

## Assignment Cash Flow Statement

Q. No.	Questions and Answers																																																
1	<p><b>The following information was provided by M/s PQR Ltd. for the year ended 31<sup>st</sup> March, 20X1;</b></p> <ol style="list-style-type: none"> <li>1) Gross Profit Ratio was 25% for the year, it amounts to ₹ 3,75,000.</li> <li>2) Company sold goods for cash only.</li> <li>3) Opening inventory was lesser than closing inventory by ₹ 25,000.</li> <li>4) Wages paid during the year ₹ 5,55,000.</li> <li>5) Office expenses paid during the year ₹ 35,000.</li> <li>6) Selling expenses paid during the year ₹ 15,000.</li> <li>7) Dividend paid during the year ₹ 40,000</li> <li>8) Bank Loan repaid during the year ₹ 2,05,000 (included interest ₹ 5,000)</li> <li>9) Trade Payables on 31<sup>st</sup> March, 20X0 were ₹ 50,000 and on 31<sup>st</sup> March, 20X1 were ₹ 35,000.</li> <li>10) Amount paid to Trade payables during the year ₹ 6,10,000.</li> <li>11) Income Tax paid during the year amounts to ₹ 55,000. (Provision for taxation as on 31<sup>st</sup> March, 20X1 ₹ 30,000)</li> <li>12) Investments of ₹ 8,20,000 sold during the year at a profit of ₹ 20,000.</li> <li>13) Depreciation on furniture amounts to ₹ 40,000.</li> <li>14) Depreciation on other tangible assets amounts to ₹ 20,000.</li> <li>15) Plant and Machinery purchased on 15<sup>th</sup> November, 20X0 for ₹ 3,50,000.</li> <li>16) On 31<sup>st</sup> March, 20X1 ₹ 2,00,000, 7% Debentures issued at face value in an exchange for a plant.</li> <li>17) Cash and Cash equivalents on 31<sup>st</sup> March, 20X0 ₹ 2,25,000.</li> </ol> <p style="text-align: center;"> <b>A) Prepare cash flow statement for the year ended 31<sup>st</sup> March, 20X1. Using direct method.</b>  <b>B) Calculate cash flow from operating activities, using indirect method.</b>  <b>(May 2019/ICAI SM/May 2013/November 2014/November 2015(M)/November 2016(M)/November 2007/May 2006/November 2021 RTP)</b> </p>																																																
Sol.	<p style="text-align: center;"><b>1)</b></p> <p style="text-align: center;"><b>PQR Ltd.</b></p> <p style="text-align: center;"><b>Cash Flow Statement for the year ended 31<sup>st</sup> March, 20X1</b></p> <p style="text-align: center;"><b>(Using direct method)</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;">Particulars</th> <th style="width: 20%;">(₹)</th> <th style="width: 20%;">(₹)</th> </tr> </thead> <tbody> <tr> <td colspan="3"><b>Cash flows from Operating Activities;</b></td> </tr> <tr> <td>✓ Cash sales (₹ 3,75,000/25%)</td> <td></td> <td style="text-align: right;">15,00,000</td> </tr> <tr> <td>✓ <b>Less:</b> Cash payments for trade payables</td> <td style="text-align: right;">(6,10,000)</td> <td></td> </tr> <tr> <td>✓ Wages paid</td> <td style="text-align: right;">(5,55,000)</td> <td></td> </tr> <tr> <td>✓ Office and selling expenses ₹ (35,000 + 15,000)</td> <td style="text-align: right;">(50,000)</td> <td style="text-align: right;">(12,15,000)</td> </tr> <tr> <td>✓ Cash generated from operations before taxes</td> <td></td> <td style="text-align: right;">2,85,000</td> </tr> <tr> <td>✓ Income tax paid</td> <td></td> <td style="text-align: right;">(55,000)</td> </tr> <tr> <td>✓ Net cash generated from operating activities</td> <td></td> <td style="text-align: right;">2,30,000</td> </tr> <tr> <td>(A)</td> <td></td> <td></td> </tr> <tr> <td colspan="3"><b>Cash flows from investing activities;</b></td> </tr> <tr> <td>✓ Sale of investments ₹ (8,20,000 + 20,000)</td> <td style="text-align: right;">8,40,000</td> <td></td> </tr> <tr> <td>✓ Payments for purchase of Plant &amp; machinery</td> <td style="text-align: right;">(3,50,000)</td> <td></td> </tr> <tr> <td>✓ cash flow from investing activities (B)</td> <td></td> <td style="text-align: right;">4,90,000</td> </tr> <tr> <td colspan="3"><b>Cash flows from financing activities;</b></td> </tr> <tr> <td>✓ Bank loan repayment (including interest)</td> <td style="text-align: right;">(2,05,000)</td> <td></td> </tr> </tbody> </table>	Particulars	(₹)	(₹)	<b>Cash flows from Operating Activities;</b>			✓ Cash sales (₹ 3,75,000/25%)		15,00,000	✓ <b>Less:</b> Cash payments for trade payables	(6,10,000)		✓ Wages paid	(5,55,000)		✓ Office and selling expenses ₹ (35,000 + 15,000)	(50,000)	(12,15,000)	✓ Cash generated from operations before taxes		2,85,000	✓ Income tax paid		(55,000)	✓ Net cash generated from operating activities		2,30,000	(A)			<b>Cash flows from investing activities;</b>			✓ Sale of investments ₹ (8,20,000 + 20,000)	8,40,000		✓ Payments for purchase of Plant & machinery	(3,50,000)		✓ cash flow from investing activities (B)		4,90,000	<b>Cash flows from financing activities;</b>			✓ Bank loan repayment (including interest)	(2,05,000)	
Particulars	(₹)	(₹)																																															
<b>Cash flows from Operating Activities;</b>																																																	
✓ Cash sales (₹ 3,75,000/25%)		15,00,000																																															
✓ <b>Less:</b> Cash payments for trade payables	(6,10,000)																																																
✓ Wages paid	(5,55,000)																																																
✓ Office and selling expenses ₹ (35,000 + 15,000)	(50,000)	(12,15,000)																																															
✓ Cash generated from operations before taxes		2,85,000																																															
✓ Income tax paid		(55,000)																																															
✓ Net cash generated from operating activities		2,30,000																																															
(A)																																																	
<b>Cash flows from investing activities;</b>																																																	
✓ Sale of investments ₹ (8,20,000 + 20,000)	8,40,000																																																
✓ Payments for purchase of Plant & machinery	(3,50,000)																																																
✓ cash flow from investing activities (B)		4,90,000																																															
<b>Cash flows from financing activities;</b>																																																	
✓ Bank loan repayment (including interest)	(2,05,000)																																																

