

CASH FLOW STATEMENTS

Applicability of AS 3

The applicability of Cash flow statement has been defined under the Companies Act, 2013. As per the definition in the act, a financial statement includes the following:

- i. Balance sheet
- ii. Profit and loss account / Income and expenditure account
- iii. Cash flow statement
- iv. Statement of changes in equity
- v. Explanatory notes

Thus, cash flow statements are to be prepared by all companies but the act also specifies a certain category of companies which are *exempted* from preparing the same. Such companies are *One Person Company (OPC)*, *Small Company* and *Dormant Company*.

◆ *OPC* means a company which has only one single person as its member.

◆ *A Small Company* is a private company with a maximum paid up capital of Rs. 50 lakhs and a maximum turnover of Rs. 2 crores.

◆ *A Dormant Company* is an inactive company which is formed for some future projects or only to hold an asset and has no significant transactions.

Purpose

Cash flow statements are prepared to explain the cash movements between two points of time.

Cash and Cash Equivalents

Cash equivalents are held by an enterprise for meeting its short-term cash commitments instead of the purpose of investment or such other purposes. For investments to qualify as cash equivalents:

1. An investment must be easily convertible into cash and
2. Must be subject to a very low level of risk with respect to changes in its value

Hence, an investment would qualify to be a cash equivalent only when such an investment has a short maturity of three months or less from its acquisition date.

AS 3 Cash Flow Statements states that cash flows should exclude the movements between items which forms part of cash or cash equivalents as these are part of an enterprise's cash management rather than its operating, financing and investing activities.

Cash management consists of the investment of excess cash in the cash equivalents.

Presentation of Cash Flow

A cash flow statement must depict the cash flows within the period classifying them as

A. Operating activities

B. Investing

C. Financing activities

Companies must prepare and present cash flows from operating, financing as well as investing activities in such manner that is apt to their business.

Grouping the activities provide information which enables the users in assessing the impact of such activities on the overall financial position of an enterprise and also assess the value of the cash and cash equivalents.

A. Operating Activities

Cash flows from operating activities predominantly result from the main revenue-generating activities of an enterprise

For example:

(i) Cash received from the sale of goods and services

(ii) Cash received in form of fees, royalties, commissions and various other revenue forms

(iii) Cash paid to a supplier of goods and services

Methods of Preparing Cash Flow from Operating Activities



Direct Method

(a) Gross receipts and gross cash payments may be obtained from the accounting records to ascertain cash flows from operating activities.

(b) For example,

(i) information about cash received from trade receivables,

(ii) Payment to trade payables, cash expenses etc., which may be obtained by an analysis of cash book.

(c) In actual practice, the relevant information is obtained by adjusting sales, cost of sales

and other items in the profit and loss accounts for:

- Changes during the period in inventories and operating receivables and payables;
- Other non-cash items such as depreciation on fixed assets, goodwill written off, preliminary expenses written off, loss or gain on sale of fixed assets etc.; and
- Other items for which the cash effects are investing or financing cash flows. Examples are interest received and paid, dividend received and paid etc., which are related to financing or investing activities and are shown separately in the cash flow statement.

1. The direct method provides information which may be useful in estimating future cash flows and which is not available under the indirect method and is, therefore, considered more appropriate than the indirect method.
2. However, indirect method of determining the cash from operating activities is more popular in actual practice.

Indirect Method

Under the indirect method, the net cash from operating activities is determined by adjusting net profit or loss instead of individual items appearing in the profit and loss account. Net profit or loss is also adjusted for the effect of:

- (a) changes during the period in inventories and operating receivables and payables;
- (b) non-cash items such as depreciation; and
- (c) All other items for which the cash effects are financing or investing cash flows.

Conclusion

1. It is worth noting that both direct and indirect methods adjust current assets and current liabilities related to operating activities to determine cash from operating activities.
2. But direct method adjust individual items of profit and loss account and indirect method adjusts overall net profit (or loss) to determine cash from operation.

Therefore, indirect method fails to provide break-up of cash from operations.

B. Investing Activities

Cash flows from investing activities represent outflows are made for resources intended for generating cash flows and future income.

