenses	-	20
Bank balance	200	-
Cash in hand	<u>100</u>	<u>510</u>
	<u>1 550</u>	<u>2 150</u>

(ii) Items extracted from the income Statement for the Year ended 31.03.2018

	(Rs. '000)
Sales	2 000
Gross profit	800
Other income	50
Total operating expenses (including depreciation)	410
Interest expenses	40
Income tax for the year	100

(iii) Other information :

- All the non-current assets are depreciated at 20% per annum on the opening net book value.
- Other income represents profit on disposal of motor vehicles.
- There were no disposal of furniture and no additions to motor vehicles during the year.

Required :

Cash flow statement for the year ended 31st March 2018 (cash flows from operating activities should be calculated using direct method)

Calculation of Operating Cash Flows under Indirect Method

- Both methods can be applied to calculate cash flows from operating activities. Cash flows from investing and financing activities can be calculated only by using direct method.
- All gross cash receipts and gross cash payments are disclosed through the direct method.; where by profit or loss is adjusted for the effect of transactions of non-cash nature, changes in working capital to calculate operating cash flows under indirect method.
- Cash flows relating to income and expenses which are used to calculate net profit are considered when reporting operating cash flows under direct method.
- Under indirect method, the net cash flow from operating activities is determined by removing the effect of non-cash items form profit before tax. Further items that to be categorized under other activities and changes in working capital to be adjusted.

This calculation can be explained further using following table.

Direct Method	Indirect Method
<ul style="list-style-type: none">• Record the cash receipts and cash payments for operating activities. Example<ul style="list-style-type: none">• Cash purchases / Cash sales• Creditor payments/ debtor receipts.• Commission received / Interest and other receipts• Cash payments for operating expenses• Tax payments• Interest payment	<p>Following to be adjusted by taking the profit / loss before tax for the period as the base.</p> <ul style="list-style-type: none">• Non – monetary transactions / items) Example :<ul style="list-style-type: none">• Depreciation, Loss on disposal of PPE• interest expenses to be added back• Income which is to be considered under other activities to be deducted. <p>Example : Interest income Dividend income</p> <ul style="list-style-type: none">• Adjustment for working capital changes including Accruals and Pre payments.• Tax payment• Interest payment

Operating cash flow (Generated from / used in) Using Indirect Method

.....Business

Statement of cash flows for the year ended

(Rs.'000)

Operating Activities		
Profit Before Tax	xx	
Adjustments		
Depreciation of property plant and equipment	xxx	
Loss on disposal of property plant and equipment	xxx	
Profit on disposal of property plant and equipment	(xxx)	
Interest expense	xx	
Interest income, rent income, Dividend income	(xxx)	
Operating profit before working capital changes.	xx	
Changes in inventories(Difference between opening and closing balance)		
Changes in Trade receivables (Difference between opening and closing balance)	x/(x)	
Changes in prepaid expenses (Difference between opening and closing balance)	x/(x)	
Changes in Trade payables (Difference between opening and closing balance)	x/(x)	
Changes in accrued expenses (Difference between opening and closing balance)	x/(x)	
Cash generated from / used in operating activities	x	
Interest paid	(x)	
Tax paid	(x)	
Net cash flow generated from / used in operating activities		xx

Working capital relationship

Current assets negative → Cashflow

Current Liability positive → Cashflow

Following items have to be **adjust twice** when preparing indirect method cashflow statement

- ☞ Interest expense
- ☞ Interest income
- ☞ Dividend income
- ☞ Rent income

Format of a Retained Earnings account

Retained Earnings			
Dividend paid	xx	BBF	xxx
Transfer to G/R		xx Profit for the year	xxx
Bonus issue using R/E	xx		
BCD		xx	
	<u>xx</u>		<u>xx</u>

Format of a Property plant and equipment account (at cost)

plant and equipment account (at cost)			
BBF (Cost)	xxx	Disposal (cost)	xx
Revaluation Gain		xx Dep.on revaluation	xxx
Aquisitions	xx	BCD (Cost)	xx
	<u>xx</u>		<u>xx</u>

Format of a Property plant and equipment account (at NBV)

plant and equipment account (at NBV)			
BBF (NBV)	xxx	Disposal (NBV)	xx
Revaluation Gain		xx Depreciation	xxx
Aquisitions	xx	BCD (NBV)	xx
	<u>xx</u>		<u>xx</u>

Example 06

(1) Calculate profit before tax using the fact extracted from Dinidu PLC

Retained earnings Balance as at 01.04.2016	4 000
Transactions occurred during 31.03.2017	
Dividend payment for ordinary share holdres	500
Proposed dividend for ordinary share holdres	400
Collection from right issue	2 000
Capitalization of reserves	1 000
Transfers to general reserves	1 500
Income tax payments	1 200
Income tax expense for the year	1 600
Retained earnings as at 31.3.2017	5 400

(2) State the correct adjustment relating to items given below when calculating operating cash flows using indirect method according to LKAS-07.

