

Worksheet Name: Cash Flow

Standard: 12th Commerce

Subject: Accountancy

Q1. From the following Balance Sheets of B.C.R. Ltd. as at 31-3-2018 and 31-3-2017 prepare a Cash Flow Statement:

Particular	Note No.	31.3.2018 ₹	31.3.2017 ₹
I. Equity and Liabilities			
1. Shareholder's Funds			
a. Share Capital		7,00,000	5,00,000
b. Reserve and Surplus		3,50,000	2,00,000
2. Non-Current Liabilities			
a. Long-term Borrowings		50,000	1,00,000
3. Current Liabilities			
a. Trade Payables	1	1,22,000	1,00,000
b. Short term Provisions		50,000	30,000
(Provision for Tax)			
		12,72,000	9,35,000
II. Assets			
1. Non-Current Assets			
a. Fixed Assets			
i. Tangible Assets	1	5,00,000	5,00,000
ii. Intangible Assets	2	95,000	1,00,000
iii. Non-current Investments		1,00,000	-
2. Current Assets			
a. Inventory		1,30,000	55,000
b. Trade Receivables		1,47,000	80,000
c. Cash & Cash Equivalents		3,00,000	2,00,000
		12,72,000	9,35,000

Notes:

Particular	31.3.2018 ₹	31.3.2017 ₹
1 Tangible Assets:		
Equipment	5,00,000	5,00,000
	5,00,000	5,00,000
2 Intangible Assets:		
Goodwill	95,000	1,00,000
	95,000	1,00,000

Additional Information:

Proposed Dividend for the year ended 31st March 2018 was 12% and for the year ended 31st March, 2017 was 10%.

During the year Equipment costing ₹ 1,00,000 was purchased. Loss on sale of Equipment amounted to ₹ 12,000. ₹ 18,000 depreciation was charged on Equipment.

Ans:

Cash Flow Statement (For the year ended 31 March, 2018)		
Particulars	Amount ₹	Amount ₹
A. Cash Flow from Operating Activities		
Net profit before Tax (Note 1)	2,36,000	
Less: Depreciation on non-operating items	14,000	
Add: Depreciation on Equipment	1,000	
Loss on sale of Equipment	12,000	35,000
Operating Profit before Working Capital Changes		2,35,000
Working Capital Changes		
Trade Payables	17,000	17,000
Less: Trade Receivables	(71,000)	(1,40,000)
Cash Generated from operating Activities		10,000
Less: Tax Paid		1,00,000
B. Cash Flow from Investing Activities		
Purchase of Equipment (Note 2)	70,000	
Equipment Purchased	(11,00,000)	
Net Cash used in investing Activities		(10,00,000)
C. Cash Flow from Financing Activities		
Repayment of Long-term Borrowings	2,00,000	
Repayment of Long-term Borrowings under Finance lease	(50,000)	
Net cash from financing activities		1,50,000
D. Net Increase or Decrease in Cash and Cash Equivalents (A+B-C)		1,50,000
Less: Cash used for working capital at the beginning of the period	(2,00,000)	
Cash and Cash Equivalents at the end of the period		3,00,000

Working Notes:

1.

Particulars	Amount ₹
Balance as per Reserve & Surplus (3,50,000 - 2,00,000)	1,50,000
Add: Provision for Tax (current year)	50,000
Proposed dividend (previous year) (10% off 5,00,000)	50,000
Net Profit Before Tax	2,50,000

2.

Equipment Account

Dr.			Cr.
Particulars	Amount ₹	Particulars	Amount ₹
To Balance b/d	5,00,000	By Depreciation A/c	18,000
To Bank A/c	1,00,000	By Bank A/c	70,000
		(Balancing figure, Sale)	
		By Loss on sale	12,000
		By Balance c/d	5,00,000
	6,00,000		6,00,000

Q2. Summarised Balance Sheets of Surya Vanaspati Ltd. as at 31st March, 2014 and 2013 are:

Particular	Note No.	31.3.2014 ₹	31.3.2013 ₹
I. Equity and Liabilities			
1. Shareholder's Funds			
a. Share Capital		6,00,000	6,00,000
b. Reserve and Surplus	1	4,50,000	4,20,000
2. Non-Current Liabilities			
a. Long-term Borrowings	2	1,50,000	-
3. Current Liabilities			
a. Trade Payables	3	1,30,000	1,70,000
b. Short-term Provision		45,000	50,000
		13,75,000	12,40,000
II. Assets			
1. Non-Current Assets			
a. Fixed Assets (Tangible)		3,20,000	4,00,000
b. Non-Current Investments		60,000	50,000
2. Current Assets			
a. Current Investments		17,000	20,000
b. Inventory		2,10,000	2,40,000
c. Trade Receivables		5,88,000	4,00,000
d. Cash & Cash Equivalents		1,80,000	1,30,000
		13,75,000	12,40,000

Notes to Accounts:

Particular	31.3.2014 ₹)	31.3.2013 ₹)
1 Reserve & Surplus:		
General Reserve	4,00,000	3,50,000
Surplus, i.e., Balance in Statement of Profit and Loss	50,000	70,000
	4,50,000	4,20,000
2 Long-term Borrowings:		
Mortgage Loan	1,50,000	-
	1,50,000	-
3 Short-term Provision:		
Provision for Tax	45,000	50,000
	45,000	50,000

Additional Information:

- Non-Current Investments costing ₹ 20,000 were sold during the year 2013-14 at a profit of 20%.
- Tax paid during the year was ₹ 62,000
- During the year, part of fixed assets costing ₹ 40,000 was sold for ₹ 50,000 and the profit was included in the Statement of Profit and Loss.
- An Interim Dividend @ 12% was paid during the year

You are required to prepare Cash Flow Statement.

Ans:

Cash Flow Statement (for the year ended 31 March, 2014)		
Particulars	Amount (₹)	Amount (₹)
A. Cash Flow from Operating Activities		
Net profit before Tax (Note 1)	1,59,000	
Adjustments for non-cash and non-operating items:		
Interest on Bank Loans	40,000	40,000
Less Profit on Sale of Investments	10,000	1,000
Profit on Sale of Fixed Assets	(10,000)	(10,000)
Dividends and Interest on Capital Charges		1,00,000
Add: Decrease in Current Assets:		
Inventory	30,000	30,000
Less Increase in Current Assets:		
Trade Receivables	(1,00,000)	
Less Increase in Current Liabilities:		
Trade Payables	(40,000)	(2,00,000)
Cash Generation from operating Activities		102,000
Less Cash used in operating activities		(79,000)
B. Cash Flow from Investing Activities		
Purchase of Investments (Note 3)	(10,000)	
Sale of Investments	30,000	
Sale of Investment	24,000	
C. Cash Flow from Financing Activities		
Proceeds from Mortgage Loans	1,50,000	
Interest on Mortgage Loans	(79,000)	79,000
Net cash from financing activities		71,000
D. Net Increase in Cash and Cash Equivalents (A+B+C)		71,000
Add: Cash and Cash Equivalents in the beginning of the period	1,50,000	
Cash and Cash Equivalents at the end of the period		1,59,000

Working Notes:

1. Calculation of Net Profit before Tax:

	₹
Profit & Loss Balance on 31st March, 2014	50,000
Less: Profit & Loss Balance on 31st March, 2013	(70,000)
	20,000
Add: Increase in General Reserve	50,000
Interim Dividend paid (12% on ₹ 6,00,000)	72,000
Provision for Tax made during current year (Note 4)	57,000
Net Profit before Tax	1,59,000

2.

FIXED ASSETS ACCOUNT

Dr.			Cr.
Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	4,00,000	By Bank A/c (Sale)	50,000
To Profit on Sale of Investments (Statement of Profit and Loss)	10,000	By Depreciation A/c (Bal. Fig.)	40,000
		By Balance c/d	3,20,000
	4,10,000		4,10,000

3.

INVESTMENTS ACCOUNT

Dr.			Cr.
Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	50,000	By Bank A/c (Sale)	24,000
To Profit on sale of Investments	4,000	By Balance c/d	60,000
To Bank A/c (Balancing figure, purchase)	30,000		
	84,000		84,000

4.

PROVISION FOR TAX ACCOUNT

Dr.			Cr.
Particulars	Amount (₹)	Particulars	Amount (₹)
To Bank A/c (Payment made)	62,000	By Balance b/d	50,000
To Balance c/d	45,000	By Statement of P & L (Balancing figure being provision for tax made in 2013-14)	57,000
	1,07,000		1,07,000

5.