For instance:

- (i) Cash paid for acquiring fixed assets
- (ii) Cash received from disposal of fixed assets (including intangibles)

(iii) Cash paid for acquiring shares, warrants or debt instruments of other companies and interests in JVs

C. Financing Activities

Financing activities are those which brings changes in composition and size of owner's capital and borrowings of an enterprise.

For instance:

- (i) Cash received from issuing shares or other similar securities
- (ii) Cash received from issuing loans, debentures, bonds, notes, and other short-term or long-term borrowings
- (iii) Cash repaid on borrowings

Cash flow on Net Basis

Cash flows which arise from below-mentioned operating, financing or investing activities might be reported on a net basis:

- (i) Proceeds and payments in cash on behalf of a client where cash flows reflect the activities of such client rather than that of the company itself
- (ii) Proceeds and payments in cash for items where the amounts are huge, turnover is quick, and maturities are short

Cash flows which arise from each of the below-mentioned activities of any financial enterprise might be reported on the net basis:

- (i) Proceeds and payments in cash for acceptances and repayments of deposits having fixed maturities
- (ii) Placement and withdrawal of deposits from other financial enterprises
- (iii) Loans and cash advances are given to clients/customers and repayment of such loans and advances

Foreign Currency Cash Flows

Cash flows that arise from the transactions in the foreign currencies must be recorded in the company's reporting currency by using the below method:

Foreign currency amount * FX rates between the reporting and foreign currency at the date of cash flow.

A rate which approximates actual rate might be used in case the outcome is largely the same as it would have been if the rate at the date of cash flows was used.

The impact of changes in the exchange rate on cash and cash equivalents which is held in the foreign currencies must be reported as a distinct and separate part of the reconciliation of changes in the cash and cash equivalent during the relevant period.

Extraordinary Items, Dividends & Interests

The cash flows related to the extraordinary items must be categorized as arising from operating, financing or investing activities as apt and disclosed distinctly.

Cash flows from dividends and interest received and paid must be separately disclosed. Cash flows which arise from dividends and interest received and paid in the case of financial enterprises must be categorized as cash flows from operating activities.

For other enterprises, cash flows which arise from interest paid must be categorized as cash flows from the financing activities whereas dividends and interest received must be categorized as cash flows from the investing activities. Any dividends paid must be categorized as cash flows from the financing activities.

Taxes on Income

Cash flows which arise from taxes on income must be disclosed separately and must be reported as cash flows from the operating activities except if they could be explicitly related to investing and financing activities.

Acquisitions and Disposal of Business Units including Subsidiaries

The aggregate cash flows which arise from acquisition and from the disposal of business units including subsidiaries must be shown as investing activities and reported separately.

Enterprises must present, in total, with respect to both the acquisitions and disposals of other business units including subsidiaries within the period the followings:

- (a) Aggregate purchase or disposal value
- (b) The amount of purchase or disposal value which is discharged by way of cash and cash equivalents

Non-Cash Transactions

Financing and investing transactions which don't require cash or cash equivalents mustn't be included in the cash flow statement. Those transactions must be presented elsewhere in financial statements in a way which gives relevant information about such financing & investing activities.

Disclosure

Enterprises must disclose, along with management commentary, the amount of substantial cash and cash equivalents held by an enterprise which isn't available for use.

Commitments that may arise from discounted bills of exchange and other similar obligations that are undertaken by an enterprise are typically disclosed in financial statements by means of notes, even in case the probability of loss is remote.