✓ Dividend paid	(40,000)			
✓ Net cash used in financing activities (C)		(2,45,000)		
✓ Net increase in cash (A + B + C)		4,75,000		
✓ Cash and cash equivalents at beginning of the period		2,25,000		
✓ Cash and cash equivalents at end of the period		7,00,000		
<b>2) Cash Flow from Operating Activities by Indirect method;</b>				
<b>Particulars</b>		<b>(₹)</b>		
✓ Net Profit for the year before tax and extraordinary items		2,80,000		
✓ <b>Add:</b> Non-Cash and Non-Operating Expenses;				
✓ Depreciation		60,000		
✓ Interest Paid		5,000		
✓ <b>Less:</b> Non-Cash and Non-Operating Incomes;				
✓ Profit on Sale of Investments		(20,000)		
✓ Operating profit before working capital changes		3,25,000		
✓ <b>Less:</b> Decrease in trade payables	15,000			
✓ Increase in inventory	25,000	(40,000)		
✓ Cash generated from operations before taxes		<u>2,85,000</u>		
<b>Working Notes: -</b>				
<b>Calculation of net profit earned during the year;</b>				
<b>Particulars</b>	<b>(₹)</b>	<b>(₹)</b>		
✓ Gross profit		3,75,000		
✓ <b>Less;</b> Office expenses, selling expenses	50,000			
✓ Depreciation	60,000			
✓ Interest paid	<u>5,000</u>	(1,15,000)		
		2,60,000		
✓ <b>Add:</b> Profit on sale of investments		<u>20,000</u>		
✓ Net profit before tax		2,80,000		
2.	From the following Balance Sheets and information, prepare Cash Flow Statement of Ryan Ltd. by Indirect method for the year ended 31 <sup>st</sup> March, 20X1;			
	<b>Particulars</b>	<b>Notes</b>	<b>31<sup>st</sup> March 20X1 (₹)</b>	<b>31<sup>st</sup> March 20X0 (₹)</b>
	<b>Equity and Liabilities;</b>			
	<b>1) Shareholders' funds;</b>			
	a) Share capital	1	6,00,000	7,00,000
	b) Reserves and Surplus	2	4,20,000	3,00,000
	<b>2) Non-current liabilities;</b>			
	Long -term borrowings	3	2,00,000	----
	<b>3) Current liabilities;</b>			
	a) Trade Payables		1,15,000	1,10,000
	b) Other current liabilities	4	30,000	20,000
	c) Short term provision (provision for tax)		95,000	1,20,000
	<b>Total</b>		<b>14,60,000</b>	<b>12,50,000</b>
	<b>Assets;</b>			
	<b>1) Non-current assets;</b>			
	a) Property, plant and Equipment	5	9,15,000	7,00,000

b) Non-Current Investments		50,000	80,000
<b>2) Current assets;</b>			
a) Inventories		95,000	90,000
b) Trade receivables		2,50,000	2,25,000
c) Cash and Cash equivalents		50,000	90,000
d) Other Current assets		1,00,000	65,000
<b>Total</b>		<b>14,60,000</b>	<b>12,50,000</b>

**Notes to accounts;**

Particulars	Notes	31 <sup>st</sup> March, 20X1	31 <sup>st</sup> March, 20X0
<b>1) Share capital;</b>			
Equity share capital		6,00,000	5,00,000
10% Redeemable Preference share capital		----	<u>2,00,000</u>
<b>Total</b>		<b>6,00,000</b>	<b>7,00,000</b>
<b>2) Reserves and Surplus;</b>			
Capital redemption reserve		1,00,000	----
Capital reserve		70,000	----
General reserve		1,50,000	2,50,000
Profit and Loss account		<u>1,00,000</u>	<u>50,000</u>
<b>Total</b>		<b>4,20,000</b>	<b>3,00,000</b>
<b>3) Long term borrowings;</b>			
9% Debentures		<u>2,00,000</u>	----
<b>4) Other current liabilities;</b>			
Liabilities for expenses		----	<u>20,000</u>
<b>Total</b>		<b>30,000</b>	<b>20,000</b>
<b>5) Property, plant and equipment;</b>			
Plant and machinery		7,65,000	5,00,000
Land and building		<u>1,50,000</u>	<u>2,00,000</u>
<b>Net carrying value</b>		<b>9,15,000</b>	<b>7,00,000</b>