Item	Adjustment to be done		
	add	Less	Not to be adjusted
Deprecation of PPE			
Dividend income			
Proceeds from disposal of motor vehicle used for administration activities			
Interest expense			
Receipts from debtors			
Income tax paid			
Income tax expense			
Interest paid			

(3) Current assets and current liabilities available in Sankapala PLC as at 31.03.2017 given below. State the way of recording the effect as add (+) or less (-) when calculating operating cash flow using indirect method.

Item	31.03.2016	31.03.2017	Adjustment
Closing stocks	2 000	3 000	
Prepaid expenses	500	300	
Treade debtors	3 500	3 000	
Trade creditors	1 200	1 700	
Accrued operating expenses	700	300	

Example 07

Dinithi Limited was incorporated on 01st April 2017. Information in relation to the first year's activities of the company is given below :

- Operating profit for the year after charging Rs.50 000 as depreciation but before interest and income tax, Rs. 480 000.
- On 01st October 2017, 20% 200 debentures of Rs. 1 000 each were issued. Interest for the last three months has not been paid.
- Income tax for the year 2017/2018 is estimated as Rs. 110 000
- In order to raise funds, the company issued 50 000 ordinary shares each at Rs. 15. Having collected the full cash proceeds, the company invested Rs. 350 000 in long-term investments.
- The company acquired Rs.2 000 000 worth of fixed assets on finance lease in march 2018. In this respect only a down payment of Rs.500 000 had been paid.
- The total Current Assets other than the cash and bank balances, and the total current liabilities as at 31st March 2018 are given below.

	Rs.
Stock	150 000
Trade debtors	250 000
Trade creditors	220 000
Tax payable	20 000
Accrued debenture interest	10 000

Required :

Prepare the Statement of Cash Flows for the year ended 31st March 2018 using the **Indirect Method**.

ADVANCED LEVEL – 2009

Summarized cash receipts and payments of Sajani PLC. for the year ended 31st March 2019 is give below.

Cash Receipts	(Rs)
Sales	520 000
Trade debtors	680 000
Bank Loan	700 000
Interest Income	2 000
Cash received from sale of office equipment	60 000
	1 962 000
Cash Payments :	(Rs)
Salaries	350 000
Administrative expenses	245 000
Purchases	160 000
Trade Creditors	270 000
Computers for office use on 31.03.2018	150 000
Repayment of loan	90 000
Interest on Loan	17 000
	1 282 000

Additional Information:

- (i) The carrying amount of the office equipment at the time of sale was Rs.50 000.
- (ii) All property, plant and equipment have been fully depreciated by 31.03.2019
- (iii) Current assets and current liabilities as at 31st March :

	2019	2018
	(Rs.)	(Rs.)
Inventories	30 000	40 000
Trade debtors	30 000	25 000
Interest receivable	1 000	-
Trade creditors	12 000	18 000
Accrued expenses	5 000	3 000
Cash balance	880 000	200 00

Required :

- (1) Cash flow statement for the year ended 31st March 2019 showing operating cash flows under direct method.
- (2) Net cash flows from operating activities under indirect method for the year ended 31st March 2019 assuming that the net profit for the year was Rs.170 000.

☞ ADVANCED LEVEL – 2010

The following information relates to Kusheshi PLC for the year ended 31st March 2018.

– Profit for the year	850
– Depreciation	100
– Net decrease in current assets at the end excluding cash	120
– Net increase in current liabilities at the end excluding income tax payable	15
– Income tax expenses	400
– Income tax paid	350
– Cash collected by selling a machine which had a carrying amount of Rs.700 000 at the time of disposal	1 000
– Cash collected by issuing ordinary shares	3 000
– Cash paid for acquiring a land	2 000
– Loan installment paid including an interest of Rs, 8 000	
– (No accrued interest at the beginning or at end of the year)	98
– Cash paid for buying shares of other companies	1 000
– Dividends paid	600
– Dividends received	80
– Cash balance as at 1 st April 2017	6 000

Required :

The Cash Flow Statement for the year ended 31st March 2019 as per LKAS 07.