Cash and Cash Equivalents:	2014 (₹)	2013 (₹)
Cash and Cash Equivalents	1,80,000	1,30,000
Add: Current Investments	17,000	20,000
	1,97,000	1,50,000

Q3. You are required to prepare a Cash Flow Statement (as per AS-3) for the year 2017-18 from the following Balance Sheets:

Particular	Note No.	31.3.2018 ₹	31.3.2017 ₹
I. Equity and Liabilities			
1. Shareholder's Funds			
a. Equity Share Capital (Equity Share Capital)		4,00,000	4,00,000
b. Reserve and Surplus (Statement of P&L)		2,00,000	1,00,000
2. Current Liabilities			
a. Current Liabilities			
i. Short-term Borrowings		1,00,000	2,00,000
ii. Trade Payables (Bank Loan)		-	10,000
iii. Trade Payables (Creditors)		1,00,000	14,00,000
iv. Short-term Provisions (Provision for Tax)		70,000	40,000
b. Assets			
i. Non-current Assets			
a. Fixed Assets			
i. Tangible Asset (Building)		6,00,000	6,00,000
ii. Intangible Asset (Patent)		40,000	50,000
b. Non-current Investments			
i. Investment		75,000	
ii. Current Assets			
a. Inventories		15,000	10,000
b. Trade Receivables (Debtors)		2,35,000	2,00,000
c. Cash & Cash Equivalents		85,000	80,000
iii. Bank Balances		10,75,000	8,40,000

Additional Information:

During the year 2017-18:

1. Building costing ₹ 75,000 was purchased
2. An old building, the book value of which was ₹ 63,000., was sold at a loss of ₹ 5,000.
3. Tax provided during the year was ₹ 80,000.
4. Proposed Dividend for the year ended 31st March, 2017 was 20% and for the year ended 31st March, 2018 was 10%.

Ans:

Cash Flow Statement (For the year ended 31 March, 2018)		
Particulars	Amount (₹)	Amount (₹)
A. Cash Flow from Operating Activities		
Net profit before tax (Note 1)		2,60,000
Add: Depreciation on building (Note 2)	12,000	
Less: Purchase of building	5,000	22,000
Pretax without regard to Capital Charges		282,000
Less: Income Tax on Profit		
Inventories	(1,000)	
Less: Decrease in Current Liabilities	(20,000)	
Cash Generated from operating Activities	1,87,000	
Less: Tax Paid (Note 3)	(20,000)	
B. Cash Flow from Investing Activities		
Less: Purchase of building	(75,000)	
Less: Purchase of Current Investment	(5,000)	
Net Cash used in Investing Activities	(80,000)	
C. Cash Flow from Financing Activities		
Issue of Share Capital	2,00,000	
Repayment of long term borrowing	(10,000)	
Bank Loan - repay	(30,000)	
Net Increase in financing activities	10,000	
D. Net Increase or Decrease in Cash and Cash Equivalents (A+B+C)	5,000	
Add: Cash and Cash Equivalents at the beginning of the period	80,000	
Cash and Cash Equivalents at the end of the period	85,000	

Working Notes:

1.

Statement of Profit & Loss (₹ 2,00,000 - ₹ 1,00,000)	₹
Add: Proposed dividend for Previous Year (20% of ₹ 4,00,000)	80,000
Provision for Tax	80,000
Net Profit before Tax	<u>2,60,000</u>

2.

BUILDING A/c

Dr.			Cr.
Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	6,00,000	By Bank A/c (Sale)	58,000
To Bank A/c (Purchase)	75,000	By Loss on sale A/c	5,000
		By Depreciation (Bal. figure)	12,000
		By Balance c/d	6,00,000
	6,75,000		6,75,000

3.

PROVISION FOR TAX A/c

Dr.			Cr.
Particulars	Amount (₹)	Particulars	Amount (₹)
To Bank A/c (Balancing figure, being payment made)	50,000	By Balance b/d	40,000
To Balance c/d	70,000	By Statement of P & L A/c	80,000
	1,20,000		1,20,000

Q4. From the following Balance Sheets of XLtd., you are required to prepare Cash Flow Statement.