**Additional Information: -**

- 1) A piece of land has been sold out for ₹ 1,50,000 (Cost – ₹ 1,20,000) and the balance land was revalued. Capital Reserve consisted of profit on revaluation of land.
- 2) On 1<sup>st</sup> April, 20X0 a plant was sold for ₹ 90,000 (Original Cost – ₹ 70,000 and W.D.V – ₹ 50,000) and Debentures worth ₹ 1 lakh were issued at par as part consideration for plant of ₹ 4.5 lakhs acquired.
- 3) Part of the investments (Cost – ₹ 50,000) was sold for ₹ 70,000.
- 4) Pre-acquisition dividend received ₹ 5,000 was adjusted against cost of investment.
- 5) Interim dividend was declared and paid @ 15% during the current year.
- 6) Income-tax liability for the current year was estimated at ₹ 1,35,000.
- 7) Depreciation @ 15% has been charged on Plant and Machinery but no depreciation has been charged on Building.

(ICAI SM/ May 2003/November 2003(M)/ May 2011/November 2017)

Sol.	<b>Cash Flow Statement of Ryan Limited</b> <b>For the year ended 31<sup>st</sup> March, 20X1</b>		
	<b>Particulars</b>	<b>(₹)</b>	<b>(₹)</b>
	✓ Cash Flow from operating activities		
	✓ Net Profit before taxation (W.N.1)	2,75,000	
	✓ Adjustment for		
	✓ Depreciation (W.N.3)	1,35,00	
	✓ Profit on sale of land	(30,000)	
	✓ Profit on sale of plant (W.N.3)	(40,000)	
	✓ Profit on sale of investments (W.N.4)	(20,000)	
	✓ Interest on debentures (2,00,000 × 9%)	18,000	
	✓ Operating profit before working capital changes	3,38,000	
	✓ Increase in inventory	(5,000)	
	✓ Increase in trade receivables	(25,000)	
	✓ Increase in Other current assets (W.N.9)	(35,000)	
	✓ Increase in Trade payables	5,000	
	✓ Increase in liabilities for expenses	10,000	
	✓ Cash generated from operations	2,88,000	
	✓ Income taxes paid (W.N.8)	(1,60,000)	
	✓ Net cash generated from operating activities		1,28,000
	<b>Cash flow from investing activities</b>		
	✓ Proceeds from sale of land (W.N.2)	1,50,000	
	✓ Proceeds from sale of plant (W.N.3)	90,000	
	✓ Proceeds from sale of investments (W.N.4)	70,000	
	✓ Purchase of plant (W.N.3)	(3,50,000)	
	✓ Purchase of investments (W.N.4)	(25,000)	
	✓ <b>Pre-acquisition dividend received</b> (W.N.4)	5,000	
	✓ Net cash used in investing activities		(60,000)
	<b>Cash flow from financing activities</b>		
	✓ Proceeds from issue of equity shares (6,00,000 – 5,00,000)	1,00,000	
	✓ Proceeds from issue of debentures (2,00,000 – 1,00,000)	1,00,000	
	✓ Redemption of preference shares	(2,00,000)	
	✓ Dividends paid	(90,000)	
	✓ Interest paid on debentures	(18,000)	
	✓ Net cash used in financing activities		(1,08,000)
	✓ Net decrease in cash and cash equivalents		(40,000)
	✓ Cash and Cash equivalents at the beginning of the year		90,000
	✓ Cash and Cash equivalents at the end of the year		50,000
	<b>Working Notes: -</b>		
	<b>1)</b>		
	<b>Particulars</b>	<b>(₹)</b>	
	<b>Net profit before taxation;</b>		
	✓ Retained profit	1,00,000	
	✓ <b>Less:</b> Balance as on 31.03.20X0	(50,000)	
		50,000	
	✓ Provision for taxation	1,35,000	
	✓ Interim Dividend	90,000	
		<b>2,75,000</b>	

2)				
Dr.		<u>Land and Building Account</u>		Cr.
Particulars	(₹)	Particulars	(₹)	
To Balance b/d	2,00,000	By Cash (Sale)	1,50,000	
To Profit and Loss A/c (Profit on sale)	30,000	By Balance c/d	1,50,000	
To Capital reserve (Revaluation profit)	70,000			
	<b>3,00,000</b>			<b>3,00,000</b>

  

3)				
Dr.		<u>Plant and Machinery Account</u>		Cr.
Particulars	(₹)	Particulars	(₹)	
To Balance b/d	5,00,000	By Cash (Sale)	90,000	
To Profit and loss account	40,000	By Depreciation	1,35,000	
To Debentures	1,00,000	By Balance c/d	7,65,000	
To Bank	3,50,000			
	<b>9,90,000</b>			<b>9,90,000</b>

  