☛ ADVANCED LEVEL – 2011

The following information relates to Pubudu Traders, which commenced business on 01.4.2010.

Income statement for the year ended 31.03.2011

	Rs. '000
Sales	500
Cost of sales	(300)
Gross profit	200
Distribution expenses	(30)
Administration expenses	(50)
Finance expenses	(20)
Profit for the year	100

Statement of financial position as at 31.03.2011

	Rs. '000
Property, plant and equipment	300
Inventories	25
Debtors	40
Prepayments	60
Cash	75
Total Assets	500
Capital	250
Retained earnings	80
Bank loan	100
Creditors	35
Accrued expenses	20
Bank overdraft	15
Total equity and liabilities	500

Additional Information

- (i) Administration expenses include depreciation of Rs.5 000.
- (ii) Accrued expenses include interest payable of Rs. 10 000.
- (iii) Rs.25 000 of the loan obtained has been repaid during the year.
- (iv) There were no disposal of non-current assets during the

Required : Statement of Cash Flows for the year ended 31.03.2011 as per LKAS 07.

☛ ADVANCED LEVEL – 2012

The summarized statement of financial position of Ganga PLC as at 31.03.2012 and 31.03.2011 are as follows.

	31.03.2012 (Rs. '000)	31.03.2011 (Rs. '000)
Land	1 250	1 600
Buildings	250	150
Accumulated depreciation – Buildings.....	(115)	(90)
Plant and machinery	400	400
Accumulated depreciation – Plant and machinery.....	(120)	(80)
Inventory.....	125	150
Debtors	750	600
Cash at bank	100	70
Total	2 640	2 800
Stated ordinary share capital.....	800	800
Retained earnings.....	480	300
Long-term loan (obtained on 31.03.2011).....	800	1 000
Creditors.....	450	620
Interest payable	60	-
Income tax payable.....	50	80
Total	2 640	2 800

Additional Information

- (i) Profit before income tax for the year ending 31.03.2012 was Rs. 200 000.
- (ii) Of the interest payable on the loan for the year ending 31.03.2012 only half has been paid.
- (iii) During the year ending 31.03.2012 an extension has been made to the building incurring a cost of Rs. 100 000. Further, during the year, a block of land belonging to the company has been sold for Rs. 600 000 on cash.
- (iv) No plant and machinery have been acquired or sold during the year ending 31.03.2012.
- (v) There have not been share issues or dividend payments during the year ending 31.03.2012.

Required:

Statement of Cash Flows for the year ending 31.03.2012, according to the relevant Sri Lanka Accounting Standard.

☛ ADVANCED LEVEL – 2013

The summarized financial statements of Kumudu PLC are given below.

Kumudu PLC Income Statement for the year ending 31.03.2013

	Rs. '000
Sales	7 200
Cost of sales	(4 200)
Gross profit	<u>3 000</u>
Gain on sale of land	300
Depreciation – Building	500
Depreciation – Office equipment	800
Other expenses	1 000
Profit before tax	<u>(2 300)</u>
Income tax	<u>1 000</u>
Profit for the year	<u><u>700</u></u>

Kumudu PLC Statement of financial position for the year ending 31.03.2013

	Rs. '000	
	2013	2012
Land	5 000	9 000
Building at cost	10 000	10 000
Accumulated depreciation – Building	(5 000)	(4 500)
Office Equipment at cost	8 000	4 000
Accumulated depreciation – Office equipment	(2 400)	(1 600)
Inventory	1 400	1 000
Trade debtors	1 500	1 200
Cash at bank	1 500	500
	<u>20 000</u>	<u>19 600</u>
Stated ordinary share capital	14 000	13 000
Retained earnings	4 200	4 000
Trade creditors	1 500	2 000
Income tax payable	300	600
	<u>20 000</u>	<u>19 600</u>

Additional information:

- (i) All purchases and sales are made on credit basis.
- (ii) On 01-04-2012 the company issued 10 000 shares for Rs. 1 000 000.
- (iii) Part of the land was sold for Rs. 4 300 000 on cash.
- (iv) On 31-03-2013, office equipment of Rs. 4 000 000 was bought on cash.
- (v) An interim dividend of Rs. 500 000 was paid during the year.