Particular	Note No.	31.3.2018 ₹	31.3.2017 ₹
I. Equity and Liabilities			
1. Shareholder's Funds			
a. Equity Share Capital		8,00,000	6,75,000
b. Reserve and Surplus		1,70,000	91,000
2. Current Liabilities			
a. Short-term Borrowings	1	88,000	66,000
b. Trade Payables		1,00,000	70,000
c. Short-term Provision	2	34,000	26,000
		11,92,000	9,28,000
II. Assets			
1. Non-Current Assets			
a. Fixed Assets	3	3,75,000	5,00,000
i. Tangible Asset			
a. Inventory		4,00,000	2,50,000
b. Trade Receivables		3,82,000	1,55,000
c. Cash & Cash Equivalents		10,000	3,000
d. Other Current Assets		25,000	20,000
		11,92,000	9,28,000

Notes:

1. Short-term Borrowings:	31.3.2018	31.3.2017
Bank Overdraft	<u>88,000</u>	<u>66,000</u>
2. Short-term Provision		
Taxation Provision	34,000	26,000
3. Tangible Assets:		
Land	1,50,000	2,00,000
Plant	<u>2,25,000</u>	<u>3,00,000</u>
	<u>3,75,000</u>	<u>5,00,000</u>

Additional Information:

1. Interim Dividend paid during the year ₹ 60,000
2. Land was sold at a profit of ₹ 30,000
3. Plant costing ₹ 20,000 was sold during the year at a loss of ₹ 8,000.

Ans:

Cash Flow Statement (For the year ended 31 March, 2018)		
Particulars	Amount (₹)	Amount (₹)
A. Cash Flow from Operating Activities		
Net profit before Tax (Note 1)	1,73,000	
Add: Depreciation on Plant (Note 2)	55,000	55,000
Less: Profit on sale of Land	(30,000)	(30,000)
Operating Profit before Working Capital Changes	100,000	100,000
Add: Increase in Current Liabilities:		
Trade Payables	30,000	30,000
Less: Increase in Current Assets:		
Trade Receivables	(15,000)	(15,000)
Other Current Assets	(2,21,000)	(2,21,000)
Cash Generated from operating Activities	92,000	92,000
B. Cash Flow from Investing Activities		
Sale of Land (Cost ₹20,000 - Loss ₹8,000)	12,000	12,000
Sale of Plant (Cost ₹20,000 - Loss ₹8,000)	12,000	12,000
C. Cash Flow from Financing Activities		
Issue of Share Capital	1,70,000	1,70,000
Interest (Dividend paid)	(20,000)	(20,000)
Proceeds from Share options	97,000	97,000
D. Net Increase or Decrease in Cash and Cash Equivalents (A+B+C)	7,000	7,000
Net Cash and Cash Equivalents in the beginning of the period	1,70,000	1,70,000
Net Cash and Cash Equivalents at the end of the period	1,73,000	1,73,000

Notes:

1. Calculation of Net Profit before Tax.

	₹
Reserve & Surplus Balance on 31st March, 2018	1,70,000
Less: Reserve & Surplus Balance on 31st March, 2017	<u>91,000</u>
	79,000
Add: Interim Dividend Paid	60,000
Provision for Tax made during the Current year	<u>34,000</u>
	1,73,000

2.

PLANT ACCOUNT

Dr.			Cr.
Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	3,00,000	By Bank (sale)	12,000
		By Statement of Profit & Loss (Loss on Sale)	8,000
		By Depreciation A/c (Balancing figure)	55,000
		By Balance c/d	2,25,000
	3,00,000		3,00,000

Q5. Prepare a cash flow statement on the basis of the information given in the balance sheets of Libra Ltd. as at 31st March, 2013 and 31st March 2012:

Notes to Accounts:

Particulars	31st March, 2013 (₹)	31st March, 2012 (₹)
1 Reserve and Surplus		
Surplus, i.e., Balance in Statement of Profit and Loss	4,00,000	3,00,000
Total	4,00,000	3,00,000

Ans:

Cash Flow Statement		
Particulars	Amount (₹)	Amount (₹)
A. Cash Flow from Operating Activities		
Operating Profit before Depreciation and Tax	1,00,000	1,00,000
Operating Profit before Working Capital Adjustments		
Add: Decrease in Current Assets	6,000	6,000
Trade Receivables	54,000	54,000
Decrease in Current Liabilities	64,000	64,000
Trade Payables	(6,000)	(6,000)
Cash Generated from Operations	132,000	132,000
Less: Tax Paid		
Cash Used in Investing Activities		
Purchase of Tangible Assets	(2,90,000)	(2,90,000)
Less: Proceeds from Disposal of Assets	(72,000)	(72,000)
Net Cash Flows from Investing Activities	(162,000)	(162,000)
C. Cash Flow from Financing Activities		
Long Term Borrowings	2,00,000	2,00,000
Net Cash Used in Financing Activities	(50,000)	(50,000)
D. Net Increase or Decrease in Cash and Cash Equivalents (A+B+C)	1,00,000	1,00,000
Add: Cash and Cash Equivalent in the beginning of the period	(70,000 + 134,000)	204,000
Cash and Cash Equivalents at the end of the period (94,000 + 50,000)	144,000	144,000
Opening Balance of Cash and Cash Equivalents:		
a. Current Investments	1,34,000	
b. Cash and Cash Equivalents	70,000	
Total	2,04,000	
Closing Balance of Cash and Cash Equivalents:		
a. Current Investments	50,000	
b. Cash and Cash Equivalents	94,000	
Total	1,44,000	