Question 1

Classify the following activities as

- (a) Operating Activities,*
- (b) Investing Activities,*
- (c) Financing Activities*
- (d) Cash Equivalents.*
- (a) Purchase of Machinery.*
- (b) Proceeds from issuance of equity share capital*
- (c) Cash Sales.*
- (d) Proceeds from long-term borrowings.*
- (e) Proceeds from Trade receivables.*
- (f) Cash receipts from Trade receivables.*
- (g) Trading Commission received.*
- (h) Purchase of investment.*
- (i) Redemption of Preference Shares.*
- (j) Cash Purchases.*
- (k) Proceeds from sale of investment*
- (l) Purchase of goodwill.*
- (m) Cash paid to suppliers.*
- (n) Interim Dividend paid on equity shares.*
- (o) Wages and salaries paid.*
- (p) Proceed from sale of patents.*
- (q) Interest received on debentures held as investment.*
- (r) Interest paid on Long-term borrowings.*
- (s) Office and Administration Expenses paid*
- (t) Manufacturing Overheads paid.*
- (u) Dividend received on shares held as investments.*
- (v) Rent Received on property held as investment.*
- (w) Selling and distribution expense paid.*
- (x) Income tax paid*
- (y) Dividend paid on Preference shares.*
- (z) Underwritings Commission paid.*
- (aa) Rent paid.*

(bb) Brokerage paid on purchase of investments.

(cc) Bank Overdraft

(dd) Cash Credit

(ee) Short-term Deposits

(ff) Marketable Securities

(gg) Refund of Income Tax received.

Solution

(a) Operating Activities: c, e, f, g, j, m, o, s, t, w, x, aa&gg.

(b) Investing Activities: a, h, k, l, p, q, u, v, bb & ee.

(c) Financing Activities: b, d, i, n, r, y, z, cc & dd.

(d) Cash Equivalent: ff.

Question 2

Classify the following activities as per AS 3 Cash Flow Statement:

(i) Interest paid by financial enterprise

(ii) Tax deducted at source on interest received from subsidiary company

(iii) Deposit with Bank for a term of two years

(iv) Insurance claim received towards loss of machinery by fire

(v) Bad debts written off

Solution

(i) Interest paid by financial enterprise

Cash flows from operating activities

(ii) TDS on interest received from subsidiary company

Cash flows from investing activities

(i) Deposit with bank for a term of two years

Cash flows from investing activities

(ii) Insurance claim received against loss of fixed asset by fire

Extraordinary item to be shown as a separate heading under 'Cash flow from investing activities'

(iii) Bad debts written off

It is a non-cash item which is adjusted from net profit/loss under indirect method, to arrive at net cash flow from operating activity.

Question 3

Money Ltd., a non-financial company has the following entries in its Bank Account. It has sought your advice on the treatment of the same for preparing Cash Flow Statement.

(i) Loans and Advances given to the following and interest earned on them:

- (1) to suppliers
- (2) to employees
- (3) to its subsidiaries companies
- (ii) Investment made in subsidiary Smart Ltd. and dividend received
- (iii) Dividend paid for the year
- (iv) TDS on interest income earned on investments made
- (v) TDS on interest earned on advance given to suppliers

Discuss in the context of AS 3 Cash Flow Statement.

Solution

Treatment as per AS 3 'Cash Flow Statement'

- (i) Loans and advances given and interest earned
 - (1) to suppliers Cash flows from operating activities
 - (2) to employees Cash flows from operating activities
 - (3) to its subsidiary companies Cash flows from investing activities
- (ii) Investment made in subsidiary company and dividend received
Cash flows from investing activities
- (iii) Dividend paid for the year
Cash flows from financing activities
- (iv) TDS on interest income earned on investments made
Cash flows from investing activities
- (v) TDS on interest earned on advance given to suppliers
Cash flows from operating activities

Question 4

(ICAI MODULE)

Intelligent Ltd., a non-financial company has the following entries in its Bank Account. It has sought your advice on the treatment of the same for preparing Cash Flow Statement.

- a) Loans and Advances given to the following and interest earned on them:
 - 1. to suppliers
 - 2. to employees
 - 3. to its subsidiaries companies
- b) Investment made in subsidiary Smart Ltd. and dividend received
- c) Dividend paid for the year
- d) TDS on interest income earned on investments made
- e) TDS on interest earned on advance given to suppliers
- f) Insurance claim received against loss of fixed asset by fire Discuss in the context of AS 3 Cash Flow Statement.

