



Q3. For each of the following transactions, calculate the resulting cash flow and state the nature of cash flow viz., operating, investing and financing.

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

Solution:

a.

$$\text{Amount paid for Machinery} = 2,50,000 \times \frac{20}{100} = 50,000$$

Part payment ₹50,000 for acquiring machinery ₹2,50,000 is related with Investing Activities.

b.

₹

Amount paid for acquiring shares	2,50,000
Dividend received	50,000
Net Cash used in Investing Activities	2,00,000

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

c. Inflow of cash of ₹60,000 on sale of machinery is a part Investing Activities.

***** END *****