Required:

Statement of Cash Flows Kumudu PLC for the year ending 31.03.2013, according to the relevant Sri Lanka Accounting Standard.

ADVANCED LEVEL – 2014

Sathsara PLC commenced operations on 01.04.2013 and its summarized financial statements for the first year of operations are given below.

Income Statement for the year ending 31.03.2014 (Rs. '000)

Sales	6 250
Cost of sales	(2 850)
Gross profit	3 400
Expenses	(2 500)
Profit before tax	900
Income tax for the year	(300)
Profit for the year	600
Total comprehensive income for the year	600

Statement of Financial Position as at 31.03.2014 (Rs. '000)

Property, plant and equipment at carrying amount	6 000
Inventory	1 500
Trade receivables (trade debtors)	4 000
Cash at bank	1 000
	12 500

Ordinary share capital(100 000 shares each at Rs.70/-)	7 000
Retained earnings	500
12% bank loan (obtained on 01.04.2013 for 5 years)	2 500
Trade payable (trade creditors)	2 150
Income tax payable	200
Interest payable	150
	12 500

Additional information

- (i) All purchases and sales have been made on credit basis.
- (ii) Property, plant and equipment was purchased on cash and depreciated as follows. This depreciation is included in expenses.

Asset	Depreciation For the year	Carrying Amount as at 31.03.2014
Motor vehicles	400 000	3 600 000
Office equipment	600 000	2 400 000
	1 000 000	6 000 000

(iii) The expenses also include the interest on bank loan. However, only the half of this interest has been paid during the year.

(iv) The company has paid an interim dividend during the year.

Required:

Statement of Cash Flows of Sathsara PLC for the year ending 31.03.2014, according to the Sri Lanka Accounting Standard 7 (Statements of Cash Flows)

ADVANCED LEVEL – 2015

The summarized Statements of Financial Positions of Sumudu PLC as at 31.03.2015 and 31.03.2014 are given below.

	Rs. '000	
	2015	2014
Property, plant and equipment (PPE) – at cost	19 600	13 100
Accumulated depreciation – PPE	(3 800)	(2 800)
Inventory	1 500	1 400
Trade receivables	1 600	1 800
Cash and cash equivalents	400	500
Total assets	<u>19 300</u>	<u>14 000</u>
Stated ordinary share capital	9 500	8 000
Retained earnings	5 500	4 400
Loan for land	2 400	-
Trade payables	1 750	1 600
Interest payable on loan	150	-
Total equity and liabilities	<u>19 300</u>	<u>14 000</u>

Additional information:

- Office equipment costing Rs. 1 000 000 was sold for Rs. 300 000 on cash during the year. On the date of the sale, the carrying amount of this equipment was Rs. 600 000.
- A land worth Rs. 3 000 000 was purchased on 01.04.2014 on credit. This loan is payable in 5 equal installments of Rs. 600 000 from the current year. Further, 5% annual interest is payable on the principal amount of the loan.
- All other acquisitions on PPE during the year have been made in cash.
- An interim dividend of Rs. 400 000 was paid during the year.
- The composition of ordinary shares issued during the year was as follows:

Description	Amount (Rs. '000)
Rights issue of shares	1 000
Issue of shares by capitalizing retained earnings	500
Total	1 500

All rights were exercised by the shareholders and cash duly received.

- The company is operating on a tax holiday period.

Required:

- Statement of Cash Flows of Sumudu PLC for the year ending 31.03.2015 as per LAKS 7 (Statement of Cash Flows)
- Office Equipment Disposal Account

☛ ADVANCED LEVEL – 2016

The summarized statements of financial position of Nayagam PLC as at 31.03.2016 and 31.03.2015 are given below

Description	as at 31.03.2016(Rs.000)	as at 31.03.2015(Rs.000)
Non current Assets		
Property plant & equipment	312	240
Accumulated depreciation	(72)	(40)
Inventory	184	104
Trade receivables	80	120
Provision for doubtful debts	(32)	(16)
Cash	192	-
Total Assets	<u>664</u>	<u>408</u>
Equity		
Stated capital – ordinary shares	280	40
Revaluation reserve	56	16
Retained earnings	32	96
Long term loan	120	-
Trade payables	136	144
Salaries payable	40	32
Bank overdraft	-	80
Total Equity & Liabilities	<u>664</u>	<u>408</u>

Additional information

- i. Summarized income statement of the company for the year ending 31.03.2016 is as follows.