Q6. Following is the Balance Sheet of Solar Power Ltd. as at 31.3.2014:

Solar Power Ltd. Balance Sheet			
Particulars	Note No.	2013-14 (₹)	2012-13 (₹)
I. Equity and Liabilities :			
1. Shareholder's Funds :			
a. Share Capital		24,00,000	22,00,000
b. Reserve and Surplus	1	6,00,000	4,00,000
2. Non-Current Liabilities			
Long-Term Borrowings		4,80,000	3,40,000
3. Current Liabilities			
a. Trade Payables		3,58,000	4,08,000
b. Short Term provision		1,00,000	1,54,000
Total		39,38,000	35,02,000
II. ASSETS :			
1. Non-Current Assets :			
1. Fixed Assets :			
(i) Tangible	2	21,40,000	17,00,000
(ii) Intangible	3	80,000	2,24,000
2. Current Assets			
a. Current Investments		4,80,000	3,00,000
b. Inventories		2,58,000	2,42,000
c. Trade Receivables		3,40,000	2,86,000
d. Cash and Cash equivalents		6,40,000	7,30,000
Total		39,38,000	35,02,000

S.No.	Particulars	As on 31.3.2014 (₹)	As on 31.3.2013 (₹)
1	Reserves and Surplus		
	Surplus (balance in Statement of Profit and Loss)	6,00,000	4,00,000
2	Tangible Assets		
	Machinery	25,40,000	20,00,000
	Less : Accumulated Depreciation ..	(4,00,000)	(3,00,000)
3	Intangible Assets		
	Goodwill	80,000	2,24,000

Additional Information:

During the year a piece of machinery costing ₹ 48,000 on which accumulated depreciation was ₹ 32,000 was sold for ₹ 12,000.
Prepare Cash Flow Statement.

Ans:

Cash flow statement of Solar Power Ltd. For the year ended 31st March 2014 as per A.S.-(Revised)		
Particulars	Debit (₹)	Amount (₹)
A. Cash Flows from Operating Activities		
Net Profit before working capital changes		2,00,000
Less: Net Cash and non-current A/c (A-B)		1,00,000
Depreciation on machinery		1,00,000
Loss on sale of machinery		1,00,000
Operating profit before working capital changes		4,00,000
B. Increase or Decrease in Current Assets		
Increase in trade receivables		10,000
Less: Increase in inventories		(10,000)
C. Decrease in Current Liabilities		
Less: Decrease in inventories		10,000
Decrease in short term provisions		(10,000)
D. Cash generated from Operating Activities		8,00,000
E. Cash Flows from Investing Activities		
Purchase of machinery		(3,00,000)
Less: Sale of machinery		12,000
F. Cash Flows from Financing Activities		
Less: Interest paid		2,00,000
Money raised from borrowings		1,00,000
Less: Dividends paid		8,00,000
G. Net increase in cash & cash equivalents (A+B+C)		70,000
H. Movement in cash & cash equivalents		
Current Investments		3,00,000
Less: Short term provisions		7,00,000
Opening Balance of cash & cash equivalents		15,50,000
Current Investments		4,00,000
Closing Balance of cash & cash equivalents		15,20,000

Machinery A/c

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	20,00,000	By Bank a/c	12,000
		By Accumulated Depreciation	32,000
		By Loss on sale of machinery	4,000
To Bank	5,88,000	By Balance c/d	25,40,000
Total	25,88,000	Total	25,88,000

Working Notes:

Accumulated Depreciation A/c

Dr.	Cr.		
Particulars	Amount (₹)	Particulars	Amount (₹)
To Machinery Disposal	32,000	By Balance b/d	3,00,000
To Balance c/d	4,00,000	By Depreciation A/c	1,32,000
Total	4,32,000	Total	4,32,000

Notes:

- If short-term provision is treated as provision for tax or provision for doubtful debts, full credit is to be given.
- If short-term provision is treated as proposed dividend then cash flow from operating activity will be ₹ 4,60,000 and financing activity will be ₹ 1,86,000.
- If the examinee has presented the working notes with asset disposal account full credit to be given.
- If the examinee has treated current investments as current assets then the cash flow from operating activities will be ₹ 1,26,000 and increase or decrease in cash and cash equivalents will be ₹ 1,10,000.

Q7. Following are the Balance Sheets of Quick Gains Ltd.

Particular	Note No.	31.3.2018 (₹)	31.3.2017 (₹)
I. Equity and Liabilities :			
1. Shareholder's Funds :			
a. Share Capital		2,00,000	2,00,000
b. Reserve and Surplus		1,25,000	20,000
2. Non-Current Liabilities			
Long-Term Borrowings		75,000	50,000
3. Current Liabilities			
a. Trade Payables		64,000	90,000
b. Short Term Provisions (Provision for Tax)		15,000	10,000
		4,79,000	3,70,000
II. Assets :			
1. Non-Current Assets			
a. Fixed Assets	1	3,23,000	1,84,000
2. Current Assets			
a. Inventory		72,000	50,000
b. Trade Receivables		51,000	75,000
c. Cash & Cash Equivalents	2	33,000	59,000
d. Other Current Assets		2,000	
		4,79,000	3,70,000

Notes:

Particular	31.3.2018 (₹)	31.3.2017 (₹)
1 Fixed Assets:	3,75,000	2,20,000
Less: Accumulated Depredation	(52,000)	(36,000)
	3,23,000	1,84,000
2 Other Current Assets:		
Prepaid Expenses	-	2,000
	-	2,000

Additional Information:

1.Contingent Liability 31st March, 2018

31st March, 2018
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	₹	₹
Proposed Dividend	28,000	20,000
Interest paid on long-term borrowings amounted 2. to ₹ 8,000.		

You are required to prepare a Cash-Flow Statement.

Ans:

Notes:

1.

Calculation of Net Profit before Tax:

Reserve & Surplus Balance on 31st March, 2018	1,25,000
Less: Reserve & Surplus Balance on 31st March, 2017	(20,000)
	1,05,000
Add: Proposed Dividend for Previous year	20,000
Provision for Tax made during the Current year	15,000
Net Profit before Tax	1,40,000

2.

FIXED ASSETS A/C (On Original Cost)

Dr.	Cr.		
Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	2,20,000	By Balance c/d	3,75,000
To Bank A/c (Purchase, Balancing figure)	1,55,000		
	3,75,000		3,75,000

3.

ACCUMULATED DEPRECIATION ACCOUNT

Dr.	Cr.		
Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance c/d (as on 31.3.2018)	52,000	By Balance b/d (as on 31.3.2017)	36,000
		By Statement of P & L (Balancing figure, being Current year's Depreciation)	16,000
	52,000		52,000

Q8. From the following information, Calculate:

1. Cash Flows from Investing Activities.
2. Cash Flows from Financing Activities.

Particular	31 March, 2018 (₹)	31 March, 2017 (₹)
Plant & Machinery	10,30,000	8,50,000
Accumulated Depreciation on Plant & Machinery	2,68,000	2,20,000
8% Debentures	3,50,000	5,00,000
Bank Overdraft	3,00,000	2,10,000

Additional Information:

1. During the year a machine costing ₹ 1,50,000 was sold at a loss of ₹ 44,000. Depreciation on Plant & Machinery charged during the year amounted to ₹ 80,000.
2. Interest paid on Bank Overdraft amounted to ₹ 28,000.
3. Debentures were redeemed on 1st October 2017 at a premium of 4%.

Ans:

CASH FLOWS FROM INVESTING ACTIVITIES

Particulars	Amount (₹)
Sale of Machinery (Working Note 3)	74,000
Purchase of Machinery	(3,30,000)
Net Cash used in Investing Activities	(2,56,000)

CASH FLOWS FROM FINANCING ACTIVITIES

Particulars	Amount (₹)
Redemption of Debentures (₹1,50,000 + Premium on Redemption ₹6,000)	(1,56,000)
Interest paid on Debentures (Note 4)	(34,000)
Proceeds from Bank Overdraft	90,000
Interest paid on Bank Overdraft	(28,000)
Net cash used in Financing Activities	(1,28,000)

Working Notes:

1.