4)				
Dr.		<u>Investment Account</u>		Cr.
Particulars	(₹)	Particulars	(₹)	
To Balance b/d	80,000	By Cash (Sale)	70,000	
To Profit and Loss account	20,000	By Dividend (Pre-acquisition)	5,000	
To Bank (Balancing figure)	25,000	By Balance c/d	50,000	
	<b>1,25,000</b>			<b>1,25,000</b>

  

5)				
Dr.		<u>Capital Reserve Account</u>		Cr.
Particulars	(₹)	Particulars	(₹)	
To Balance c/d	70,000	By Profit on revaluation of land	70,000	
	<b>70,000</b>			<b>70,000</b>

  

6)				
Dr.		<u>General Reserve Account</u>		Cr.
Particulars	(₹)	Particulars	(₹)	
To Capital redemption reserve	1,00,000	By Balance b/d	2,50,000	
To Balance c/d	1,50,000			
	<b>2,50,000</b>			<b>2,50,000</b>

7)	<b>Dr. Provision for Taxation Account Cr.</b>																					
	<b>Particulars</b>	<b>(₹)</b>	<b>Particulars</b>	<b>(₹)</b>																		
	To Bank (Balancing figure)	1,60,000	By Balance /d	1,20,000																		
	To Balance c/d	95,000	By Profit and loss account	1,35,000																		
		<b>2,55,000</b>		<b>2,55,000</b>																		
8)	<b>Dr. Other Current Assets Account Cr.</b>																					
	<b>Particulars</b>	<b>(₹)</b>	<b>Particulars</b>	<b>(₹)</b>																		
	To Balance b/d	65,000	By Balance c/d	1,00,000																		
	To Bank (Balancing figure)	35,000																				
		<b>1,00,000</b>		<b>1,00,000</b>																		
3.	<p>The following figures have been extracted from the books of X Limited for the year ended on 31.03.20X3. You are required to prepare a cash flow statement as per AS-3 using indirect method.</p> <p>1) Net profit before taking into account income tax and income from law suits but after taking into account the following items was ₹ 20 lakhs;</p> <p>a) Depreciation on Property, Plant &amp; Equipment ₹ 5 lakhs.  b) Discount on issue of Debentures written off ₹ 30,000.  c) Interest on Debentures paid ₹ 3,50,000.  d) Book value of investments ₹ 3 lakhs (Sale of Investments for ₹ 3,20,000).  e) Interest received on Investments ₹ 60,000.  f) Compensation received ₹ 90,000 by the company in a suit filed.</p> <p>2) Income tax paid during the year ₹ 10,50,000.</p> <p>3) 15,000, 10% preference shares of ₹ 100 each were redeemed on 31.03.20X3 at a premium of 5%. Further the company issued 50,000 equity shares of ₹ 10 each at a premium of 20% on 2.4.20X2. Dividend on preference shares were paid at the time of redemption. Premium on redemption of Pref. shares w/o against Securities Premium</p> <p>4) Dividend paid for the year 20X1-20X2 ₹ 5 lakhs and interim dividend paid ₹ 3 lakhs for the year 20X2-20X3.</p> <p>5) Land was purchased on 2.4.20X2 for ₹ 2,40,000 for which the company issued 20,000 equity shares of ₹ 10 each at a premium of 20% to the land owner as consideration.</p> <p>6) Current assets and current liabilities in the beginning and at the end of the years were as detailed below;</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>As on 31.03.20X2 (₹)</th> <th>As on 31.03.20X3 (₹)</th> </tr> </thead> <tbody> <tr> <td>✓ Inventory</td> <td>12,00,000</td> <td>13,18,000</td> </tr> <tr> <td>✓ Trade receivables</td> <td>2,58,000</td> <td>2,53,100</td> </tr> <tr> <td>✓ Cash in hand</td> <td>1,96,300</td> <td>35,300</td> </tr> <tr> <td>✓ Trade payables</td> <td>2,11,000</td> <td>2,11,300</td> </tr> <tr> <td>✓ Outstanding expenses</td> <td>75,000</td> <td>81,800</td> </tr> </tbody> </table>				Particulars	As on 31.03.20X2 (₹)	As on 31.03.20X3 (₹)	✓ Inventory	12,00,000	13,18,000	✓ Trade receivables	2,58,000	2,53,100	✓ Cash in hand	1,96,300	35,300	✓ Trade payables	2,11,000	2,11,300	✓ Outstanding expenses	75,000	81,800
Particulars	As on 31.03.20X2 (₹)	As on 31.03.20X3 (₹)																				
✓ Inventory	12,00,000	13,18,000																				
✓ Trade receivables	2,58,000	2,53,100																				
✓ Cash in hand	1,96,300	35,300																				
✓ Trade payables	2,11,000	2,11,300																				
✓ Outstanding expenses	75,000	81,800																				
(May 2020 RTP/ICAI SM/November 2020/May 2005/January 2021)																						