Sales	120
Cost of sales	(80)
Commission income(no receivable at the year end)	8
Gain on sale of furniture (of which carrying amount was Rs.40000)	16
Doubtful debts	(16)
Depreciation	(40)
Salaries	(72)
Loss for the year	<u>(64)</u>

- ii. PPE have been revalued during the year. The purchase of PPE during the year have been made on cash.
- iii. A share issue was made during the year and a loan obtained for 3 years on 31.03.2016

Required

Statement of cash flows of Nayagam PLC for the year ending 31.03.2016 as per LKAS 07(statement of cash flows)

☛ ADVANCED LEVEL – 2017

The following information relates to Rivindu PLC

An extract of the statement of profit or loss and other comprehensive income for the year ending 31.03.2017

	Rs.000
Gross profit	5600
Gain on sale of property plant and equipment	700
Operating expenses	(800)
Depreciation	(1200)
Finance expenses	(1300)
Profit before tax	<u>3000</u>
Income tax	(1800)
Profit for the year	<u><u>1200</u></u>

The summarized statements of financial positions:

Description	as at 31.03.2017(Rs.000)	as at 31.03.2016(Rs.000)
Non current Assets		
Property plant & equipment	37000	30000
Accumulated depreciation	<u>(12000)</u>	<u>(14900)</u>
25000	15100	
Current Assets		
Inventory	2000	3000
Trade receivables	9000	8000
Cash & cash equivalents	<u>2000</u>	<u>1900</u>
Total Assets	<u><u>38000</u></u>	<u><u>28000</u></u>
Equity		
Stated capital – ordinary shares	18000	10000
Retained earnings	2100	1800
Non current Liabilities		
Bank loan	7000	8000
Current Liabilities		
Trade payables	6000	4000
Accrued finance expenses	4000	3000
Accrued income tax	900	1200
Total Equity & Liabilities	<u><u>38000</u></u>	<u><u>28000</u></u>

Additional information

- I. An item of property plant & equipment purchased for Rs.9,000,000 was sold for cash on 31.03.2017. The accumulated depreciation of this asset on this date was Rs.4,100,000
- II. Dividends of Rs.900,000 have been paid during the year
- III. Cash received from the share issue during the year was Rs.8,000,000

Required

Statement of cash flows of Ravindu PLC for the year ending 31.03.2017 as per LKAS 7 (statement of cash flows)

☛ ADVANCED LEVEL – 2018

The summarized Statements of Financial Position of Bowatta PLC as at 31.03.2018 and 31.03.2017 are given below:

Description	As at 31.03.2018 (Rs. '000)	As at 31.03.2017 (Rs. '000)
Property, Plant and equipment carrying amount	28 000	19 000
Inventory	9 680	8 800
Trade Receivables	9 500	10 500
Cash and Cash Equivalents	5 020	2 200
Total Assets	52 200	40 500
Stated Capital ordinary shares	22 800	18 000
Revaluation Reserve	2 000	-
Retained Earnings	5 200	2 500
Long term Loans	10 500	10 100
Trade Payables	8 600	8 100
Provision for Income Tax	5000	400
Bank Overdraft	2 600	1 400
Total Equity and liabilities	52 200	40 500

Additional Information:

- (i) The profit before tax and after tax for the year ending 31.03.2018 were Rs. 6 000 000 and Rs. 4 500 000 respectively.
- (ii) Total interest expense on long-term loan for the year ending 31.03.2018 was Rs. 600 000. The accrued interest in this respect was Rs. 400 000 and it has been erroneously added to the long-term loan balance as at 31.03.2018
- (iii) Depreciation expense for the year ending 31.03.2018 was Rs. 1 250 000. During the year ending 31.03.2018, a new motor vehicle was purchased for cash and the land was revalued for the first time resulting a surplus. There were no other additions or disposals of property, plant and equipment during the year.
- (iv) The company made a public issue of shares during the year and paid an interim dividend for ordinary shareholders on 01.01.2018.
- (v) Long-term loan is payable from 31.03.2020.

Required:

- (1) Statement of Cash Flows for the year ending 31.03.2018 as per LKAS 7 (Statement of Cash Flows), (Use the indirect method to calculate cash flows from operating activities).

