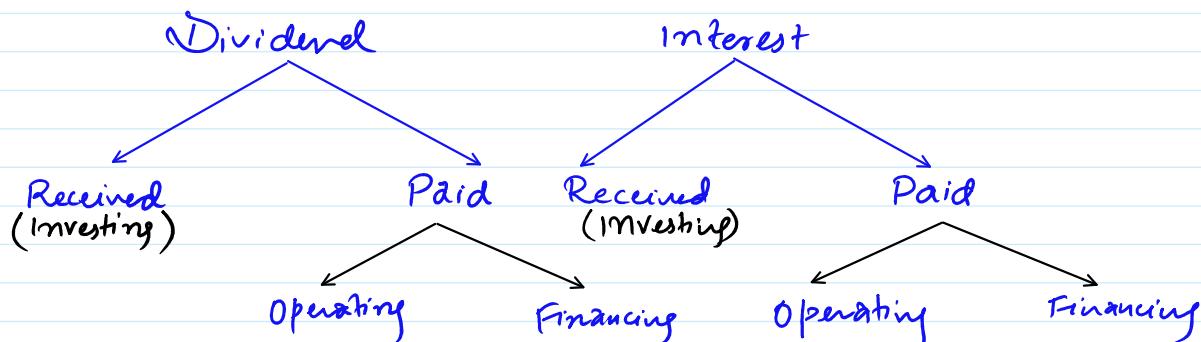


## Statements of Cash Flows: (IAS-07)

The standard gives the following definitions, the most important of which are **cash** and **cash equivalents**.

- **Cash** comprises cash on hand and demand deposits.
- **Cash equivalents** are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
- **Cash flows** are inflows and outflows of cash and cash equivalents.
- **Operating activities** are the principal revenue-producing activities of the entity and other activities that are not investing or financing activities.
- **Investing activities** are the acquisition and disposal of non-current assets and other investments not included in cash equivalents.
- **Financing activities** are activities that result in changes in the size and composition of the equity capital and borrowings of the entity.

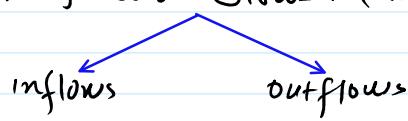
(IAS 7: para. 6)



Cash 100,000,000  
Share Capital 80,000,000 (Financing)  
Debtentue Payable 20,000,000

Land 60,000,000 (Investing)  
Plant 40,000,000  
Cash 100,000,000

## \* Statement of Cash Flows: (IAS-07)



Cash 70,000  
Receivables 70,000

Cash 90,000  
Income 90,000

Cash 80,000  
Unearned 80,000

Payables 50,000  
Cash 50,000

Expense 40,000  
Cash 40,000

Prepaid 100,000  
Cash 100,000

\* INDIRECT METHOD

	\$
<i>Cash flows from operating activities</i>	
Profit before taxation	X
Adjustments for:	
Depreciation	X
Foreign exchange loss	X
Investment income	(X)
Finance cost	X
	<u>X</u>
Increase in trade and other receivables	(X)
Decrease in inventories	X
Decrease in trade payables	(X)
Cash generated from operations (PBIT)	X
Interest paid	(X)
Income taxes paid	(X)
<i>Net cash from operating activities</i>	<u>X</u>

## \* DIRECT METHOD

### Cash Flows from Operating Activities (Rs.)

Cash received from customer	xxxx
Cash received from others	xxxx
Cash paid to suppliers	(xxxx)
Cash paid to Others	(xxxx)
Cash generated from Operation	xxxx
Interest paid	(xxx)
Tax paid	(xxx)
	<u>xxxx</u>

## QUESTION #1

Shaheer Limited (SL) was established by Mr. Shaheer in 1977, having several branches of business in different cities of Pakistan, United Arab Emirates (UAE) and State of Qatar. Following are the company's financial information for the year ended December 31, 2018:

**Shaheer Limited  
Statement of Financial Position  
as at December 31,**

	Rupees	
	2018	2017
<b>Assets</b>	<b>(End)</b>	<b>(Beg)</b>
Non-Current Assets		
Property, plant and equipment	4,275,000	3,075,000
Total non-current assets	<u>4,275,000</u>	<u>3,075,000</u>
Current Assets		
Inventories	870,000	900,000
Trade and other receivables	630,000	450,000
Cash and cash equivalents	45,000	75,000
Total current assets	<u>1,545,000</u>	<u>1,425,000</u>
<b>Total assets</b>	<b><u>5,820,000</u></b>	<b><u>4,500,000</u></b>
<b>Equity and Liabilities</b>		
Equity		
Share capital (Rs. 10 each)	1,650,000	1,350,000
Share premium	300,000	150,000
Retained earnings	1,470,000	915,000
Revaluation surplus	450,000	150,000
Total equity	<u>3,870,000</u>	<u>2,565,000</u>
Liabilities		
Non-current liabilities		
Long-term loan	1,425,000	1,200,000
Total non-current liabilities	<u>1,425,000</u>	<u>1,200,000</u>
Current Liabilities		
Trade and other payables	435,000	480,000
Running finance	30,000	180,000
Current tax liabilities	60,000	75,000
Total current liabilities	<u>525,000</u>	<u>735,000</u>
<b>Total equity and liabilities</b>	<b><u>5,820,000</u></b>	<b><u>4,500,000</u></b>

**Shaheer Limited  
Statement of Profit or Loss [Extract]  
for the year ended December 31, 2018**

	Rupees
Revenue	17,550,000
Cost of sales	(15,600,000)
Gross profit	1,950,000
Distribution costs	(780,000)
Administrative expenses	(375,000)
Finance costs	(75,000)
Profit before tax (PBT)	<u>720,000</u>
<b>Tax Exp</b>	<b>(90,000)</b>
<b>PAT</b>	<b><u>630,000</u></b>

**Additional Information:**

- During the year ended December 31, 2018, property, plant and equipment, with a carrying value of Rs. 420,000 was sold for Rs. 435,000. Its original cost was Rs. 675,000.
- Depreciation of property, plant and equipment, during the year, amounted to Rs. 600,000.
- Tax paid for the year amounted Rs. 105,000.
- Dividends amounting Rs. 75,000 were paid during the year.
- Gain on property revaluation amounted to Rs. 300,000.

**Required:**

Prepare Statement of Cash Flows of Shaheer Limited (SL) for the year ended December 31, 2018, using indirect method, in accordance with IAS 7 – Statement of Cash Flows.

Q No. 1

Shaleen Limited

Statement of Cash Flows (Indirect Method)

For the year ended December 31, 2018

(Rupees.)

### Cash Flows From Operating Activities

Profit before tax 720,000

#### Adjustments for:

Interest Expense 75,000

Depreciation Expense (W-2) 600,000

Gain on Disposal (W-1) (15,000) 660,000

Operating Profit before WC Changes 1,380,000

Cash inflows from operating activities 855,000

### Cash Flows From Investing Activities

Sale of PPE (W-1) 435,000

Purchase of PPE (W-2) (1,980,000)

Cash outflows from investing activities (1,485,000)

### Changes in Working Capital

Dec in Inventories 50,000

Incr in Receivables (180,000)

Dec in Payables (45,000)

Dec in Running Fundra 150,000) (345,000)

Cash generated from operations 1,035,000

Interest paid (75,000)

Tax paid (W-3) (105,000)

Cash inflows from operating activities 855,000

### Cash Flows From Financing Activities

Dividend paid (W-4) (75,000)

Issuance of Shares (W-5) 450,000

Increase in Loan (W-6) 225,000

Cash inflows from financing activities 600,000

Net cash decrease during the year (30,000)

Cash & Cash Equivalents (Beg) 75,000

Cash & Cash Equivalents (End) 45,000

Shahreen Limited  
Working Notes  
For the year ended dec 31, 2018 (Rupees)

1. Cash 435,000

PPE A/c	420,000
Gain on Disposal	15,000

3. Tax Payable

Cash	105,000	b/d	75,000
c/d	60,000	Tax Exp	90,000
	<u>165,000</u>		<u>165,000</u>

5. Cash 450,000

Share Capital	300,000
Share Premium	150,000

6. Cash 225,000

Long Term Loan	25,000
----------------	--------

2. Property, Plant & Equipment

b/d	3,075,000	Dep Exp	600,000
Rev Surplus	300,000	Disposal	420,000
Cash	1,920,000	c/d	4,275,000