Sol.	<b>X Ltd.</b>		
	<b>Cash Flow Statement</b>		
<b>For the year ended 31<sup>st</sup> March, 20X3</b>			
	<b>Particulars</b>	<b>(₹)</b>	<b>(₹)</b>
	<b>Cash Flow from Operating Activities;</b>		
	✓ Net profit before income tax and extraordinary items;		20,00,000
	✓ Adjustments for;		
	✓ Depreciation on PPE	5,00,000	
	✓ Discount on issue of debentures	30,000	
	✓ Interest on debentures paid	3,50,000	
	✓ Interest on investments received	(60,000)	
	✓ Profit on sale of investments	<u>(20,000)</u>	<u>8,00,000</u>
	✓ Operating profit before working capital changes		28,00,000
	✓ Adjustment for;		
	✓ Increase in inventory	(1,18,000)	
	✓ Decrease in trade receivables	4,900	
	✓ Increase in trade payables	300	
	✓ Increase in outstanding expenses	<u>6,800</u>	<u>(1,06,000)</u>
	✓ Cash generated from operations		26,94,000
	✓ Income tax paid		<u>(10,50,000)</u>
			16,44,000
	✓ Cash flow before extraordinary items;		
	✓ Compensation received in a suit filed		<u>90,000</u>
	✓ Net cash flow from operating activities		17,34,000
	<b>Cash flow from Investing Activities;</b>		
	✓ Sale proceeds of investments	3,20,000	
	✓ Interest received on investments	<u>60,000</u>	
	✓ Net cash flow from investing activities		3,80,000
	<b>Cash Flow from Financing Activities;</b>		
	✓ Proceeds by issue of equity shares at 20% premium	6,00,000	
	✓ Redemption of preference shares at 5% premium	(15,75,000)	
	✓ Preference dividend paid	(1,50,000)	
	✓ Interest on debentures paid	(3,50,000)	
	✓ Dividend paid (5,00,000 + 3,00,000)	<u>(8,00,000)</u>	
	✓ Net cash used in financing activities		<u>(22,75,000)</u>
	✓ Net decrease in cash and cash equivalents during the year		(1,61,000)
	✓ <b>Add:</b> Cash and cash equivalents as on 31.03.20X2		<u>1,96,300</u>
	✓ Cash and cash equivalents as on 31.03.20X3		<u>35,300</u>
	<b>Notes: -</b>		
	*Purchase of land in exchange of equity shares (issued at 20% premium) has not been considered in the cash flow statement as it does not involve any cash transaction.		
4.	Prepare Cash Flow Statement of Light Ltd. for the year ended 31 <sup>st</sup> March, 20X2, in accordance with AS-3 (Revised) from the following Summary Cash Account;		

<b>Summary Cash Account</b>			
	Particulars	(₹ in '000)	(₹ in '000)
✓	Balance as on 01.04.20X1		315
✓	Receipts from Customers		24,894
✓	Sale of Investments (Cost ₹ 1,35,000)		153
✓	Issue of Share		2,700
✓	Sale of Fixed Assets		1,12
			29,214
✓	Payment to Suppliers	18,306	
✓	Purchase of Investments	117	
✓	Purchase of Fixed Assets	2,070	
✓	Wages & Salaries	621	
✓	Selling & Administration Expenses	1,035	
✓	Payment of Income Tax	2,187	
✓	Payment of Dividends	720	
✓	Repayment of Bank Loan	2,250	
✓	Interest paid on Bank Loan	450	(27,756)
✓	Balance as on 31.03.20X2		1,458
<b>(RTP November 2020/ICAI SM/July 2021)</b>			
<b>Sol.</b>	<b>Cash Flow Statement of Light Ltd. for the year ended 31<sup>st</sup> March, 20X2</b>		
	Particulars	(₹ '000)	(₹ '000)
<b>Cash flows from operating activities;</b>			
✓	Cash receipts from customers	24,894	
✓	Cash payments to suppliers	(18,306)	
✓	Cash paid to employees	(621)	
✓	Other cash payments (for Selling & Administration expenses)	(1,035)	
		4,932	
✓	Cash generated from operations	(2,187)	
✓	Income taxes paid		2,745
✓	Net cash from operating activities		
<b>Cash flows from investing activities</b>			
✓	Payments for purchase of fixed asset	(2,070)	
✓	Proceeds from sale of fixed assets	1,152	
✓	Purchase of investments	(117)	
✓	Sale of investments	153	
✓	Net cash used in investing activities		(882)
<b>Cash flows from financing activities</b>			
✓	Proceeds from issuance of share capital	2,700	
✓	Bank loan repaid	(2,250)	
✓	Interest paid on bank loan	(450)	
✓	Dividend paid	(720)	
✓	Net cash used in financing activities		(720)
✓	Net increase in cash and cash equivalents		1,143
✓	Cash and cash equivalents at beginning of period		315
✓	Cash and cash equivalents at end of period		1,458
<b>5.</b>	<b>Following are extracts of the Balance Sheets of Ajay Ltd.;</b>		
	Particulars	Notes	31.03.20X1 (₹)
			<b>31.3.20X2 (₹)</b>
<b>Equity and Liabilities;</b>			
<b>Shareholder's funds;</b>			

a) Share capital	1	5,00,000	5,00,000
b) Reserve & surplus	2	50,000	90,000
<b>Non-current Liabilities;</b>			
a) Long-term borrowings	3	5,00,000	7,50,000
<b>Current liabilities;</b>			
a) Other current liabilities	4	----	5,000
<b>Assets;</b>			
<b>Non-current assets;</b>			
a) Intangible assets	5	2,05,000	1,80,000

**Notes to accounts;**

Particulars	31.03.20X1 (₹)	31.03.20X2 (₹)
<b>1) Share Capital;</b> ✓ 50,000 Equity Shares of ₹ 10 each	5,00,000	5,00,000
<b>2) Reserve &amp; surplus;</b> ✓ Profit & Loss A/c	50,000	90,000
<b>3) Long-term borrowings;</b> ✓ 10% Debentures	5,00,000	7,50,000
<b>4) Other current liabilities;</b> ✓ Unpaid interest	----	5,000
<b>5) Intangible assets;</b> ✓ Goodwill	2,05,000	1,80,000

You are required to show the related items in Cash Flow from operating activity and financing activity.