Question 5

Following are the extracts of Balance Sheet of Ajay Ltd.:

<i>Liabilities</i>	<i>31.3.20X1</i>	<i>31.3.20X2</i>	<i>Assets</i>	<i>31.3.20X1</i>	<i>31.3.20X2</i>
	<i>Rs</i>	<i>Rs</i>			<i>Rs</i>
<i>Share Capital</i>	<i>5,00,000</i>	<i>5,00,000</i>	<i>Goodwill</i>	<i>1,15,000</i>	<i>90,000</i>
<i>15% Debentures</i>	<i>5,00,000</i>	<i>7,50,000</i>	<i>Discount on</i>	<i>90,000</i>	<i>1,15,000</i>
<i>Unpaid Interest</i>	<i>--</i>	<i>5,000</i>	<i>Issue of</i>		
<i>Profit & Loss</i>	<i>50,000</i>	<i>90,000</i>	<i>Debentures</i>		
<i>A/c</i>					

You are required to show the related items in Cash Flow Statement, if Discount on issue of Debentures amounting to Rs 10,000 has been written off during the year.

Question 6

From the following information, calculate cash flow from operating activities:

Summary of Cash Account

for the year ended March 31, 20X1

<i>Particulars</i>	<i>Rs</i>	<i>Particulars</i>	<i>Rs</i>
<i>To Balance b/d</i>	<i>1,00,000</i>	<i>By Cash Purchases</i>	<i>1,20,000</i>
<i>To Cash sales</i>	<i>1,40,000</i>	<i>By Trade payables</i>	<i>1,57,000</i>
<i>To Trade receivables</i>	<i>1,75,000</i>	<i>By Office & Selling Expenses</i>	<i>75,000</i>
<i>To Trade Commission</i>	<i>50,000</i>	<i>By Income Tax</i>	<i>30,000</i>
<i>To Sale of Investment</i>	<i>30,000</i>	<i>By Investment</i>	<i>25,000</i>
<i>To Loan from Bank</i>	<i>1,00,000</i>	<i>By Repay of Loan</i>	<i>75,000</i>
<i>To Interest & Dividend</i>	<i>1,000</i>	<i>By Interest on loan</i>	<i>10,000</i>
		<i>By Balance c/d</i>	<i>1,04,000</i>
	<i>5,96,000</i>		<i>5,96,000</i>

Question 7

The following summary cash account has been extracted from the company's accounting records:

Summary Cash Account

		<i>(Rs '000)</i>
<i>Balance at 1.3.20X1</i>		<i>35</i>
<i>Receipts from customers</i>		<i>2,783</i>
<i>Issue of shares</i>		<i>300</i>
<i>Sale of fixed assets</i>		<i>128</i>
		<i>3,246</i>
<i>Payments to suppliers</i>	<i>2,047</i>	
<i>Payments for fixed assets</i>	<i>230</i>	

Payments for overheads	115	
Wages and salaries	69	
Taxation	243	
Dividends	80	
Repayments of bank loan	250	(3,034)
Balance at 31.3.20X2		212

Prepare Cash Flow Statement of this company Hills Ltd. for the year ended 31st March, 20X2 in accordance with AS-3 (Revised).

The company does not have any cash equivalents.

Question 8

Prepare cash flow statement of M/s MNT Ltd. for the year ended 31st March, 20X1 with the help of the following information:

- Company sold goods for cash only.
- Gross Profit Ratio was 30% for the year, gross profit amounts to Rs 3,82,500.
- Opening inventory was lesser than closing inventory by Rs 35,000.
- Wages paid during the year Rs 4,92,500.
- Office and selling expenses paid during the year Rs 75,000.
- Dividend paid during the year Rs 30,000 (including dividend distribution tax.)
- Bank loan repaid during the year Rs 2,15,000 (included interest Rs 15,000)
- Trade payables on 31st March, 20X0 exceed the balance on 31st March, 20X1 by Rs 25,000.
- Amount paid to trade payables during the year Rs 4,60,000.
- Tax paid during the year amounts to Rs 65,000 (Provision for taxation as on 31.03.20X1 Rs 45,000).
- Investments of Rs 7,00,000 sold during the year at a profit of Rs 20,000.
- Depreciation on fixed assets amounts to Rs 85,000.
- Plant and machinery purchased on 15th November, 20X0 for Rs 2,50,000.
- Cash and Cash Equivalent on 31st March, 20X0 Rs 2,00,000.
- Cash and Cash Equivalent on 31st March, 20X1 Rs 6,07,500.