☛ ADVANCED LEVEL – 2019

The balances of some of the assets and liabilities of Nihal PLC were as follows:

Description	As at 31.03.2019 (Rs.)	As at 31.03.2018 (Rs.)
Trade receivables	250 000	180 000
Trade payables	110 000	140 000
Operating expenses payables	15 000	-
Cash and cash equivalents	?	120 000

The following transactions took place in this company during the year ending 31.03.2019.

- (i) Total sales and purchases for the year were Rs. 1 200 000 and Rs. 550 000 respectively. (All sales and purchases were made on credit basis)
- (ii) The cash discount allowed to trade debtors during the year was Rs. 30 000
- (iii) Total operating expenses for the year, including depreciation of Rs. 35 000, was Rs. 95 000
- (iv) The interest and income tax expenses for the year were Rs. 25 000 and Rs. 65 000 respectively. The interest paid and income tax paid during the year were Rs. 20 000 and Rs. 75 000 respectively.
- (v) Total interim dividends paid during the year was Rs. 60 000
- (vi) During the year, the company issued 30 000 ordinary shares at Rs. 20 each. This share issue includes the capitalization of reserves of Rs. 200 000. The money due on balance share issued has been received during the year.
- (vii) During the year, the company paid rs. 220 000 as part settlement of a long-term loan.
- (viii) On 01.04.2018, the company purchased a new motor vehicle on cash. On the same day, an office equipment was sold for Rs. 250 000 on cash with a profit of Rs. 80 000. As a net result of these transactions and depreciation, the carrying amount of property, plant and equipment has increased during the year by Rs. 205 000.

Required:

- (1) Statement of Cash Flows for the year ending 31.03.2019 as per LKAS 7 (Statement of Cash Flows). (Use direct method to identify operating cash flows).

Short questions

ADVANCED LEVEL – 2006

01. Tilanka Motors Ltd. Imports vehicles from Japan and sells in Sri Lanka on April 1, 2005 the company opened a letter of credit by depositing Rs. 50 million to import the vehicles to Sri Lanka. Owing to this transaction what is the impact on the cash flow statement.

- (1) Net cash flow from investment activities decreased by Rs. 50 million
- (2) Net cash flow from financing activities decreased by Rs. 50 million
- (3) Net cash flow from operating activities decreased by Rs. 50 million
- (4) Opening cash balance decreases by Rs. 50 million
- (5) No impact on the Cash Flow Statement (.....)

ADVANCED LEVEL – 2007

Use the following information to answer questions No: 02 to 06

Current Assets and Current liabilities of Amila Company Ltd for the financial years ending 31.03.2006 and 31.03.2007 are as follows:

Description	31.03.2006 Rs.	31.03.2007 Rs.
Trading stock	5 000	7 000
Trade debtors	8 000	5 000
Short term investment	2 000	3 000
Bank balance	-	1 000
Cash balance	500	1 000
Total current assets	15 500	17 000

Description	31.03.2006 Rs.	31.03.2007 Rs.
Trade creditors	5 800	3 800
Tax payable	200	300
Accrued operating expenses	500	200
Bank overdraft	1 000	-
Total current liabilities	7 500	4 300

02. Value of cash and cash equivalents as at 31st March 2006 is

- (1) Rs. 500 (2) Rs. 1 500 (3) Rs. 2 500 (4) Rs. 10 500 (5) Rs. (500)
(.....)

03. Working capital as at 31st March 2006 is

- (1) Rs. 500 (2) Rs. 7 500 (3) Rs. 8 000 (4) Rs. 10 500 (5) Rs. 23 500
(.....)

04. Changes in working capital for the year ended 31st March 2007 is

- (1) Rs. 1 200 (2) Rs. 1 700 (3) Rs. 2 200 (4) Rs. 2 700 (5) Rs. 2 800
(.....)

05. Tax for the year 2006/2007 of this company was Rs. 1 000. Tax paid during the year ended 31st March 2007 is

- (1) Rs. 900 (2) Rs. 1 100 (3) Rs. 1 200 (4) Rs. 1 300 (5) Rs. 1 500
(.....)

06. Net cash flow for the year ended 31st March 2007 is

- (1) Rs. 500 (2) Rs. 1 700 (3) Rs. 3 300 (4) Rs. 3 500 (5) Rs. 3 800
(.....)

☛ ADVANCED LEVEL – 2008

07. The following information of a business is relevant for the year ended 31st December 2007.

	(Rs.)
Cash paid for acquiring non-current assets	900 000
Decrease in working capital (excluding bank balance)	500 000
Increase in the bank balance	1 700 000

The net profit of the business for the year 2007 based on above information is?