4. Retained Earnings

Dividend	75,000	b/d	915,000
c/d	1,470,000	PAT	630,000
	<u>1,545,000</u>		<u>1,545,000</u>

## QUESTION #2

Following are the comparative statements of financial position of Hamza Ltd., as December 31:

### **Share Capital and Reserves**

Authorized capital:

100,000,000 ordinary shares of Rs. 10 each

Issued, subscribed and paid up capital

Retained earnings

	(E)	(B)
	2011 (Rs. '000)	2010 (Rs. '000)
1,000,000	1,000,000	1,000,000
214,000	164,000	164,000
179,250	114,000	114,000
393,250	278,000	278,000
<b>150,000</b>	<b>200,000</b>	<b>200,000</b>
<b>597,250</b>	<b>545,000</b>	<b>545,000</b>

### **Non-Current Liabilities**

10% Bonds payable

### **Current Liabilities**

Accounts payable

Interest payable

Accrued expenses

30,000	40,000
20,000	20,000
4,000	7,000
54,000	67,000
<b>597,250</b>	<b>545,000</b>

### **Total Equity and Liabilities**

### **Non-Current Assets**

Land

Plant and equipments (PE)

Accumulated depreciation (PE)

71,000	110,000
265,000	200,000
(67,750)	(42,000)
268,250	268,000

### **Current Assets**

Inventories

Accounts receivable

Allowance for doubtful debts

Cash and bank balances

180,000	189,000
84,000	70,000
(2,000)	(4,000)
67,000	22,000
329,000	277,000
<b>597,250</b>	<b>545,000</b>

82,070

WC  
66,070 WC

### **Total Assets**

The statement of comprehensive income for the year ended December 31, 2011 is as follows:

	<i>(Rs. '000)</i>
Sales	640,000
Cost of sales	(380,000)
Gross profit	260,000
Operating expenses	(155,000)
Operating income	105,000
Financial charges	(20,000)
Gain on sale of equipment	250
Net income	<u><b>85,250</b></u>

**Additional Information:**

- (i) Hamza Ltd., had declared and paid cash dividend of Rs.20 million during the year.
- (ii) On December 31, 2011, the company had issued ordinary shares against retirement of bonds payable amounting to Rs.50 million.
- (iii) 10% bonds payable were issued on January 1, 2010; accrued interest is payable on January 1, each year.
- (iv) A machine costing Rs.5 million (which was 25% depreciated) was sold for Rs.4 million.
- (v) Ignore taxation.

**Required:**

- (i) Prepare Statement of Cash Flows using 'indirect method' as required by IAS-7.

Q No. 2

Hamza Limited  
Statement of Cash Flows (Indirect Method)  
For the year ended dec 31, 2011

Cash Flows From Operating Activities

Net Profit (W-1) 85,250

Adjustments for:

Gain on Disposal (W-4) (250)

Interest Expense (W-3) 20,000

Depreciation Expense (W-7) 27,000

Operating profit before WC Changes 132,000

Changes in Working Capital

Decrease in Payable (30,000 - 40,000) (10,000)

Decrease in Acc Exp (4,000 - 7,000) (3,000)

Decrease in Inv (180,000 - 189,000) 9,000

Increase in Rec (82,000 - 66,000) (16,000)

Cash generated from operation 112,000

Interest paid (W-3) (20,000)

Cash inflows from operating activities 92,000

(Rs. '000)  
Cash inflows from operating activities 92,000

Cash Flows From Investing Activities

Sale of Land (W-5) 39,000

Sale of Plant (W-4) 4,000

Purchase of Plant (W-6) (70,000)

Cash outflows from investing activities (27,000)

Cash Flows From Financing Activities

Dividend paid (W-1) (20,000)

Cash outflows from financing activities (20,000)

Net cash increase during the year 45,000

Cash & Cash equivalents (Beg) 22,000

Cash & Cash equivalents (End) 67,000

# Hamza Limited

Working Notes

For the Year ended dec 31, 2011      Rs.'000'

## 1. Retained Earnings

<b>Dividend</b>	<b>20,000</b>	b/d	114,000
c/d	<u>179,250</u>	NP	<u>85,250</u>
	<u>199,250</u>		<u>199,250</u>

## 3. Interest Payable

<b>Cash</b>	<b>20,000</b>	b/d	20,000
c/d	<u>20,000</u>	int exp	<u>20,000</u>
	<u>40,000</u>		<u>40,000</u>

## 5. Cash 39,000

Land 39,000

## 7. Acc Dep

<b>Disposal</b>	<b>1,250</b>	b/d	42,000
c/d	<u>67,750</u>	Dep Exp	<u>27,</u>
	<u>69,000</u>		<u>69,000</u>

## 2. Bonds Payable 50,000

Share Capital 50,000

## 4. Cash 4,000

Acc Dep 1,250

Gain on Disposal 250

Plant & Equipment 5,000

## 6. P/E Alc

<b>b/d</b>	<b>200,000</b>	<b>Disposal</b>	<b>5,000</b>
<b>Cash</b>	<b>70,000</b>		
	<u>270,000</u>		<u>270,000</u>

### QUESTION #3

Following is the statement of financial position of Quicken Limited (QL) as at 30 June 2022:

	2022	2021		2022	2021
	Rs. in million			Rs. in million	
Share capital	480	400	Land and building	748	526
Revaluation surplus	135	-	Vehicles	118	96
Retained earnings	337	325	Inventories	365	444
Long-term loan	335	460	Trade and other receivables	212	185
Trade and other payables	160	142	Cash and bank balances	73	111
Advance from customers	69	35			
	<b>1,516</b>	<b>1,362</b>		<b>1,516</b>	<b>1,362</b>

#### Additional information:

- (i) During the year, land and building were revalued for the first time, resulting in a surplus of Rs. 150 million and incremental depreciation of Rs. 15 million.
- (ii) Depreciation on building charged to profit or loss amounted to Rs. 72 million.
- (iii) During the year, vehicles having book value of Rs. 8 million were sold for Rs. 11 million received in cash. Further, sale proceeds of Rs. 6 million of another vehicle (book value Rs. 7 million) disposed of in May 2021 were received in August 2021.
- (iv) Vehicles costing Rs. 51 million were purchased during the year of which Rs. 12 million is still unpaid.
- (v) Inventories as at 30 June 2022 included work in process inventories of Rs. 96 million (2021: Rs. 80 million) which are not available for sale.
- (vi) Interest on loan for the year amounted to Rs. 48 million of which Rs. 14 million was capitalised in the cost of a building constructed during the year.
- (vii) Following dividends were announced for the year ended 30 June 2022 and 2021:

2022	20% interim bonus shares and 15% final cash dividend
2021	5% interim bonus shares and 10% final cash dividend

#### Required:

Prepare QL's statement of cash flows for the year ended 30 June 2022.

(15)

Q No.3

Quicken Limited

Statement of Cash Flows (Indirect Method)  
For the year ended June 30, 2022

	Rs.'M'	Rs.'M'
<b>Cash Flows From Operating Activities</b>		<b>Net cash inflows from operating activities</b>
Net Profit (W-8)	117	293
<b>Adjustments for :</b>		
Interest Expense (48 - 14)	34	Purchase of PPE (W-3) (144)
Gain on Disposal (W-4)	(3)	Sale of PPE (11 + 6) (W-4 & W-5) 17
Dep Exp (72 + 21) (W-2 & W-7)	93	Purchase of vehicles (W-6) (39)
Operating profit before WC changes	241	<b>Net cash outflows from investing activities</b> (166)
<b>Changes in Working Capital</b>		
Decrease in inventory (365 - 444)	79	<b>Cash Flows From Financing Activities</b>
Increase in receivables (212 - 179)	(33)	Dividend paid (W-8) (40)
Increase in payable (148 - 142)	6	Payment of loan (W-10) (125)
Increase in adv from cust (69 - 35)	34	<b>Net cash outflows from financing activities</b> (165)
Cash Generated From Operation	327	Net cash decrease during the year (38)
Interest paid	(34)	Cash & Cash Equivalents (Beg) 111
Net cash inflows from operating activities	<u>293</u>	Cash & Cash Equivalents (End) <u>73</u>