ACCUMULATED DEPRECIATION ACCOUNT

Dr.	Cr.		
Particulars	Amount (₹)	Particulars	Amount (₹)
To Plant & Machinery A/c (Balancing figure, being the accumulated depreciation on machinery sold)	32,000	By Balance b/d	2,20,000
To Balance c/d	2,68,000	By Depreciation A/c	80,000
	3,00,000		3,00,000

2.

PLANT AND MACHINERY ACCOUNT

Dr.	Cr.		
Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	8,50,000	By Bank A/c (Sale) (WN 3)	74,000
To Bank A/c (Purchase, Balancing figure)	3,30,000	By Loss on Sale	44,000
		By Accumulated Depreciation (being accumulated depreciation on machinery sold)	32,000
		By Balance c/d	10,30,000
	11,80,000		11,80,000

3. Sale Price of Machinery:

Cost of Machinery-Accumulated Depreciation - Loss on Sale

$$₹ 1,50,000 - ₹ 32,000 - ₹ 44,000 = ₹ 74,000$$

4. Interest on Debentures:

	₹
8% on ₹ 5,00,000 for six months	20,000
8% on ₹ 3,50,000 for six months	<u>14,000</u>
	<u>34,000</u>

Q9. X Ltd., made a profit of ₹ 1,00,000 after considering the following items:

1. Depreciation on Fixed Assets ₹ 20,000.
2. Writing off preliminary expenses ₹ 10,000.
3. Loss on sale of furniture ₹ 1,000.
4. Provision for taxation ₹ 1,60,000.
5. Transfer to General Reserve ₹ 14,000.
6. Profit on sale of machinery ₹ 6,000.

The following additional information is available to you:

Items	31-3-2007 (₹)	33-3-2008 (₹)
Debtors	24,000	30,000
Creditors	20,000	30,000
Bills Receivable	20,000	17,000
Bills Payable	16,000	12,000
Prepaid expenses	400	600

Calculate Cash flow from operating activities.

Ans:

Cash flow from Operating Activity:

Cash flow from Operating Activity		
Particulars	(₹)	(₹)
Net profit as per P & L A/c	1,60,000	1,00,000
Add: Provision for tax	14,000	1,74,000
Transfer to general reserve		2,74,000
Profit before tax		
Add: Non operating & Non cash expenses		
Depreciation on fixed assets	20,000	
Preliminary expenses written off	10,000	
Loss on sale of furniture	1,000	
Profit on sale of machinery	(6,000)	25,000
Profits before working capital changes / Profits from operations		2,99,000
Add: Increase in creditors	10,000	
Decrease in bills receivable	3,000	13,000
Less: Increase in debtors	6,000	
Less: Decrease in bills payable	4,000	
Less: Increase in prepaid expenses	200	(10,200)
Cash flow from Operating Activity		3,01,800

Note: If an examinee has deducted tax paid ₹ 1,60,000, the cash generated from operating activities will be ₹ 1,41,800. Full credit is to be given.

Q10. Where Purchase of goodwill in Cash Flow Statement Will appear Under?

1. Cash flow from Operating Activities
2. Cash & cash Equivalent
3. Cash flow from Investing Activities
4. Cash flow from Financing Activities

Ans:

3. Cash flow from Investing Activities

Q11. State with reason whether the issue of 9% debentures to a vendor for the purchase of machinery of ₹ 5,000 will result in inflow or no flow of cash while preparing Cash Flow Statement.

Ans:

No flow of cash.

Reason: Issue of 9% Debentures against the purchase of machinery would result in no flow of cash because it does not involve cash.

Q12. What is meant by 'Cash Equivalents' while preparing Cash Flow Statement?

Or

Give the meaning of Cash Equivalents' for the purpose of preparing Cash Flow Statement.

Ans:

Cash Equivalents are short-term, highly liquid investments that are readily convertible into known amount of cash and which are subject to an insignificant risk of change in value.

Q13. State whether conversion of debentures into equity shares by a financing company will result in inflow, outflow or no flow of cash.

Ans:

No Flow.