- (1) Rs. 2 100 000
(2) Rs. 300 000
(3) Rs. 1 300 000
(4) Rs. 3 100 000
(5) Rs. 1 200 00
(.....)

08. Some of the selected financial information extracted from the statement of changes in the equity of Gayan PLC is given below:

	Balances as at 01.04.2007 (Rs. '000)	Balances as at 31.03.2008 (Rs. '000)
Retained profits	200	300
General reserve	100	150
Revaluation reserve	75	125

The dividend paid for the year 2007/2008 was Rs. 80 000.

- (1) Rs. 100 000
(2) Rs. 150 000
(3) Rs. 200 000
(4) Rs. 230 000
(5) Rs. 50 000
(.....)

ADVANCED LEVEL – 2009

09. Euro Lanka Ltd earned a net profit of Rs. 60 000 after deducting all expenses including depreciation of Rs. 4 000 for the year ending 31.03.2009. During this period the current assets of the company increased by Rs. 3 000 and the current liabilities decreased by Rs. 5 000. How much is the net cash flow generated from operations of the company during the year?

- (1) Rs. 48 000
- (2) Rs. 50 000
- (3) Rs. 52 000
- (4) Rs. 56 000
- (5) Rs. 60 000

(.....)

10.

(i) An extract of the balance sheets of a company published in its annual reports:

	As at 31.03.2009	Rs.	As at 31.03.2008	Rs.
Stated capital		200 000 000		150 000 000
Retained earnings		15 350 000		13 150 000
General reserve		6 000 000		5 800 000
Total liabilities		75 000 000		52 000 000

(ii) Dividends paid for the year ended 1st March 2009 was Rs. 350 000

(iii) Income tax for the year ended 31st March 2009 was Rs. 800 000

Profit for the year ended 31st March 2009 would be?

- (1) Rs. 1 400 000
- (2) Rs. 1 950 000
- (3) Rs. 2 200 000
- (4) Rs. 2 400 000
- (5) Rs. 2 750 000

(.....)

Use the following information of a business for the month of January 2009 to answer questions No: 11 and 12

		Rs.
Cash paid for purchases		25 000
Cash collected from customers		80 000
Expenses paid		15 000
Cash balance	on 01.01.2009	50 000
	on 31.01.2009	40 000
Investments in 2 months treasury bills	on 01.01.2009	100 000
	on 31.01.2009	Nil

11. What is the net increase or decrease in cash and cash equivalents during the month of January?

- (1) An increase of Rs. 10 000
- (2) A decrease of Rs. 10 000
- (3) An increase of Rs. 110 000
- (4) A decrease of Rs. 110 000
- (5) An increase of Rs. 90 000

(.....)

12. What is the total of net cash flows from both investing and financing activities?

- (1) An inflow of Rs. 40 000
- (2) An outflow of Rs. 110 000
- (3) An inflow of Rs. 110 000

(4)An outflow of Rs. 150 000

(5)An inflow of Rs. 150 000

(.....)

☛ ADVANCED LEVEL – 2010

13.What is the increase or decrease in net cash flows generated from operating activities of an entity during an accounting year with respect to the following information.?

	(Rs.)
Profit for the year	120 000
Depreciation	20 000
Increase in trade debtors	60 000
Decrease in wages payable	40 000
Decrease in prepaid expense	50 000

(1) A decrease of Rs. 10 000

(2) An increase of Rs. 90 000

(3) An increase of Rs. 140 000

(4) An increase of Rs. 150 000

(5) An increase of Rs. 190 000

(.....)

14.An entity sold a machine used in the production plant for Rs. 750 000. It had a carrying amount of Rs. 800 000 at the time of disposal. The cash received from this sale was used to buy a new machine for Rs. 1 600 000. The balance was settled through a bank loan.

Calculate the following arising from the above transactions

(a)Net cash flow :

(b)Non-cash flow item :

☛ ADVANCED LEVEL – 2011

15.A company which was formed on 01.04.2010 reported a profit of Rs. 250 000 for the year ended 31.03.2011. The total assets as at 31.03.2011 consist of the following. There were no liabilities on this date.

- Equipment (Cost Rs. 640 000) - Rs. 600 000
- Inventory - Rs. 200 000
- Cash - Rs. 350 000

What was the net cash flow generated from operating activities for the year ended 31.03.2011?

