



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.
I. Assets			
1. Non-current Assets			
a. Fixed assets			
i. Tangible assets	1	12,40,000	10,20,000
ii. Intangible assets	2	4,60,000	3,80,000
b. Non-current investments	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
1. Tangible Assets		
a. Machinery	12,40,000	10,20,000
2. Intangible Assets		
a. Goodwill	3,00,000	1,00,000
b. Patents	1,60,000	2,80,000
	4,60,000	3,80,000
3. Non-current Investment		
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
	2,60,000	2,60,000

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.
Cash Inflow		
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
Cash Outflow		
Purchases of Goodwill	(2,00,000)	
Purchase of Machinery	(4,40,000)	
Purchase of 10% Long - term Investment	(1,80,000)	(8,20,000)
Net Cash used in Investing Activities		(5,24,000)

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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