Grooming Education Academy

(ICAI SM/May 2015 RTP)

**Sol. An Extract of Cash Flow Statement for the year ending 31.03.20X2;**

Particulars	(₹)
<b>Cash flows from operating activities;</b>	
✓ Closing balance as per Profit & Loss A/c	90,000
✓ <b>Less:</b> Opening balance as per Profit & Loss A/c	(50,000)
✓ <b>Add:</b> Goodwill amortisation	25,000
✓ <b>Add:</b> Interest on Debentures (Refer Note 1)	75,000
✓ Net Cash from Operating Activities	1,40,000

**Note 1;**

\*Interest has been computed on the closing balance of debentures as on 31.03.20X1 assuming that all the additions/ deletions were made, if any, at the beginning of the year.

**Cash flows from financing activities;**

Particulars	(₹)
✓ Proceeds from debentures (Refer Working Note)	2,50,000
✓ Interest paid on Debentures [ <b>less unpaid</b> ]	(70,000)
✓ Net Cash from Financing Activities	<b>1,80,000</b>

<b>Working Notes: -</b>			
<b>10% Debentures Account</b>			
Particulars	(₹)	Particulars	(₹)
To Balance c/d	7,50,000	By Balance b/d	5,00,000
		By Bank A/c (Bal. fig.)	2,50,000
	<b>7,50,000</b>		<b>7,50,000</b>

**6. Prepare cash flow from investing activities as per AS-3 of M/s Shubham Creative Limited for year ended 31.03.20X1.**

Particulars	(₹) Amount
✓ Machinery acquired by issue of shares of face value	2,00,000
✓ Claim received for loss of machinery in earthquake	55,000
✓ Unsecured loans given to associates	5,00,000
✓ Interest on loan received from associate company	70,000
✓ Pre-acquisition dividend received on investment made	52,600
✓ Debenture interest paid	1,45,200
✓ Term loan repaid	4,50,000
✓ Interest received on investment (TDS of ₹ 8,200 was deducted on the above interest)	73,800
✓ Book value of plant & machinery sold (loss incurred ₹ 9,600)	90,000

**(March 2021 MTP/November 2019)**

**Sol. Cash Flow Statement from Investing Activities of Shubham Creative Limited for year ended 31-03-20X1.**

Cash generated from investing activities	(₹)	(₹)
✓ Interest on loan received	70,000	
✓ Pre-acquisition dividend received on investment made	52,600	
✓ Unsecured loans given to subsidiaries	(5,00,000)	
✓ Interest received on investments (gross value)	82,000	
✓ TDS deducted on interest	(8,200)	
✓ Sale of Plant & Machinery ₹ (90,000 – 9,600)	<u>80,400</u>	
Cash used in investing activities (before extraordinary item)		(2,23,200)
<i>Extraordinary claim received for loss of machinery</i>		
<b>Net cash used in investing activities (after extraordinary item)</b>		<b><u>55,000</u></b> <b><u>(1,68,200)</u></b>

**Note: -**

- 1) Debenture interest paid and Term Loan repaid are financing activities and therefore not considered for preparing cash flow from investing activities.
- 2) Machinery acquired by issue of shares does not amount to cash outflow, hence also not considered in the above cash flow statement.

**7. Classify the following activities as;**

- a) Operating activities
- b) Investing activities
- c) Financing activities
- d) Cash equivalents with reference to AS 3 (Revised).

	<p>a) Brokerage paid on purchase of investments  b) Underwriting commission paid  c) Trading commission received  d) Proceeds from sale of investments.  e) Purchase of goodwill.  f) Redemption of preference shares  g) Rent received from property held as investment  h) Interest paid on long-term borrowings  i) Marketable securities (having risk of change in value)  j) Refund of income tax received</p> <p style="text-align: right;"><b>(ICAI SM/may 2018)</b></p>
<b>Sol.</b>	<p><b>Classification of activities with reference to AS-3;</b></p> <p>a) Brokerage paid on purchased of investments – Investing Activities  b) Underwriting Commission paid – Financing Activities  c) Trading Commission received – Operating Activities  d) Proceeds from sale of investment – Investing Activities  e) Purchase of goodwill – Investing Activities  f) Redemption of Preference shares – Financing Activities  g) Rent received from property held as investment – Investing Activities  h) Interest paid on long term borrowings – Financing Activities  i) Marketable securities – Not a Cash equivalent  j) Refund of Income tax received – Operating Activities</p>
<b>8.</b>	<p>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.</p> <p>1) Loans and Advances given to the following and interest earned on them;  a) To Suppliers  b) To employees  c) To its subsidiaries companies</p> <p>2) Investment made in subsidiary Smart Ltd. and dividend received.  3) Dividend paid for the year  4) TDS on interest income earned on investments made  5) TDS on interest earned on advance given to suppliers  6) Insurance claim received against loss of fixed asset by fire.</p> <p>Discuss in the context of AS 3 Cash Flow Statement.</p> <p style="text-align: right;"><b>(ICAI SM/May 2014)</b></p>
<b>Sol.</b>	<p><b>1) Loans and advances given and interest earned;</b></p> <p>a) To Suppliers Operating Cash flow  b) To Employees Operating Cash flow  c) To its subsidiary companies Investing Cash flow</p> <p><b>2) Investment made in subsidiary company and dividend received;</b>  ✓ Investing Cash flow</p> <p><b>3) Dividend paid for the year;</b>  ✓ Financing Cash Outflow</p> <p><b>4) TDS on interest income earned on investments made;</b>  ✓ Investing Cash Outflow</p>