Question 9

The following data were provided by the accounting records of Ryan Ltd. at year-end, March 31, 20X1:

Income Statement

		Rs
Sales		6,98,000
Cost of Goods Sold		(5,20,000)
Gross Margin		1,78,000
Operating Expenses		
(including Depreciation Expense of Rs 37,000)		(1,47,000)
Other Income / (Expenses)		31,000
Interest Expense paid	(23,000)	
Interest Income received	6,000	

<i>Gain on Sale of Investments</i>	12,000	
<i>Loss on Sale of Plant</i>	(3,000)	
		(8,000)
		23,000
<i>Income tax</i>		(7,000)
		16,000

Comparative Balance Sheets

	31st March	31st March
<i>Assets</i>		
<i>Plant Assets</i>	7,15,000	5,05,000
<i>Less: Accumulated Depreciation</i>	(1,03,000)	(68,000)
	6,12,000	4,37,000
<i>Investments (Long term)</i>	1,15,000	1,27,000
<i>Current Assets.</i>		
<i>Inventory</i>	1,44,000	1,10,000
<i>Accounts receivable</i>	47,000	55,000
<i>Cash</i>	46,000	15,000
<i>Prepaid expenses</i>	1,000	5,000
	9,65,000	7,49,000
<i>Liabilities</i>		
<i>Share Capital</i>	4,65,000	3,15,000
<i>Reserves and surplus</i>	1,40,000	1,32,000
<i>Bonds</i>	2,95,000	2,45,000
<i>Current liabilities.</i>		
<i>Accounts payable</i>	50,000	43,000
<i>Accrued liabilities</i>	12,000	9,000
<i>Income taxes payable</i>	3,000	5,000
	9,65,000	7,49,000

Analysis of selected accounts and transactions during 20X0-X1

- Purchased investments for Rs 78,000.
- Sold investments for Rs 1,02,000. These investments cost Rs 90,000.
- Purchased plant assets for Rs 1,20,000.
- Sold plant assets that cost Rs 10,000 with accumulated depreciation of Rs 2,000 for Rs 5,000.
- Issued Rs 1,00,000 of bonds at face value in an exchange for plant assets on 31st March, 20X1.
- Repaid Rs 50,000 of bonds at face value at maturity.
- Issued 15,000 shares of Rs 10 each.
- Paid cash dividends Rs 8,000.

Prepare Cash Flow Statement as per AS-3 (Revised), using indirect method.

The balance sheets of Sun Ltd. for the years ended 31st March 20X1 and 20X0 were summarised as:

	20X1	20X0
	Rs	Rs
Equity Share Capital	60,000	50,000
Reserves:		
Profit and Loss Account	5,000	4,000
Current Liabilities.		
Trade payables	4,000	2,500
Taxation	1,500	1,000
dividends payable	2,000	1,000
	72,500	58,500
Fixed Assets (at w.d.v.)		
Premises	10,000	10,000
Fixtures	17,000	11,000
Vehicles	12,500	8,000
Short-term investments	2,000	1,000
Current Assets		
Inventory	17,000	14,000
Trade receivables	8,000	6,000
Bank and Cash	6,000	8,500
	72,500	58,500

The profit and loss account for the year ended 31st March, 20X1 disclosed

Profit before tax	4,500
Taxation	(1,500)
Profit after tax	3,000
Declared dividends	(2,000)
Retained profit	1,000

Further information is available

	Fixtures	Vehicles
	Rs	Rs
Depreciation for year	1,000	2,500
Disposals:		
Proceeds on disposal	—	1,700
Written down value	—	(1,000)
Profit on disposal		700

Prepare a Cash Flow Statement for the year ended 31st March, 20X1.

