



Q6. From the following particulars of Bharat Gas Limited, calculate Cash Flows from Investing Activities. Also show the workings clearly preparing the ledger accounts:

**Balance Sheet of Bharat Gas Ltd. as on**

Particulars	Note No.	Figures as the end of 2015 Rs.	Figure as at the end of reporting 2014 Rs.
<b>I. Assets</b>			
<b>1. Non-current Assets</b>			
<b>a. Fixed assets</b>			
i. Tangible assets	1	12,40,000	10,20,000
ii. Intangible assets	2	4,60,000	3,80,000
<b>b. Non-current investments</b>	3	3,60,000	2,60,000

Note:

Tangible assets = Machinery

Intangible assets = Patents

**Notes to Accounts**

Particulars	Figure of current year	Figure of previous year
<b>1. Tangible Assets</b>		
a. Machinery	12,40,000	10,20,000
<b>2. Intangible Assets</b>		
a. Goodwill	3,00,000	1,00,000
b. Patents	1,60,000	2,80,000
	<b>4,60,000</b>	<b>3,80,000</b>
<b>3. Non-current Investment</b>		
a. 10% long term investment	1,60,000	60,000
b. Investment in land	1,00,000	1,00,000
c. Share of Amartex Ltd.	1,00,000	1,00,000
	<b>2,60,000</b>	<b>2,60,000</b>

Additional Information:

a. Patents were written-off to the extent of Rs.40,000 and some Patents were sold at a profit of Rs.20,000.

b. A Machine costing Rs.1,40,000 (Depreciation provided thereon Rs.60,000) was sold for Rs.50,000. Depreciation charged during the

year was Rs.1,40,000.

- c. On March 31, 2014, 10% Investments were purchased for Rs.1,80,000 and some Investments were sold at a profit of Rs.20,000. Interest on Investment was received on March 31, 2015.
- d. Amerax Ltd. paid Dividend @ 10% on its shares.
- e. A plot of Land had been purchased for investment purposes and let out for commercial use and rent received Rs.30,000.

Solution:

### Cash Flow from Investing Activities

Particulars	Rs.	Rs.
<b>Cash Inflow</b>		
Proceeds from Sale of Patents	1,00,000	
Proceeds from Sale of Machinery	50,000	
Proceeds from Sale of 10% Long-Term Investment	1,00,000	
Interest received on 10% Long-term investment	6,000	
Dividend Received from Amartax Ltd.	10,000	
Rent Received	30,000	2,96,000
<b>Cash Outflow</b>		
Purchases of Goodwill	(2,00,000)	
Purchase of Machinery	(4,40,000)	
Purchase of 10% Long - term Investment	(1,80,000)	(8,20,000)
<b>Net Cash used in Investing Activities</b>		<b>(5,24,000)</b>

#### Patents Account

Dr.				Cr.			
Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
	To Balance c/d		2,80,000		By Profit and Loss A/c (written off)		40,000
	To Profit and Loss A/c (Profit on Sale)		20,000		By Bank A/c (Sale-Balancing figure)		1,00,000
					By Balance c/d		1,60,000
			<u>3,00,000</u>				<u>3,00,000</u>

#### Machinery Account

Dr.				Cr.			
Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
	To Balance b/d		10,20,000		By Depreciation A/c		1,40,000
	To Bank A/c (Purchase-Balancing figure)		4,40,000		By Bank A/c		50,000
					By Profit and Loss A/c		30,000
					By Balance c/d		12,40,000
			<u>14,60,000</u>				<u>14,60,000</u>

#### 10% Long -Term Investment Account

Dr.				Cr.			
Date	Particulars	J.F.	Rs.	Date	Particulars	J.F.	Rs.
	To Balance b/d		60,000		By Bank A/c (Balancing figure)		1,00,000
	To Bank A/c		1,80,000		By Balance c/d		1,60,000
	To Profit and Loss A/c (Profit on Sale)		20,000				
			<u>2,60,000</u>				<u>2,60,000</u>

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