	<p><b>5) TDS on interest earned on advance given to suppliers;</b>  ✓ Operating Cash Outflow</p> <p><b>6) Insurance claim received of amount loss of fixed asset by fire;</b>  ✓ Extraordinary item to be shown under a separate heading as 'Cash inflow from investing activities'.</p>																																								
9.	<p>From the following information, calculate cash flow from operating activities;</p> <p style="text-align: center;"><b>Summary of Cash Account</b>  <b>For the year ended March 31, 20X1</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 33%;">Particulars</th> <th style="width: 16.5%;">(₹)</th> <th style="width: 33%;">Particulars</th> <th style="width: 16.5%;">(₹)</th> </tr> </thead> <tbody> <tr> <td>To Balance b/d</td> <td style="text-align: right;">1,00,000</td> <td>By Cash Purchase</td> <td style="text-align: right;">1,20,000</td> </tr> <tr> <td>To Cash sales</td> <td style="text-align: right;">1,40,000</td> <td>By Trade payables</td> <td style="text-align: right;">1,57,000</td> </tr> <tr> <td>To Trade receivables</td> <td style="text-align: right;">1,75,000</td> <td>By Office &amp; Selling Expenses</td> <td style="text-align: right;">75,000</td> </tr> <tr> <td>To Trade Commission</td> <td style="text-align: right;">50,000</td> <td>By Income Tax</td> <td style="text-align: right;">30,000</td> </tr> <tr> <td>To Sale of Investment</td> <td style="text-align: right;">30,000</td> <td>By Investment</td> <td style="text-align: right;">25,000</td> </tr> <tr> <td>To Loan from Bank</td> <td style="text-align: right;">1,00,000</td> <td>By Repayment of Loan</td> <td style="text-align: right;">75,000</td> </tr> <tr> <td>To Interest &amp; Dividend</td> <td style="text-align: right;">1,000</td> <td>By Interest on loan</td> <td style="text-align: right;">10,000</td> </tr> <tr> <td></td> <td></td> <td>By Balance c/d</td> <td style="text-align: right;">1,04,000</td> </tr> <tr> <td></td> <td style="text-align: right;"><b>5,96,000</b></td> <td></td> <td style="text-align: right;"><b>5,96,000</b></td> </tr> </tbody> </table> <p style="text-align: right;">(ICAI SM/Nov. 2015 RTP)</p>	Particulars	(₹)	Particulars	(₹)	To Balance b/d	1,00,000	By Cash Purchase	1,20,000	To Cash sales	1,40,000	By Trade payables	1,57,000	To Trade receivables	1,75,000	By Office & Selling Expenses	75,000	To Trade Commission	50,000	By Income Tax	30,000	To Sale of Investment	30,000	By Investment	25,000	To Loan from Bank	1,00,000	By Repayment of Loan	75,000	To Interest & Dividend	1,000	By Interest on loan	10,000			By Balance c/d	1,04,000		<b>5,96,000</b>		<b>5,96,000</b>
Particulars	(₹)	Particulars	(₹)																																						
To Balance b/d	1,00,000	By Cash Purchase	1,20,000																																						
To Cash sales	1,40,000	By Trade payables	1,57,000																																						
To Trade receivables	1,75,000	By Office & Selling Expenses	75,000																																						
To Trade Commission	50,000	By Income Tax	30,000																																						
To Sale of Investment	30,000	By Investment	25,000																																						
To Loan from Bank	1,00,000	By Repayment of Loan	75,000																																						
To Interest & Dividend	1,000	By Interest on loan	10,000																																						
		By Balance c/d	1,04,000																																						
	<b>5,96,000</b>		<b>5,96,000</b>																																						
Sol.	<p style="text-align: center;"><b>Cash Flow Statement of...</b>  <b>For the year ended March 31, 20X1 (Direct Method)</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;">Particulars</th> <th style="width: 20%;">(₹)</th> <th style="width: 20%;">(₹)</th> </tr> </thead> <tbody> <tr> <td>✓ Operating Activities;</td> <td></td> <td></td> </tr> <tr> <td>✓ Cash received from sale of goods</td> <td style="text-align: right;">1,40,000</td> <td></td> </tr> <tr> <td>✓ Cash received from Trade receivables</td> <td style="text-align: right;">1,75,000</td> <td></td> </tr> <tr> <td>✓ Trade Commission received</td> <td style="text-align: right;">50,000</td> <td style="text-align: right;">3,65,000</td> </tr> <tr> <td>✓ <b>Less:</b> Payment for Cash Purchases</td> <td style="text-align: right;">1,20,000</td> <td></td> </tr> <tr> <td>✓ Payment to Trade payables</td> <td style="text-align: right;">1,57,000</td> <td></td> </tr> <tr> <td>✓ Office and Selling Expenses</td> <td style="text-align: right;">75,000</td> <td></td> </tr> <tr> <td>✓ Payment for Income Tax</td> <td style="text-align: right;">30,000</td> <td style="text-align: right;">(3,82,000)</td> </tr> <tr> <td>✓ Net Cash Flow used in Operating Activities</td> <td></td> <td style="text-align: right;">(17,000)</td> </tr> </tbody> </table>	Particulars	(₹)	(₹)	✓ Operating Activities;			✓ Cash received from sale of goods	1,40,000		✓ Cash received from Trade receivables	1,75,000		✓ Trade Commission received	50,000	3,65,000	✓ <b>Less:</b> Payment for Cash Purchases	1,20,000		✓ Payment to Trade payables	1,57,000		✓ Office and Selling Expenses	75,000		✓ Payment for Income Tax	30,000	(3,82,000)	✓ Net Cash Flow used in Operating Activities		(17,000)										