Question 11

Ms. Jyoti of Star Oils Limited has collected the following information for the preparation of cash flow statement for the year ended 31st March, 20X1:

	(Rs in lakhs)
Net Profit	25,000
Dividend (including dividend tax) paid	8,535
Provision for Income tax	5,000
Income tax paid during the year	4,248
Loss on sale of assets (net)	40

Book value of the assets sold	185
Depreciation charged to Profit & Loss Account	20,000
Profit on sale of Investments	100
Carrying amount of Investment sold	27,765
Interest income on investments	2,506
Interest expenses of the year	10,000
Interest paid during the year	10,520
Increase in Working Capital (excluding Cash & Bank Balance)	56,081
Purchase of fixed assets	14,560
Investment in joint venture	3,850
Expenditure on construction work in progress	34,740
Proceeds from calls in arrear	2
Receipt of grant for capital projects	12
Proceeds from long-term borrowings	25,980
Proceeds from short-term borrowings	20,575
Opening cash and Bank balance	5,003
Closing cash and Bank balance	6,988

Prepare the Cash Flow Statement for the year 20X1 in accordance with AS 3. (Make necessary assumptions).

Question 12

From the following Summary Cash Account of X Ltd. prepare Cash Flow Statement for the year ended 31st March, 20X1 in accordance with AS 3

(Revised) using the direct method. The company does not have any cash equivalents.

Summary Cash Account for the year ended 31.3.20X1

	Rs 000		Rs 000
Balance on 1.4.20X0	50	Payment to Suppliers	2,000
Issue of Equity Shares	300	Purchase of Fixed Assets	200
Receipts from Customers	2,800	Overhead expense	200
Sale of Fixed Assets	100	Wages and Salaries	100
		Taxation	250
		Dividend	50
		Repayment of Bank Loan	300
		Balance on 31.3.20X1	150
	3,250		3,250

Question 13

Given below is the Statement of Profit and Loss of ABC Ltd. and relevant Balance Sheet information:

Statement of Profit and Loss of ABC Ltd.

for the year ended 31st March, 20X1

Particulars	Rs in lakhs
Revenue:	
Sales	4,150
Interest and dividend	100
Stock adjustment	20
Total (A)	4,270
Expenditure:	

Purchases	2,400
Wages and salaries	800
Other expenses	200
Interest	60
Depreciation	100
Total (B)	3,560
Profit before tax (A - B)	710
Tax provision	200
Profit after tax	510
Balance of Profit and Loss account brought forward	50
Profit available for distribution (C)	560
Appropriations:	
Transfer to general reserve	200
Declared dividend (including CDT)	330
Total (D)	530
Balance (C - D)	30

Relevant Balance Sheet information	31.3.20X1	31.3.20X0
	Rs in lakhs	Rs in lakhs
Trade receivables	400	250
Inventories	200	180
Trade payables	250	230
Outstanding wages	50	40
Outstanding expenses	20	10
Advance tax	195	180
Tax provision	200	180

Compute cash flow from operating activities using both direct and indirect method.

Question 14

Prepare Cash flow for Gamma Ltd., for the year ending 31.3.20X1 from the following information:

- (1) Sales for the year amounted to Rs135 crores out of which 60% was cash sales.
- (2) Purchases for the year amounted to Rs55 crores out of which credit purchase was 80%.
- (3) Administrative and selling expenses amounted to Rs18 crores and salary paid amounted to Rs22 crores.
- (4) The Company redeemed debentures of Rs20 crores at a premium of 10%. Debenture holders were issued equity shares of Rs15 crores towards redemption and the balance was paid in cash. Debenture interest paid during the year was Rs1.5 crores.
- (5) Dividend paid during the year amounted to Rs11.7 crores (including Dividend distribution tax) was also paid.
- (6) Investment costing Rs12 crores were sold at a profit of Rs2.4 crores.
- (7) Rs8 crores was paid towards income tax during the year.
- (8) A new plant costing Rs21 crores was purchased in part exchange of an old plant. The book value of the old plant was Rs12 crores but the vendor took over the old plant at a value of Rs10 crores only. The balance was paid in cash to the vendor.