Qn  
Working notes: Rs.0.Million

1. Land & Building 150  
Revaluation Surplus 150

2. Revaluation Surplus 15  
Retained Earnings 15

4. Cash 11

Vehicle 8  
Gain on Disposal 3

5. Cash 6  
Receivables 6

6. Vehicle 51

Payables 12  
Cash 39

9. Share Capital

	-	bld	400
c/d	480	R/E (400x20%)	80
	<u>480</u>		<u>480</u>

3. Land & Building

bld	526	Dep Exp	72
Rev Surplus	150	c/d	748
Cash	144		
	<u>820</u>		<u>820</u>

7. Vehicles Alc

bld	96	Disposal	8
Payable	12	Dep Exp	21
Cash	39	c/d	118
	<u>147</u>		<u>147</u>

8. Retained Earnings

Dividend (400x10%)	40	bld	325
Share Capital	80	Rev Surplus (w-2)	15
c/d	337	Net Profit	117
	<u>457</u>		<u>457</u>

10. Long Term Loan 125

Cash 125  
(460 - 335)

## QUESTION #4

The following is the statement of financial position of Dolphin Limited (DL) as at 30 June 2023:

Equity & liabilities	2023	2022	Assets	2023	2022
	Rs. in million			Rs. in million	
Share capital	16,000	13,000	Property, plant and equipment	13,835	14,300
Share premium	1,120	-	Capital work-in-progress	3,485	2,500
Retained earnings	10,150	10,800	Investment properties	1,820	1,950
Long-term loan	3,275	3,540	Inventories	7,450	5,000
Trade and other payables	1,485	935	Trade receivables - net	3,588	4,085
Accrued interest	140	195	Advance tax	36	-
Dividend payable	260	140	Cash and bank balances	2,216	1,010
Tax payable	-	235			
	<b>32,430</b>	<b>28,845</b>		<b>32,430</b>	<b>28,845</b>

### Additional information:

- (i) The interest payment for the year amounted to Rs. 700 million, of which Rs. 300 million has been capitalised in capital work-in-progress.
- (ii) The transfer from capital work-in-progress to property, plant and equipment amounted to Rs. 550 million.
- (iii) An old machine costing Rs. 520 million with a book value of Rs. 350 million was traded-in for a new machine costing Rs. 600 million on payment of Rs. 200 million.
- (iv) DL acquired an investment property costing Rs. 300 million, of which Rs. 125 million is still unpaid. DL applies fair value model for subsequent measurement of its investment properties.
- (v) The provision for doubtful trade receivables at 30 June 2023 was estimated at 8% (2022: 5%).
- (vi) During the year, DL issued 10% bonus shares. Subsequently, a right issue was also made.
- (vii) The tax charge for the year amounted to Rs. 750 million at 30% of profit before tax.
- (viii) DL classifies dividends and interest payments in a way that keeps 'cash flows from operating activities' higher.

### Required:

Prepare DL's statement of cash flows for the year ended 30 June 2023.

(18)

Q No.4

Dolphin Limited  
Statement of Cash Flows  
For the year ended June 30, 2023

Cash Flows From Operating Activities

	Rs.'M'	Rs.'M'
Profit before tax (W-12)	2,500	Net cash inflows from operating activities
<b>Adjustments for:</b>		
Interest expense (W-1)	345	Cash Flows From Investing Activities
Gain on disposal (W-3)	(50)	Capital WIP (W-2) (1,535)
Loss on Inv property (W-5)	430	Purchase of PPE (W-4) (200)
Depreciation (W-4)	1,265	Purchase of IP (W-5) (175)
Bad debt (W-7)	97	Net cash outflows from investing activities (1,910)
Operating profit before WC changes	4,587	
<b>Changes in working Capital</b>		
Inc in inventories (7,450 - 5,000)	(2,450)	<b>Cash Flows From Financing Activities</b>
Dec in receivables (3,900 - 4,300)	400	Interest paid (W-1) (400)
Inc in payables (1,360 - 935)	425	Issue of Share (W-11) 2,820
<b>Cash generated from operations</b>	<u>2,962</u>	Dividend paid (W-15) (980)
Tax paid (W-16)	<u>(1,021)</u>	De in Loan (3,275 - 3,540) (265)
	<u>1,941</u>	Net cash inflows from financing activities 1,175
		Net cash increase during the year 1,206
		Cash & Cash equivalents (Beg) 1,010
		Cash & Cash Equivalents (End) 2,216

Qoliphim Limited  
Working Notes: Rs 0 Millim

1. Interest Payable

Cash	400	b/d	195
c/d	140	Int Exp	345
	<u>540</u>		<u>540</u>

2. CWIP

b/d	2,500	PPE	550
Cash	1,535	c/d	3,485
	<u>4,035</u>		<u>4,035</u>

3. PPE (New) 600

PP E (Old)	350
Cash	200
Gain on Disposal	50

5. Investment Properties

b/d	1,950	PIC A/c	430
Cash	175	c/d	1,820
Payable	125		
	<u>2,250</u>		<u>2,250</u>

4. PPE A/c

b/d	14,300	Disposal	350
CWIP	550	Dep Exp	1,265
PPE (Old)	350	c/d	13,835
Cash	200	Gain on Dis	50

15,450

15,450

7. Bad Debt Exp 97

Pro for Doubt 97  
(312 - 215)

6. Trade Rec

Gross (3,588 / 92%)	<u>3,900</u>	2023	<u>(4,085 / 95%)</u>	2022
Pro fo Doubt	<u>(312)</u>			<u>(215)</u>
Net	<u>3,588</u>			<u>4,085</u>

8. Retained Earnings 1,300  
Share Capital 1,300  
(13,080 x 10%)

9. Share Capital

c/d	16,000	b/d	13,080
		R/E	1,300
		Cash	1,700
	<u>16,000</u>		<u>16,000</u>

10. Share Premium

b/d	-	b/d	-
c/d	1,120	Cash	1,120
	<u>1,120</u>		<u>1,120</u>

$$12. PBT = 750 / 30\% = 2,500$$

11. Cash 2,820

Share Capital	1,700
Share Premium	1,120

$$13. PAT = 2,500 - 750 = 1,750$$

14. Retained Earnings

Share Cap	1,300	b/d	10,800
D/P	1,100	PAT (W-13)	1,750
c/d	10,150		
	<u>12,550</u>		<u>12,550</u>

15. Dividends Payable

Cash	980	b/d	140
c/d	260	P/E	1,100
	<u>1,240</u>		<u>1,240</u>

16. Tax A/c

b/d	-	b/d	235
Cash	1,021	Tax Exp	750
c/d	-	c/d	36
	<u>1,021</u>		<u>1,021</u>

## QUESTION #5

Following are the extracts from the financial statements of Saguaro Limited (SL) for the year ended 30 June 2021:

**Statement of financial position as on 30 June 2021**

Assets	2021	2020	Equity & liabilities	2021	2020
	Rs. in million	Rs. in million		Rs. in million	Rs. in million
Operating fixed assets	820	848	Share capital (Rs. 10 each)	700	500
Accumulated depreciation	(300)	(262)	Share discount	(40)	-
Capital work in progress	84	-	Retained earnings	220	315
Inventories	274	245	Long-term loans	175	210
Trade receivables	177	204	Trade payables	180	130
Insurance claim	-	31	Accrued expenses	48	43
Advance to supplier	78	60	Current portion of long-term loans	43	40
Cash and bank balances	193	112			
	<b>1,326</b>	<b>1,238</b>		<b>1,326</b>	<b>1,238</b>

**Statement of profit or loss for the year ended 30 June 2021**

	Rs. in million
Sales	757
Cost of sales	(485)
Gross profit	272
Operating expenses	(310)
Gain on disposal of equipment	17
Loss before interest	(21)
Interest expense	(24)
<b>Net loss</b>	<b>(45)</b>

**Other information:**

- (i) SL declared a final dividend of 10% on 30 September 2020 which was paid in December 2020.
- (ii) 20 million shares were issued in May 2021.
- (iii) Insurance claim was related to plant and machinery destroyed in April 2020. The plant had cost and book value of Rs. 63 million and Rs. 42 million respectively.
- (iv) During the year, SL disposed of equipment having cost and net book value of Rs. 75 million and Rs. 35 million respectively.
- (v) Current portion of long-term loans include accrued interest of Rs. 5 million. (2020: Rs. 1 million)
- (vi) Trade payables include an amount of Rs. 14 million payable against capital work in progress.

**Required:**

Prepare SL's statement of cash flows for the year ended 30 June 2021.