(1) Rs. 10 000

(2) Rs. 50 000

(3) Rs. 90 000

(4) Rs. 250 000

(5) Rs. 350 000

(.....)

☛ ADVANCED LEVEL – 2012

Use the following information to answer questions No: 16 and 17

Extracts of the balance sheets of Sumudu PLC as at 31.03.2012 and 31.03.2011 in relation to plant and machinery are given below:

Inventory	31.03.2012 - Rs.	31.03.2011 - Rs.
Plant and machinery-at cost	1 500	1 000
Accumulated depreciation	500	400

Additional Information:

The company sold a machine which had cost Rs. 300 000 for Rs. 160 000 on 31.03.20012. On this date, the carrying amount of the machine was Rs. 200 000. On the same day a new machine was acquired for cash.

16.State the cash inflows and outflows from investment activities relating to plant and machinery during the year ending 31.03.2012..

- (a) Cash inflows :
- (b) Cash outflows:

17. Identify a non-cash item (with value) resulting from the above transactions?

.....

☛ ADVANCED LEVEL – 2013

18.The following information relates to a company for the year ending 31.03.2013.

		Rs. '000
Profit for the year	850	Depreciation 120
Gain on sale of a building	50	Increase in inventories 20
Decrease in trade debtors	40	

The cash flows from operating activities of the year was:

- (1) Rs. 760 000 (2) Rs. 800 000 (3) Rs. 900 000
- (4) Rs. 920 000 (5) Rs. 940 000

(.....)

☛ ADVANCED LEVEL – 2014

19.The following information pertains to a company for the year ending 31.03.2014.

Description	Rs. '000
Profit for the year	800 000
Depreciation for the year	100 000
Increase of inventory	120 000
Decrease of debtors	200 000
Increase of creditors	180 000

What is the net cash flow generated from the operating activities of the company during the year ending 31.03.2014?

- (1) Rs. 640 000 (2) Rs. 800 000 (3) Rs.900 000 (4) Rs. 960 000 (5) Rs. 1 160 000
- (.....)

☛ ADVANCED LEVEL – 2015

20.The following information is given in relation to a company for the year ending 31.03.2015

Description	Rs. '000
Profit for the year	750
Provision for income tax for the year	50
Loss on sale of office equipment	20
Income tax paid	20
Depreciation on office equipment	70
Increase in inventory	230
Decrease in trade creditors	120

What is the net cash flow generated from operating activities of company for the year ending 31.03.2015 as per LKAS 7 - Statement of Cash Flows)?

- (1) Rs. 470 000 (2) Rs. 520 000 (3) Rs.540 000 (4) Rs. 1 170 000 (5) Rs. 1 220 000

(.....)

☛ ADVANCED LEVEL – 2017

21. An extract of the Income Statement of Dimuthu PLC for the year ending 31.03.2017 is given below

	Rs. '000
Revenue	8 000
Cost of sales	2 000
Operating expenses (including depreciation of Rs. 1 000 000)	3 000

The following information has been extracted from the Statement of Financial Position of the company

	As at 31.03.2017 (Rs. '000)	As at 31.03.2016 (Rs. '000)
	400	200
Trade payables		
Inventory	900	600

The company sells goods only on cash basis and is operating within a tax holiday period.

What is the net cash flow generated from operating activities for the year ending 31.03.2017?

- (1) Rs. 2 900 000 (2) Rs. 3 000 000 (3) Rs. 3 900 000 (4) Rs. 4 000 000 (5) Rs. 4 100 000
(.....)

☛ ADVANCED LEVEL – 2018

22. Saranga PLC is engaged in selling garments. The summarized cash account of this company for the year ending 31.03.2018 is given below:

Cash Account (Rs.)			
Balance - 01.04.2017	70 000	Creditors Control	720 000
Sales	850 000	Rent expenses payable	40 000
Debtors control	550 000	Distribution expenses	180 000
Dividend income	10 000	Administrative expenses	270 000
Bank loan	500 000	Purchase of a motor vehicle	560 000
		Income tax	125 000
		Balance - 31.03.2018	85 000
	1 980 000		1 980 000

The net cash flow generated from operating activities for the year ending 31.03.2018 as per LKAS (Statement of Cash Flows)

- (1) Rs. 65 000 (2) Rs. 75 000 (3) Rs. 85 000 (4) Rs. 115 000 (5) Rs. 190 000
(.....)

Special notes