(9) The following balances are also provided:

	Rs in crores 1.4.20X0	Rs in crores 31.3.20X1
Debtors	4	50
Creditors	21	23
Bank	6	

Question 15

From the following Balance Sheets of Mr. Zen, prepare a Cash flow statement as per AS-3 for the year ended 31.3.20X1:

Balance Sheets of Mr. Zen

Liabilities	As on 1.4.20X0	As on 1.4.20X1
	Rs	Rs
Zen's Capital A/c	10,00,000	12,24,000
Trade payables	3,20,000	3,52,000
Mrs. Zen's loan	2,00,000	--
Loan from Bank	3,20,000	4,00,000
	<u>18,40,000</u>	<u>19,76,000</u>
Assets		
Land	6,00,000	8,80,000
Plant and Machinery	6,40,000	4,40,000
Inventories	2,80,000	2,00,000
Trade receivables	2,40,000	4,00,000
Cash	<u>80,000</u>	<u>56,000</u>
	<u>18,40,000</u>	<u>19,76,000</u>

Additional information:

A machine costing Rs 80,000 (accumulated depreciation there on Rs 24,000) was sold for Rs 40,000. The provision for depreciation on 1.4.20X0 was Rs 2,00,000 and 31.3.20X1 was Rs 3,20,000. The net profit for the year ended on 31.3.20X1 was Rs 3,60,000.

Question 16

From the following details relating to the Accounts of Grow More Ltd. prepare Cash Flow Statement:

Liabilities	31.03.20X1 (Rs)	31.03.20X0 (Rs)
Share Capital	10,00,000	8,00,000
Reserve	2,00,000	1,50,000
Profit and Loss Account	1,00,000	60,000
Debentures	2,00,000	--
Provision for taxation	1,00,000	70,000
Dividend payable	2,00,000	1,00,000
Trade payables	7,00,000	8,20,000
	<u>25,00,000</u>	<u>20,00,000</u>
Assets		
Plant and Machinery	7,00,000	5,00,000
Land and Building	6,00,000	4,00,000
Investments	1,00,000	--

Trade receivables	5,00,000	7,00,000
Inventories	4,00,000	2,00,000
Cash on hand/Bank	2,00,000	2,00,000
	25,00,000	20,00,000

- (i) Depreciation @ 25% was charged on the opening value of Plant and Machinery.
- (i) At the year end, one old machine costing 50,000 (WDV 20,000) was sold for Rs 35,000. Purchase was also made at the year end.
- (ii) Rs 50,000 was paid towards Income tax during the year.
- (iii) Building under construction was not subject to any depreciation.
- Prepare Cash flow Statement.

Question 17

From the following Balance Sheet & information, prepare Cash Flow Statement of Ryan Ltd. by Indirect method for the year ended 31st March,

20X1:

Balance Sheet

	31 st March, 20X1	31 st March, 20X0
Liabilities		
Equity Share Capital	6,00,000	5,00,000
10% Redeemable Preference Share Capital	–	2,00,000
Capital Redemption Reserve	1,00,000	–
Capital Reserve	1,00,000	–
General Reserve	1,00,000	2,50,000
Profit and Loss Account	70,000	50,000
9% Debentures	2,00,000	–
Trade payables	1,15,000	1,10,000
Liabilities for Expenses	30,000	20,000
Provision for Taxation	95,000	60,000
Dividend payable	90,000	60,000
	15,00,000	12,50,000
	31 st March, 20X1	31 st March, 20X0
Assets		
Land and Building	1,50,000	2,00,000
Plant and Machinery	7,65,000	5,00,000
Investments	50,000	80,000
Inventory	95,000	90,000
Trade receivables	2,50,000	2,25,000
Cash and Bank	65,000	90,000
Voluntary Separation Payments	1,25,000	65,000
	15,00,000	12,50,000

Additional Information:

- (i) A piece of land has been sold out for Rs 1,50,000 (Cost – Rs 1,20,000) and the balance land was revalued. Capital Reserve consisted of profit on sale and profit on revaluation.