*Recorded in 2020*  
*Insurance Claim 31*  
*Acc Dep (63-42) 21*  
*loss on Disposal 11*  
*Plant & Machine 63*

**(16)**

Q No. 5

Sh

Statement of Cash Flows (Indirect Method)  
For the Year ended Jun 30, 2021

Cash Flows From Operating Activities Rs. Million

Net Loss (W-1) (45)

Adjustments for:

Interest expense (W-7) 24

Gain on disposal (W-4) (17)

Depreciation expense (W-6) 78

Operating profit before working capital changes 40

Changes in Working Capital

Increase in payables (166 - 130) 36

Increase in acc exp (48 - 43) 5

Increase in inventories (274 - 245) (29)

Decrease in receivable (177 - 204) 27

Increase in advance (78 - 60) (18)

Cash generated from Operation

Interest paid (W-7) (20)

(45)

Net cash inflows from operating activities 41

Rs. Million

Cash Flows From Investing Activities

Insurance claim received (W-3) 31

Disposal of PPE (W-4) 52

Purchase of PPE (W-5) (47)

Capital Work in progress (W-8) (70)

Net cash outflows from investing activities (34)

Cash Flows From Financing Activities

Dividend paid (W-1) (50)

Issuance of shares (W-2) 160

Loan paid (W-9) (36)

Net cash inflows from financing activities 74

Net cash increase during the year 81

Cash & Cash Equivalents (Beg) 112

Cash & Cash Equivalents (End) 193

Q No.5

Sh

Statement of Cash Flows (Direct Method)

For the Year ended Jun 30, 2021

Rs.'M'

Rs.'M'

Cash Flows from Operating Activities

Cash received from customer (W-10) 784

Cash paid to suppliers (W-11) (496)

Cash paid to others (W-13) (227)

Cash generated from operation

Interest Paid (W-7) 61

(20)

41

Net cash inflows from operating activities 41

Cash Flows from Investing Activities

Purchase of PPE (W-4) (47)

Insurance claim Received (W-3) 31

Disposal of PPE (W-6) 52

Capital WIP (W-8) (70)

Net cash outflows from investing activities (34)

Cash Flows from Financing Activities

Issuance of shares (W-2) 160

Dividend Paid (W-1) (50)

Payment of loan (W-9) (36)

Net cash inflows from financing activities 74

Net cash increase during the year 81

Cash & Cash Equivalents (Beg) 112

Cash & Cash Equivalents (End) 193

Sh  
Working Notes (Rs' Million)

1. Retained Earnings		
Dividend $(\$100 \times 10\%)$	50	b/d
Net loss	45	315
c/d		
	<u>220</u>	<u>315</u>
		<u>315</u>

2. Cash	160
Share discount	40
Share Capital $(20 \times 10)$	200

3. Cash	31
Insurance claim	31

4. PPE A/c	
b/d	848
Cash	47
	<u>895</u>
Disposal	75
c/d	820
	<u>895</u>

5. Acc Dep A/c	
Disposal	40
c/d	300
	<u>340</u>
b/d	262
Dep Exp	78
	<u>340</u>

6. Cash	52
Ace Dep $(75 - 35)$	40
Loss on disposal	17
PPE A/c	75

7. Interest Pay	
Cash	20
c/d	5
	<u>25</u>
b/d	1
Int Exp	24
	<u>25</u>

8. C/WIP	
b/d	-
Cash	70
Pay	14
	<u>84</u>
c/d	84
	<u>84</u>

9. Long Term loan	
Cash	36
c/d $(175 + 38)$	213
	<u>249</u>
b/d $(210 + 39)$	249
-	
	<u>249</u>

10. A/c Rec	
b/d	204
Sales	757
	<u>961</u>
Cash	784
c/d	177
	<u>961</u>

11. A/c Pay	
b/d	60
Cash	496
c/d $(180 - 14)$	166
	<u>722</u>
b/d	130
Inventory	514
c/d	78
	<u>722</u>

12. Inventory	
b/d	245
A/c Pay	514
	<u>759</u>
cogs	485
c/d	274
	<u>759</u>

13. Cash paid to others	
Operating expenses	310
Depreciation expense	(78)
Increase in acc exp $(48 - 43)$	(5)
	<u>227</u>

Q.6 Statement of financial position of Taxila Limited (TL) as on 30 June 2020 is as follows:

Assets	2020	2019	Equity & liabilities	2020	2019
	Rs. in million			Rs. in million	
Property, plant and equipment	1,619	1,200	Share capital (Rs. 100 each)	1,200	800
Investment property	290	120	Share premium	290	150
Inventories	205	180	Retained earnings	260	90
Trade receivables	342	291	Revaluation surplus	215	200
Prepayments and other receivables	14	20	Long-term loans	367	445
Short-term investments	60	48	Trade and other payables	144	120
Cash and bank balances	24	6	Current portion of long-term loans	78	60
	<b>2,554</b>	<b>1,865</b>		<b>2,554</b>	<b>1,865</b>

**Additional information:**

- (i) Equipment having fair value of Rs. 240 million was acquired by issuing 2 million shares.
- (ii) As a result of revaluation carried out on 30 June 2020, property, plant and equipment was increased by Rs. 80 million out of which Rs. 35 million was credited to profit and loss account.
- (iii) During the year, fully depreciated items of property, plant and equipment costing Rs. 36 million were sold for Rs. 8 million out of which Rs. 3 million is still outstanding.
- (iv) Depreciation on property, plant and equipment for the year amounted to Rs. 290 million.
- (v) An investment property was acquired for Rs. 180 million. TL applies cost model for subsequent measurement of its investment property.
- (vi) Financial charges for the year amounted to Rs. 45 million. Trade and other payables include accrued financial charges of Rs. 12 million (2019: Rs. 17 million).
- (vii) Short-term investments amounting to Rs. 35 million are readily convertible to cash (2019: Rs. 20 million). Investment income for the year amounted to Rs. 6 million.

**Required:**

Prepare TL's statement of cash flows for the year ended 30 June 2020 in accordance with the requirements of IFRSs.

(17)

Q No. 6

### Taxila Limited

#### Statement of Cash Flows (Indirect Method)

For the year ended Jan 30, 2020

#### Cash Flows From Operating Activities

	(Rs. M)	(Rs. M)
Net profit (W-9)	140	Net cash inflows from operating activities 357
Adjustments for:		
Interest expense (W-6)	45	Cash Flows From Investing Activities
Gain on revaluation (W-2)	(35)	Disposal of PPE (W-3) 5
Gain on disposal (W-3)	(8)	Purchase of PPE (W-4) (389)
Depreciation (290 (W-4) + 10 (W-5))	300	Purchase of IP (W-5) (180)
Operating profit before WC changes	442	Net cash outflows from investing activities (564)
Changes in working capital		Cash Flows From Financing Activities
Inc in payables (132 - 103)	29	Issuance of shares (W-8) 300
Inc in inventories (205 - 180)	(25)	Long term loan paid (W-10) (60)
Inc in receivables (342 - 291)	(51)	Net cash inflow from financing activities 240
Dec in pp & o. rec (11 - 20)	9	Net cash increase during the year 33
Dec in short term inv (25 - 28)	3	Cash & cash equivalents (Beg) (W-7) 26
Cash generated from operation	407	Cash & cash equivalents (end) (W-7) 59
Interest paid (W-6)	(50)	
	357	

# Taxila Limited

Working Notes : Rs.0 million

1. PPE A/c 240

Share Capital (2 x 100) 200

Share Premium 40

2. PPE A/c 80

P/L A/c 35

Rev Surplus 45

3. Cash 5

Other Receivables 3

Gain on Disposal 8

4. PPE A/c

b/d 1,200

S/C 200

S/P 40

P/L 35

R/S 45

Cash 389

Dep Exp 290

C/d 1,619

5. Investment Properties

b/d	120	Dep Exp	10
Cash	180	c/d	290
	<u>300</u>		<u>300</u>

6. Int Pay

Cash	50	b/d	17
c/d	12	Int Exp	45
	<u>62</u>		<u>62</u>

7. Cash & Cash Equivalents

	2020	2019
Cash & Bank	24	6
Short Term Inv	35	20
	<u>59</u>	<u>26</u>

8. Cash 300

Share Capital 200

Share Premium 100

9. Retained Earnings

-	b/d	90
c/d	R/S	30
	NP	140

10. Long Term Loan

Cash	60	b/d (445+60)	505
c/d (367+78)	<u>445</u>		<u>505</u>

**Question #7**

Following are the comparative statements of financial position of Pakistan Printing Limited as of December 31, 2020 and 2019:

<b>Pakistan Printing Limited</b> <b>Statement of Financial Position</b> <b>As of December 31</b>		
	<b>2020</b> <b>(Rs.'000)</b>	<b>2019</b> <b>(Rs.'000)</b>
<b>Share capital and reserves</b>		
Issued, subscribed and paid up capital	265,000	255,000
Retained earnings	62,000	20,000
	327,000	275,000
<b>Non-Current Liabilities</b>		
Bonds payable	62,500	-----
<b>Current Liabilities</b>		
Trade payables	28,000	17,000
Provision for taxation	12,000	5,000
	40,000	22,000
<b>Total Liabilities and Equity</b>	<b>429,500</b>	<b>297,000</b>
<b>Non-Current Assets</b>		
Property, plant and equipment	337,000	215,000
Accumulated depreciation	(20,000)	(40,000)
Long-term investments	10,000	55,000
	327,000	230,000
<b>Current Assets</b>		
Inventory	15,000	10,000
Prepaid expenses	12,000	7,000
Trade receivables	58,000	41,000
Cash and bank	17,500	9,000
	102,500	67,000
<b>Total Assets</b>	<b>429,500</b>	<b>297,000</b>

**Additional Information:**

- (i) Long-term investments of Rs.45 million were sold for Rs.36 million during the year.
- (ii) Equipment costing Rs.58 million (carrying value Rs.12 million) were sold for Rs.8 million.
- (iii) Financial charges of Rs.8.7 million were paid during the year.
- (iv) Net profit after tax for the year ended December 31, 2010 was Rs.52 million.
- (v) Provision for taxation for the year was Rs.28 million.
- (vi) Dividends of Rs.10 million were declared and paid by the company during the year.

**Required:**

Prepare Statement of Cash Flows for the year ended December 31, 2020 using indirect method as per the requirements of IAS-7.

Q NO. 7

Pakistan Printing Limited  
Statement of Cash Flows (Indirect Method)  
For the year ended Dec 31, 2020

Cash Flows From Operating Activities

	Rs.'000		Rs.'000
Profit before tax	80,000	Net cash inflows from operating activities	82,000
Adjustments for:			
Interest expense	8,700	Cash Flows from investing Activities	
Loss on investment (W-1)	9,000	Sale of PPE (W-2) 8,000	
Loss on disposal (W-2)	4,000	Sale of Investment (W-1) 36,000	
Depreciation expense (W-4)	26,000	Purchase of PPE (W-3) (180,000)	
Operating profit before WC changes	127,700	Net cash outflows from investing activities	(136,000)
Changes in Working Capital			
Inc in payable (28,000 - 17,000)	11,000	Cash Flows from Financing Activities	
Inc in inventories (15,000 - 10,000)	(5,000)	Issuance of Shares (W-7) 10,000	
Inc in prepaid (12,000 - 7,000)	(5,000)	Issuance of Bonds (W-8) 62,500	
Inc in receivable (58,000 - 41,000)	(17,000)	Dividend paid (W-5) (10,000)	
Cash generated from operation	111,700	Net cash inflows from financing activities	62,500
Interest paid	(8,700)	Net cash increase during the year	8,500
Tax paid	(21,000)	Cash & Cash equivalents (Beg) 9,000	
	<u>82,000</u>	Cash & Cash equivalents (End)	<u>17,500</u>

Q NAF PPh Rs.000

Working Notes:

1. Cash	36,000	
loss on Disposal	9,000	
Long Term Investment	45,000	

2. Cash	8,000	
Acc Dep	46,000	
Loss on Disposal	4,000	
PPE A/c	58,000	

3. PPE A/c			
b/d	215,000	Disposal	58,000
Cash	180,000	c/d	337,000
	<u>395,000</u>		<u>395,000</u>

4. Acc Dep			
Disposal	46,000	b/d	40,000
c/d	20,000	Dep Exp	26,000
	<u>66,000</u>		<u>66,000</u>

5. Retained Earnings			
Dividend	10,000	b/d	20,000
c/d	62,000	PAT	52,000
	<u>72,000</u>		<u>72,000</u>

6. Tax Payable			
Cash	21,000	b/d	5,000
c/d	12,000	Tax Exp	28,000
	<u>33,000</u>		<u>33,000</u>

7. Cash	10,000
Share Capital	10,000

$$9. PBT = 52,000 + 28,000 = 80,000$$

8. Cash	62,500
Bonds Payable	62,500

Q8

The statement of financial position of Liaquat Industries as at 31 December 2016 is as follows:

Equity and liabilities	2016	2015	Assets	2016	2015
	Rupees			Rupees	
Owner's capital	13,938,060	13,665,280	Freehold land	4,778,400	6,600,000
Long-term loan	1,000,000	1,000,000	Building – WDV	5,057,600	4,171,200
Short term loan	1,331,200	1,531,200	Vehicle – WDV	600,000	800,000
Accounts payable	417,120	694,320	Equipment – WDV	1,643,100	2,112,000
Accrued interest	105,600	63,360	Capital work in progress	1,478,400	1,821,600
			Long-term deposits	580,800	448,800
			Inventory	685,608	320,628
			Accounts receivable	1,273,272	595,452
			Cash	694,800	84,480
	<b>16,791,980</b>	<b>16,954,160</b>		<b>16,791,980</b>	<b>16,954,160</b>

The following information has been extracted from income statement:

	Rupees
Depreciation expenses	932,500
Finance cost	141,872
Gain on sale of fixed assets (net)	98,960
Net profit before tax	1,525,948

168,960 (Gain)  
(70,000) (Loss)

#### Additional information:

- (i) Details of gain on sale of fixed assets are as follows:

	Rupees
Gain on sale of freehold land	168,960
Loss on disposal of equipment due to fire	(70,000)
	<b>98,960</b>

The loss on disposal of equipment represents the WDV of the equipment. The amount of insurance claim received, amounting to Rs. 30,000 was erroneously credited to accumulated depreciation.

- (ii) Repairs to building amounting to Rs. 50,000 were erroneously debited to building account on 31 December 2016.  
 (iii) Transfers from capital work in progress to building amounted to Rs. 1,200,000.  
 (iv) The owner withdrew Rs. 150,000 per month.

#### Required:

Prepare statement of cash flows for the year ended 31 December 2016, in accordance with IAS – 7 using indirect method.

(12)

Q No. 8

Laylat Industries

Statement of Cash Flows (Indirect Method)

For the year ended dec 31, 2016

Cash Flows from Operating Activities (Rupees)

Net Profit (W-5) 1,505,948

(Rupees.)

Net Cash inflows from operating activities 1,031,728

Adjustments for:

Interest Expense 141,872

Gain on Disposal (W-1) (168,960)

Loss on Disposal (70,000 - 30,000) 40,000

Depreciation Expense 932,500

Operating profit before WC changes 2,451,360

Changes in Working Capital

Inc in inventories (685,608 - 320,628) (364,980)

Inc in receivable (1,273,272 - 595,452) (677,820)

Dec in payables (417,120 - 694,320) (277,200)

Cash generated from operation 1,131,360

Interest Paid (W-12) (99,632)

1,031,728

Cash Flows from Investing Activities

Sale of Land (W-1) 1,990,560

Insurance claim received 30,000

Capital WIP (W-11) (856,800)

Long Term Deposits (580,800 - 448,800) (132,000)

Net Cash inflows from investing activities 1,031,760

Cash Flows from Financing Activities

Additional Investment (W-6) 546,832

Drawings by owner (W-6) (1,800,000)

Short Term Loan (1,331,200 - 1,531,200) (200,000)

Net Cash outflows from financing activities (1,453,168)

Net cash increase during the year 610,320

Cash & Cash Equivalents (Beg) 84,480

Cash & Cash Equivalents (End) 694,800

# Liaquat Industries

Working Notes: Rupees

1. Cash 1,990,560

Land	1,821,600
Gain on Disposal	168,960

2. Acc Dep 30,000

Loss on Disposal	30,000
------------------	--------

3. Repair Exp 50,000

Building	50,000
----------	--------

4. Building 1,200,000

CWIP	1,200,000
------	-----------

7. Building A/c

bld	4,171,200	Rep Exp 50,000
CWIP	1,200,000	Dep Exp 263,600
	<u>5,371,200</u>	<u>5,057,600</u>
		<u>5,371,200</u>

