



Short Answer Type Questions

Q1. What is a Cash Flow Statement?

Solution: A statement showing inflow and outflow of cash and cash equivalents from operating, investing and financing activities of a company during a specific period is called a cash flow statement. It explains changes in cash balance and the reasons of receipts and payments in cash during an accounting year of a company.

Q2. How are the various activities classified (as per AS-3 revised) while preparing cash flow statement?

Solution: Preparation of a cash flow statement for each period is mandatory according to the Revised Accounting Standard 3 (AS-3). AS-3 also specifies the classification of all inflows and outflows mainly under the following heads:

1. Cash Flow from Operating Activities
2. Cash Flow from Investing Activities
3. Cash Flow from Financing Activities

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