- (ii) On 1st April, 20X0 a plant was sold for Rs 90,000 (Original Cost – Rs 70,000 and W.D.V. – Rs 50,000) and Debentures worth Rs1 lakh was issued at par as part consideration for plant of Rs4.5 lakhs acquired.
- (iii) Part of the investments (Cost – Rs 50,000) was sold for Rs 70,000.
- (iv) Pre-acquisition dividend received Rs 5,000 was adjusted against cost of investment.
- (v) Directors have declared 15% dividend for the current year.
- (vi) Voluntary separation cost of Rs 50,000 was adjusted against General Reserve.
- (vii) Income-tax liability for the current year was estimated at Rs 1,35,000.
- (viii) Depreciation @ 15% has been written off from Plant account but no depreciation has been charged on Land and Building.

Question 18

The Balance Sheet of New Light Ltd. for the years ended 31st March, 20X0 and 20X1 are as follows:

Liabilities	31st March 20X0 (Rs)	31st March 20X1 (Rs)	Assets	31st March 20X0 (Rs)	31st March 20X1 (Rs)
Equity share capital	12,00,000	16,00,000	Fixed Assets	32,00,000	38,00,000
10% Preference share capital	4,00,000	2,80,000	Less: Depreciation	9,20,000 22,80,000	11,60,000 26,40,000
Capital Reserve	–	40,000	Investment	4,00,000	3,20,000
General Reserve	6,00,000	7,60,000	Cash	10,000	10,000
Profit and Loss A/c	2,40,000	3,00,000	Other current assets	11,10,000	13,10,000
9% Debentures	4,00,000	2,80,000			
Current liabilities	4,80,000	5,20,000			
Dividend payable	1,20,000	1,60,000			
Provision for Tax	3,60,000	3,40,000			
	38,00,000	42,80,000		38,00,000	42,80,000

Additional information:

- (i) The company sold one fixed asset for Rs 1,00,000, the cost of which was Rs 2,00,000 and the depreciation provided on it was Rs 80,000.
- (ii) The company also decided to write off another fixed asset costing Rs 56,000 on which depreciation amounting to Rs 40,000 has been provided.
- (iii) Depreciation on fixed assets provided Rs 3,60,000.
- (iv) Company sold some investment at a profit of Rs 40,000, which was credited to capital reserve.
- (v) Debentures and preference share capital redeemed at 5% premium.

(vi) Company decided to value inventory at cost, whereas previously the practice was to value inventory at cost less 10%. The inventory according to books on 31.3.20X0 was Rs 2,16,000. The inventory on 31.3.20X1 was correctly valued at Rs 3,00,000.

Prepare Cash Flow Statement as per revised Accounting Standard 3 by indirect method.

Question 19

ABC Ltd. gives you the following information. You are required to prepare Cash Flow Statement by using indirect methods as per AS 3 for the year ended 31.03.20X1:

Balance Sheet as on

Liabilities	31st March	31st March	Assets	31st March	31st March
	20X0	20X1		20X0	20X1
	Rs	Rs		Rs	Rs
Capital	50,00,000	50,00,000	Plant &	27,30,000	40,70,000
Retained Earnings	26,50,000	36,90,000	Machinery	(6,10,000)	(7,90,000)
Debentures	—	9,00,000	Less: Depreciation	21,20,000	32,80,000
Current Liabilities			Current Assets		
Trade payables	8,80,000	8,20,000	Trade receivables	23,90,000	28,30,000
Bank Loan	1,50,000	3,00,000	Less: Provision	(1,50,000)	(1,90,000)
Liability for expenses	3,30,000	2,70,000		22,40,000	26,40,000
Dividend payable	1,50,000	3,00,000	Cash	15,20,000	18,20,000
			Marketable	11,80,000	15,00,000
			Securities	20,10,000	19,20,000
			Inventories		
			Prepaid Expenses	90,000	1,20,000
	91,60,000	1,12,80,000		91,60,000	1,12,80,000

Additional Information:

- (i) Net profit for the year ended 31st March, 20X1, after charging depreciation Rs 1,80,000 is Rs 22,40,000.
- (ii) Trade receivables of Rs 2,30,000 were determined to be worthless and were written off against the provisions for doubtful debts account during the year.
- (iii) ABC Ltd. declared dividend of Rs 12,00,000 for the year 20X0-20X1.



Student Notes:-

COVID-19



Student Notes:-

COVID-19