11. CWIP

bld	1,821,600	Building 1,200,000
Cash	856,800	Cld 1,478,400
	<u>2,678,400</u>	<u>2,678,400</u>

5. Adjusted Profit

Given	1,525,948
Rep Exp (W-3)	(50,000)
Rev of Loss (W-2)	30,000
	<u>1,505,948</u>

6. Owner's Capital

Drawings (150,000 x 12) 1,800,000	bld 13,665,280
cld 13,918,060	Net Profit 1,505,948
(13,938,060 - 50,000 + 30,000)	Cash 546,832
<u>13,718,060</u>	<u>15,718,060</u>

8. Vehicle (Dep) = 800,000 - 600,000 = 200,000

9. Equipment (Dep) = 2,112,000 - 1,693,100 = 468,900

10. Total Dep = 263,600 + 200,000 + 468,900 = 932,500

12. Int Pay

Cash 99,632	bld 63,360
cld 105,600	Int Exp 141,872
<u>205,232</u>	<u>205,232</u>

Following information pertains to Nadir Limited:

**Extract from statement of profit or loss for the year ended 31 December 2017**

	Rs. in '000
Profit before taxation	8,955
Taxation	(2,945)
Profit after taxation	<b>6,010</b>

**Extract from statement of financial position as on 31 December 2017**

<b>Equity and liabilities</b>	<b>2017</b>	<b>2016</b>	<b>Assets</b>	<b>2017</b>	<b>2016</b>
	---- Rs. in '000 ----	---- Rs. in '000 ----		---- Rs. in '000 ----	---- Rs. in '000 ----
Share capital	12,400	10,000	Property plant & equipment – net	21,400	15,800
Share premium	1,400	-	<b>Current assets:</b>		
Retained earnings	13,450	12,440	Stock-in-trade	5,600	5,750
Surplus on revaluation	4,000	-	Trade receivables – net	6,840	4,446
<b>Non-current liabilities:</b>			Other receivables	2,385	800
Long-term loans	4,100	5,000	Cash & bank	2,355	3,204
<b>Current liabilities:</b>					
Trade payables	1,900	1,400			
Accruals & other payables	680	660			
Tax liability	650	500			
	<b>38,580</b>	<b>30,000</b>		<b>38,580</b>	<b>30,000</b>

**Other information:**

- (i) Shares issued during the year were as follows:
  - 10% bonus shares in March 2017.
  - Right shares in July 2017.
- (ii) During the year, a plant costing Rs. 9,500,000 and having a book value of Rs. 5,200,000 was disposed of for Rs. 4,800,000 of which Rs. 1,800,000 are still outstanding.
- (iii) Depreciation for the year amounted to Rs. 7,350,000.
- (iv) Financial charges for the year amounted to Rs. 1,100,000. Accrued financial charges as on 31 December 2017 amounted to Rs. 112,000 (2016: Rs. 48,000).
- (v) Provision for doubtful trade receivables is maintained at 5%.

**Required:**

Prepare statement of cash flows for the year ended 31 December 2017, in accordance with IAS 7 'Statement of Cash Flows' using indirect method.

(15)

Q No. 9

Olastr Limited

Statement of Cash Flows (Indirect Method)  
For the Year ended Dec 31, 2017

### Cash Flows From Operating Activities

Rs '000

Rs '000

Profit before tax 8,955

Net Cash inflows from operating activities 12,401

#### Adjustments for:

Interest expense 1,100

Loss on disposal (W-4) 400

Depreciation expense (W-5) 7,350

Bad debt expense (W-8) 126

Operating profit before WC changes 17,931

#### Changes in Working Capital

Dec in inv (5,600 - 5,750) 150

Inc in rec (7,200 - 4,680) (2,520)

Dec in o-rec (585 - 800) 215

Inc in pay (1,900 - 1,400) 500

Dec in acc exp (568 - 612) (44)

Cash generated from operation 16,232

Interest paid (W-6) (1,036)

Tax paid (W-10) (2,795)

12,401

### Cash Flows From Investing Activities

Disposal of PPE (W-4) 3,000

Purchase of PPE (W-5) (14,150)

Net Cash outflows from investing activities (11,150)

### Cash Flows From Financing Activities

Issuance of Shares (W-3) 2,800

Dividend paid (W-9) (4,000)

Loan paid (4,100 - 5,000) (900)

Net Cash outflows from financing activities (2,100)

Net cash decrease during the year (849)

Cash & Cash equivalents (Beg) 3,204

Cash & Cash equivalents (End) 2,355

Q No. 9

Nadir Limited  
Working Notes: Rs. '00

1. Retained Earnings 1,000  
Share Capital  $(10,000 \times 10\%)$  1,000

3. Cash 2,800

Share Capital 1,400  
Share Premium 1,400

4. Cash 3,000  
Receivables 1,800  
Loss on Disposal 400  
PPE Alc 5,200

6. Int Payable

Cash	1,036	b/d	48
c/d	112	Int Exp	1,100
	<u>1,148</u>		<u>1,148</u>

8. Bad Debt Exp 126

Pro for Doubtful 126  
 $(360 - 234)$

10. Tax Payable

Cash	2,795	b/d	50
c/d	650	Tax Exp	2,945
	<u>3,445</u>		<u>3,445</u>

2. Share Capital

-	<u>12,400</u>	b/d	10,000
c/d		R/E	1,000
		Cash	1,400
	<u>12,400</u>		<u>12,400</u>

5. PPE Alc

b/d	15,800	Disposal	5,200
Surplus	4,000	Dep Exp	7,350
Cash	14,150	c/d	21,400
	<u>33,950</u>		<u>33,950</u>

7. Trade Rec

Gross	$(6,840/95\%)$	2017	$4,446/95\%$	2016
Pro for Doubt	(5%)	7,200	$(4,446/95\%)$	4,680
Net		<u>(360)</u>	<u>6,840</u>	<u>(234)</u>

9. R/E Alc

Share Capital	1,000	b/d	12,440
Dividend	4,000	PAT	6,010
c/d	<u>18,450</u>		<u>18,450</u>

Q.10

Following information pertains to Dahl Limited (DL):

**Summarised statement of financial position as at 31 December 2021**

	2021	2020		2021	2020
	Rs. in million			Rs. in million	
Share capital	11.0	10.0	Property, plant and equipment	18.7	10.6
Retained earnings	32.9	33.8	Working capital other than cash	24.5	17.8
Revaluation surplus	4.0	-	Cash	4.7	15.4
	<b>47.9</b>	<b>43.8</b>		<b>47.9</b>	<b>43.8</b>

**Additional information:**

- (i) Final dividend was paid in respect of year 2020 amounting to Rs. 3.4 million.
- (ii) Additions to property, plant and equipment during the year amounted to Rs. 14 million.
- (iii) Tax expense for the year amounted to Rs. 2.4 million. Tax payable as at 31 December 2021 amounted to Rs. 1 million (2020: Rs. 0.2 million)

**Required:**

Prepare DL's statement of cash flows for the year ended 31 December 2021.

**(08)**

# Dahl Limited

Statement of Cash Flows (Indirect Method)  
For the year ended dec 31, 2021

## Cash Flows From Operating Activities Rs.'M'

Profit before tax 4.9

### Adjustments for :

Depreciation expense (W-2) 9.9

Operating profit before WC changes 14.8

### Changes in working capital

Increase in working cap (25.5 - 18) (7.5)

Cash generated from operation 7.3

Tax paid (W-3) (1.6)

**Net cash inflows from operating activities** 5.7

## Cash Flows From Investing Activities

Purchase of PPE (W-2) (14)

**Net cash outflows from investing activities** (14)

## Cash Flows From Financing Activities

Dividend paid (W-1) (3.4)

Issuance of shares (W-4) 1

**Net cash outflows from financing activities** (2.4)

Net cash decrease during the year (10.7)

Cash & cash equivalents (Beg) 15.4

**Cash & cash equivalents (End)** 4.7

Dahl Limited

Working Notes

For the Year ended dec 31, 2021      Rs.'Million'

1. Retained Earnings

Dividend	3.4	bld	33.8
cld	32.9	PAT	2.5
	<u>36.3</u>		<u>36.3</u>

2. PPE A/c

bld	10.6	Dep Exp	9.9
Cash	14	cld	18.7
Rev Surplus	4		
	<u>28.6</u>		<u>28.6</u>

3. Tax Pay

Cash	1.6	bld	0.2
cld	1	Tax Exp	2.4
	<u>2.6</u>		<u>2.6</u>

4. Cash 1

Share Capital 1

5. PBT

PAT (W-1)	2.5
Tax Exp (W-3)	2.4
	<u>4.9</u>

## Q.11

Following are the extracts from the financial statements of Sunday Traders Limited (STL) for the year ended 30 June 2019:

### Statement of financial position as on 30 June 2019

Assets	2019 Rs. in million	2018 Rs. in million	Equity & Liabilities	2019 Rs. in million	2018 Rs. in million
Property, plant and equipment	8,555	7,240	Share capital (Rs. 100 each)	4,650	3,450
Investment property	1,800	1,120	Share premium	1,600	1,240
Stock in trade	4,800	4,500	Retained earnings	1,652	(655)
Prepayments	184	268	Long term loans	6,024	6,523
Trade receivables	3,800	3,600	Trade payables	3,422	5,390
Cash	194	480	Contract liability	250	40
			Accrued liabilities	310	180
			Interest payable	135	110
			Current maturity of long term loans	850	700
			Provision for taxation	440	230
	<b>19,333</b>	<b>17,208</b>		<b>19,333</b>	<b>17,208</b>

### Statement of profit or loss for the year ended 30 June 2019

	Rs. in million
Sales	29,700
Cost of sales	(15,750)
Gross profit	13,950
Distribution cost	(6,185)
Administrative cost	(2,302)
Other income	404
Profit before interest and tax	5,867
Interest expense	(1,210)
Profit before tax	4,657
Tax expense	(1,150)
Profit after tax	<b>3,507</b>

#### Additional information:

- (i) 72% of sales were made on credit.
- (ii) Depreciation expense for the year amounted to Rs. 750 million which was charged to distribution and administrative cost in the ratio of 3:1.
- (iii) Distribution cost includes:
  - Rs. 40 million in respect of loss on disposal of equipment. The written down value at the time of disposal was Rs. 152 million.
  - impairment loss on vehicles amounting to Rs. 24 million.
- (iv) Loan instalments (including interest) of Rs. 1,984 million were paid during the year.
- (v) Other income comprises of: *(14)(1,185) → 111 (Loss)*
  - increase in fair value of investment property amounting to Rs. 220 million.
  - rent received from investment property amounting to Rs. 184 million.
- (vi) During the year, STL issued right shares at premium.

#### Required:

Prepare STL's statement of cash flows for the year ended 30 June 2019 using **direct method**. (19)

Q No. 11

STL

Statement of Cash Flows (Direct Method)

For the Year ended Jun 30, 2019

Rs.'Million'

Cash Flows From Operating Activities

Cash received from customers	(W-3)	29,710
Cash received from Others	(W-8)	184
Cash paid to suppliers	(W-11)	(18,018)
Cash Paid to Others	(W-15)	(7,459)
<b>Cash Generated from Operation</b>		<b>4,417</b>
Interest Paid	(W-6)	(1,185)
Tax Paid	(W-13)	(940)

Net cash inflows from operating activities

2,292

Cash Flows From Investing Activities

Purchase of PPE	(W-4)	(2,241)
Disposal of PPE	(W-5)	112
Purchase of IP	(W-14)	(460)

Net cash outflows from investing activities

(2,589)

Cash Flows From Financing Activities

Loan Obtained	(W-7)	450
Payment of Loan	(W-7)	(799)
Issuance of Shares	(W-9)	1,560
Dividend Paid	(W-10)	(1,200)

Net cash inflows from financing activities

11

Net cash decrease during the year

(286)

Cash & Cash equivalents (Beg)

480

Cash & Cash equivalents (End)

194

Sunday Traders Limited  
Working Notes : Rs 'Million'

1. Sales → 29,700

	78%	28%
21,384		8,316
Credit		Cash

2. A/c Receivables

b/d	3,600	b/d	40
Sales (W-1)	21,384	Cash	21,394
c/d	250	c/d	3,816
	<u>25,234</u>		<u>25,234</u>

3. Cash received from customers

Cash sales (W-1)	8,316
Credit sales (W-2)	21,394
	<u>29,710</u>

4. PPE A/c

b/d	7,240	Dep Exp	750
Cash	2,841	Disposal	152
		Imp Loss	24
	<u>9,481</u>	c/d	<u>8,555</u>
			<u>9,481</u>

5. Cash (152 - 40)	112
Loss on Disposal	40
PPE A/c	152

6. Interest Payable

Cash	1,185	b/d	110
c/d	135	Int Exp	1,210
	<u>1,320</u>		<u>1,320</u>

7. Long Term Loan

Cash	799	b/d(6,523 + 700)	7,223
c/d(6,024 + 850)	6,874	Cash	450
	<u>7,673</u>		<u>7,673</u>

8. Cash 184

Rent Income 184

10. Retained Earnings

b/d	655	-	
Dividend	1,200	PAT	3,507
c/d	1,652		<u>3,507</u>
	<u>3,507</u>		

12. Inventory

b/d	4,500	COGS	15,750
A/c Payable	16,050	c/d	4,800
	<u>20,550</u>		<u>20,550</u>

13. Tax Payable

Cash	940	b/d	230
c/d	440	Tax Exp	1,150
	<u>1,380</u>		<u>1,380</u>

14. Investment Property

bld	1,120	-
P/L Ac	220	
Cash	460	
	<u>1,800</u>	

15. Cash Paid to Others

Distribution Cost	6,185
Administrative Cost	2,302
Dep Exp (W-4)	(750)
Imp Loss (W-4)	(24)
Loss on Disposal (W-5)	(40)
Inc in Acc Exp (310 - 180)	(130)
Dec in Prepay (184 - 268)	(84)
	<u>7,459</u>

Q#12

Following are the extracts from the financial statements of Universal Limited (UL) for the year ended 30 June 2017:

**Statement of financial position as on 30 June 2017**

Assets	2017	2016	Equity & liabilities	2017	2016
	Rs. in '000			Rs. in '000	
Property, plant and equipment	158,500	120,000	Share capital (Rs. 10 each)	175,000	150,000
Stock in trade	58,000	45,000	Retained earnings	54,434	21,500
Receivables	68,000	56,000	Revaluation surplus	10,000	-
Cash	39,434	48,000	Debentures (Rs. 100 each)	18,000	20,000
			Interest payable	1,000	2,500
			Trade payables	42,000	39,000
			Accrued liabilities	20,000	18,000
			Unearned maintenance	2,000	4,000
			Income tax payable	1,500	14,000
	<b>323,934</b>	<b>269,000</b>		<b>323,934</b>	<b>269,000</b>

**Statement of profit or loss for the year ended 30 June 2017**

	Rs. in '000
Sales	273,000
Cost of sales	(187,500)
Gross profit	85,500
Operating expenses	(46,766)
Other income	11,200
Profit before interest and tax	49,934
Interest expense	(2,000)
Profit before tax	47,934
Tax expense	(15,000)
Profit after tax	<b>32,934</b>

**Additional information:**

- 60% of sales were made on credit.
- UL maintains a provision for doubtful receivables at 6%. During the year, trade receivables of Rs. 7 million were written off.
- Depreciation expense for the year was Rs. 22.5 million. 70% of the depreciation was charged to cost of sales.  $22,500 \times 70\% = 15,750$
- Other income comprises of:  $22,500 \times 30\% = 6,750$ 
  - gain of Rs. 3 million on disposal of vehicles for Rs. 12 million;
  - maintenance income of Rs. 8 million; and
  - discount of Rs. 10 per debenture which were redeemed during the year.

**Required:** Prepare UL's statement of cash flows for the year ended 30 June 2017 using direct method and indirect method.