Q14. ___ are the acquisition and disposal of long-term assets and other investments not included in cash equivalents. Investing activities relate to purchase and sale of long-term assets or fixed assets such as machinery, furniture, land and building, etc:

1. Financing Activities
2. Operating Activities
3. Investing activities
4. Cash & Cash Equivalents

Ans:

3. Investing activities

Q15. Decrease in Current Asset is.....in operating profit.

1. Subtracted
2. Added
3. Divided
4. Multiplied

Ans:

2. Added

Q16. 'Payment of dividend' will come under which type of activity while preparing a Cash Flow Statement?

Ans:

Payment of dividend classified under financing activity.

Q17. In which category 'rent received' will be classified while preparing the cash flow statement in case of,

1. Real estate Agent and
2. Non real estate agent.

Ans:

1. Rent Received will be Operating Activity in case of Real Estate Agent.
2. Rent Received will be Investing Activity in case of Non-Real Estate Agent.

Q18. On an accounting statement of cash flows an "increases(decrease) in cash and cash equivalent" appears as _____.

1. A cash flow from operating activities
2. A cash flow from investing activities
3. A cash flow from financing activities
4. None of the above

Ans:

4. None of the above

Explanation:

Cash and cash equivalent are the amount of currency on hand as well as demand deposits with banks or financial institutions.

Includes other kind of accounts that have the general characteristics of demand deposits.

Also includes short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they presents insignificant risk of changes in value because of changes in interest rates.

Q19. Classify the following activities into (i) Operating Activities, (ii) Investing Activities, and (iii) Financing Activities in case of (a) a Financial Enterprise, and (b)a Manufacturing Enterprise.

1. Purchase of Shares of a Company.
2. Proceeds from sale of Shares.
3. Brokerage paid on purchase of Shares.
4. Loans and Advances made to third parties.
5. Dividend and interest received on Securities.
6. Salary paid to employees.

7. Interest paid on debentures.
8. Dividend paid to Shareholders.

Ans:

In Case of Financial Enterprise:

1. Purchase of Shares of a Company.	Operating Activities
2. Proceeds from sale of Shares.	Operating Activities
3. Brokerage paid on purchase of Shares.	Operating Activities
4. Loans and Advances made to third parties	Operating Activities
5. Dividend and interest received on Securities.	Operating Activities
6. Salary paid to employees.	Operating Activities
7. Interest paid on debentures.	Operating Activities
8. Dividend paid to Shareholders	Financing Activities

In cash of non-financial enterprise:

1. Purchase of Shares of a Company.	Investing Activities
2. Proceeds from sale of Shares.	Investing Activities
3. Brokerage paid on purchase of Shares.	Investing Activities
4. Loans and Advances made to third parties	Investing Activities
5. Dividend and interest received on Securities.	Investing Activities
6. Salary paid to employees.	Operating Activities
7. Interest paid on debentures.	Financing Activities
8. Dividend paid to Shareholders	Financing Activities

Q20. Identify the following transactions as belonging to (i) Operating, (ii) Investing, (iii) Financing Activities and (iv) Cash Equivalents:

1. Interest paid
2. Interest paid on long-term loans by
 1. Finance Company
 2. Non-finance Company
 3. Interest received
 4. Interest received on Investments by a bank
 5. Interest received on investments by a manufacturing company
 6. Dividend received
 7. Dividend received by a Mutual Fund Company
 8. Purchase of Investments
 9. Purchase of Investments by a finance company
 10. Purchase of Investments by a non-finance company
 11. Bank balance
 12. Short-term deposits in banks
 13. Bank Overdraft
 14. Marketable Securities

Ans:

1. Interest paid.	Financing Activities
2. Interest paid on long-term loans by. <ol style="list-style-type: none"> a. Finance Company. b. Non-finance Company. 	Operating Activities
3. Interest received.	Investing Activities
4. Interest received on Investments by a bank.	Operating Activities
5. Interest received on investments by a manufacturing company.	Investing Activities
6. Dividend received.	Investing Activities
7. Dividend received by a Mutual Fund Company.	Operating Activities
8. Purchase of Investments.	Investing Activities
9. Purchase of Investments by a finance company.	Operating Activities
10. Purchase of Investments by a non-finance company.	Investing Activities
11. Bank balance.	Cash Equivalents
12. Short-term deposits in banks.	Cash Equivalents
13. Bank Overdraft.	Financing Activities
14. Marketable Securities.	Cash Equivalents

Hint: Bank and Mutual Fund Company are finance companies.