Q NO. 12

Universal Limited

Statement of Cash Flows (Direct Method)

For the year ended Jun 30, 2017

Rs '000'

Cash Flows From Operating Activities

Cash received from customer	(W-3)	253,235
Cash received from Others	(W-8)	6,000
Cash Paid to Suppliers	(W-4)	(181,750)
Cash Paid to Others	(W-14)	(30,251)
Cash generated from Operation		<u>47,234</u>
Interest paid	(W-12)	(3,500)
Tax paid	(W-13)	(27,500)
Net Cash inflows from operating activities		16,234

Cash Flows From Investing Activities

Purchase of PPE	(W-7)	(60,000)
Disposal of PPE	(W-6)	<u>12,000</u>
Net Cash outflows from investing activities		(48,000)

Cash Flows From Financing Activities

Issuance of Shares	(W-10)	25,000
Redemption of debenture	(W-9)	<u>(1,800)</u>

Net Cash inflows from financing activities		23,200
Net Cash decrease during the year		(8,566)
Cash & Cash equivalents (Beg)		48,000
Cash & Cash equivalents (End)		<u>39,434</u>

## Universal Limited

Working Notes : RS '000'

1. Total Sales 273,000

60% 163,800  
40% 109,200  
Credit Cash

2. Accounts Receivable

b/d (56,000/94%)	59,575	Cash	144,035
Sales (W-I)	163,800	Bad Debts	7,000
		c/d (68,000/94%)	72,340
			223,375

3. Cash received from customers

Cash Sales	109,200
Credit Sales	144,035
	253,235

4. Accounts Payable

Cash	181,750	b/d	39,000
c/d	42,000	Inventory	184,750
	223,750		223,750

5. Inventory

b/d	45,000	LOGS	171,750
A/c Pay	184,750	c/d	58,000
	229,750		229,750

6. Cash 12,000

Gain on Disposal 3,000  
PPE A/c 9,000

7. PPE A/c

b/d	120,000	Disposal	9,000
Res Surplus	10,000	Depreciation	22,500
Cash	60,000	c/d	158,500
	190,000		190,000

8. Unearned Maintenance

Maint Income	8,000	b/d	4,000
c/d	2,000	Cash	6,000
	10,000		10,000

9. Debenture (20 x 100) 2,000

Discount (20 x 10) 200  
Cash (20 x 90) 1,800

10. Cash 25,000

Share Capital 25,000

11. Retained Earnings

c/d	-	b/d	21,500
	54,434	PAT	32,934
	54,434		54,434

12. Interest Payable

Cash	3,500	b/d	2,500
c/d	1,000	Int Exp	2,000
	4,500		4,500

13. Tax Payable

Cash	<b>27,500</b>	bld	14,000
Cld	1,500	Tax Exp	15,000
	<u>29,000</u>		<u>29,000</u>

14. Cash paid to others

Operating Expenses	46,766
Depreciation Exp	(6,750)
Bad Debt Written off	(7,000)
Increase in Pro (W-16)	(765)
Inc in acc exp (20,000 - 18,000)	(2,000)
	<u>30,251</u>

$$15. \text{ Pro (End)} = (72,340 - 68,000) \quad 4,340$$

$$\text{Pro (Beg)} = (59,575 - 56,000) \quad (3,575)$$

increase in provision 765

$$16. \text{ Bad Debt Exp} \quad 765$$

$$\text{Pro for Doubt} \quad 765$$

**Q.13** Following is the Statement of Financial Position of Brooks Ltd as at 30 June.

	2021	2020	<i>(Rs. in 000's)</i>	2021	2020
<b>Issued, subscribed &amp; paid-up capital</b>	560,000	440,000			
<b>Retained Earnings</b>	<u>105,000</u>	80,000			
	<u>665,000</u>	520,000			
			<b><i>Non-Current Assets</i></b>		
			Fixed Assets	610,000	480,000
			Capital WIP	25,000	30,000
			Long term investment	34,000	27,000
				<u>669,000</u>	<u>537,000</u>
<b>Surplus on Revaluation</b>	15,000	20,000			
			<b><i>Current Assets</i></b>		
<b>Non-Current Liabilities</b>			Stock	38,000	35,000
Long term loan	50,000	24,000	Debtors	22,000	20,000
			Prepayment	8,000	6,000
<b>Current Liabilities</b>			Cash & Bank	59,000	17,000
Creditors & Accrued	23,000	20,000		<u>127,000</u>	<u>78,000</u>
Current Maturity	10,000	6,000			
Interest Payable	8,000	6,000			
Provision for tax	20,000	16,000			
Dividend Payable	5,000	3,000			
	<u>66,000</u>	<u>51,000</u>			
	<u>796,000</u>	<u>615,000</u>			
				<u>796,000</u>	<u>615,000</u>

#### **OTHER INFORMATION**

- (1) During the year the co. has paid cash dividend of Rs.30,000,000.
- (2) 5% bonus shares were issued & subsequently further shares were also issued.
- (3) Fixed Assets costing Rs.65,000,000, accumulated depreciation thereon Rs.25,000,000 was exchange with the new machine costing Rs.75,000,000. Trade in allowance was agreed at Rs.42,000,000. Rs.5,000,000 is still payable and included in creditors & Accrual Expenses.
- (4) Depreciation expense for the year was Rs.45,000,000.
- (5) Capital work-in-progress of Rs.20,000,000 were transferred to Fixed Assets.
- (6) Provision for taxation for the year was Rs.23,000,000.
- (7) Bad debts estimated @20% for both years.
- (8) Interest expense charged to profit & loss account Rs.15,000,000.

#### **Required:**

Prepare statement of cash flows as per IAS-7.

Q NO.13

### Brooks Limited

#### Statement of Cash Flows (Indirect Method)

For the Year ended Jun 30, 2021

#### Cash Flows From Operating Activities (Rs. '000)

Profit before tax (W-13) 97,000

Adjustments for :

Interest expense (W-10) 15,000

Gain on disposal (W-4) (2,000)

Depreciation expense (W-5) 45,000

Bid debt expense (W-9) 500

Operating profit before working Capital changes 155,500

#### Changes in working Capital

Increase in stock (38,000 - 35,000) (3,000)

Increase in debtors (27,510 - 25,000) (2,510)

Increase in Prepayments (8,000 - 6,000) (2,000)

Decrease in payables (18,000 - 20,000) (2,000)

#### Cash Generated from operation

Interest paid (W-10) (13,000)

Tax paid (W-7) (19,000)

Net cash inflows from operating activities 114,000

(Rs. '000)

Net cash inflows from operating activities

114,000

#### Cash Flows From Investing Activities

Purchase of PPE (28,000 + 120,000) (W-5) (148,000)

Investment in CWIP (W-6) (15,000)

Increase in long term investment (W-11) (5,000)

Net cash outflows from investing activities (170,000)

#### Cash Flows From Financing Activities

Issuance of Shares (W-3) 98,000

Dividend paid (W-1) (30,000)

Increase in long term loan (W-12) 30,000

Net cash inflows from financing activities 98,000

Net cash increase during the year 42,000

Cash & cash equivalents (Beg) 17,000

Cash & cash equivalents (End) 59,000

Brooks Limited  
Working Notes : Rs. 000/-

1. Dividend Payable

Cash	30,000	b/d	3,000
c/d	5,000	R/E	<u>32,000</u>
	<u>35,000</u>		<u>35,000</u>

2. Retained Earnings

D/P	32,000	b/d	80,000
S/L	22,000	R/S	5,000
c/d	105,000	PAT	74,000
	<u>159,000</u>		<u>159,000</u>

3. Share Capital

-	b/d	440,000
c/d	R/E	<u>22,000</u>
	Cash	98,000
		<u>560,000</u>

4. PPE (New)

Gain on Disposal	2,000
PPE (Old)	40,000
Payable	5,000
Cash	28,000

5. PPE A/c

b/d	480,000	Disposal	40,000
Gain	2,000	Dep Exp	45,000
PPE (O)	40,000	c/d	<u>610,000</u>
Pay	5,000		
Cash	28,000		
CWIP	20,000		
Cash	120,000		
	<u>695,000</u>		

6. C W I P

b/d	30,000	PPE	20,000
Cash	15,000	c/d	<u>25,000</u>
	<u>45,000</u>		

7. Tax Payable

Cash	19,000	b/d	16,000
c/d	<u>20,000</u>	Tax Exp	<u>23,000</u>
			<u>39,000</u>

8. A/c Receivable

Gross	(22,000 / 80%)	2021	2020
Pro for Doubt	(20%)	27,500	25,000
Net		(5,500) ← Increase	(5,000)

9. Bad Debt Exp	500
Pro for Doubt	500

10. Interest Payable

Cash	13,000	b/d	6,000
c/d	8,000	Int Exp	<u>15,000</u>
	<u>21,000</u>		<u>21,000</u>

11. Long Term Investment

Cash	7,000
(34,000 - 27,000)	

12. Long Term Loan

-	b/d (24,000 + 6,000)	30,000
Cash	30,000	
	<u>60,000</u>	

$$13. \text{ PBT} = 74,000 \text{ (W-2)} + 23,000 \text{ (W-7)} = 97,000$$