Particulars	(₹)	(₹)																																							
✓ Operating Activities;																																									
✓ Cash received from sale of goods	1,40,000																																								
✓ Cash received from Trade receivables	1,75,000																																								
✓ Trade Commission received	50,000	3,65,000																																							
✓ <b>Less:</b> Payment for Cash Purchases	1,20,000																																								
✓ Payment to Trade payables	1,57,000																																								
✓ Office and Selling Expenses	75,000																																								
✓ Payment for Income Tax	30,000	(3,82,000)																																							
✓ Net Cash Flow used in Operating Activities		(17,000)																																							
10.	<p><b>Ryan Ltd provides you the following information at the year-end, March 31, 20X1;</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;">Particulars</th> <th style="width: 20%;">(₹)</th> <th style="width: 20%;">(₹)</th> </tr> </thead> <tbody> <tr> <td>✓ Sales</td> <td></td> <td style="text-align: right;">6,98,000</td> </tr> <tr> <td>✓ Cost of Goods Sold</td> <td></td> <td style="text-align: right;">(5,20,000)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">1,78,000</td> </tr> <tr> <td>✓ Operating Expense</td> <td></td> <td></td> </tr> <tr> <td>✓ (Including Depreciation Expense of ₹ 37,000)</td> <td></td> <td style="text-align: right;">(1,47,000)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">31,000</td> </tr> <tr> <td colspan="3"><b>Other Income/(Expenses);</b></td> </tr> <tr> <td>✓ Interest Expense paid</td> <td style="text-align: right;">(23,000)</td> <td></td> </tr> <tr> <td>✓ Interest Income received</td> <td style="text-align: right;">6,000</td> <td></td> </tr> <tr> <td>✓ Gain on Sale of Investments</td> <td style="text-align: right;">12,000</td> <td></td> </tr> <tr> <td>✓ Loss on Sale of Plant</td> <td style="text-align: right;">(3,000)</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">(8,000)</td> </tr> </tbody> </table>	Particulars	(₹)	(₹)	✓ Sales		6,98,000	✓ Cost of Goods Sold		(5,20,000)			1,78,000	✓ Operating Expense			✓ (Including Depreciation Expense of ₹ 37,000)		(1,47,000)			31,000	<b>Other Income/(Expenses);</b>			✓ Interest Expense paid	(23,000)		✓ Interest Income received	6,000		✓ Gain on Sale of Investments	12,000		✓ Loss on Sale of Plant	(3,000)				(8,000)	
Particulars	(₹)	(₹)																																							
✓ Sales		6,98,000																																							
✓ Cost of Goods Sold		(5,20,000)																																							
		1,78,000																																							
✓ Operating Expense																																									
✓ (Including Depreciation Expense of ₹ 37,000)		(1,47,000)																																							
		31,000																																							
<b>Other Income/(Expenses);</b>																																									
✓ Interest Expense paid	(23,000)																																								
✓ Interest Income received	6,000																																								
✓ Gain on Sale of Investments	12,000																																								
✓ Loss on Sale of Plant	(3,000)																																								
		(8,000)																																							

Profit before Tax		23,000
<b>Income tax</b>		(7,000)
Profit after Tax		16,000
<b>Information available;</b>		
<b>Particulars</b>	<b>31<sup>st</sup> March 20X1 (₹)</b>	<b>31<sup>st</sup> March 20X0 (₹)</b>
✓ Plant	7,15,000	5,05,000
✓ <b>Less:</b> Accumulated Depreciation	(1,03,000)	(68,000)
	6,12,000	4,37,000
✓ Investments (Long term)	1,15,000	1,27,000
✓ Inventory	1,44,000	1,10,000
✓ Trade receivables	47,000	55,000
✓ Cash	46,000	15,000
✓ Prepaid expenses	1,000	5,000
✓ Share Capital	4,65,000	3,15,000
✓ Reserves and surplus	1,40,000	1,32,000
✓ Bonds	2,95,000	2,45,000
✓ Trade payables	50,000	43,000
✓ Outstanding liabilities	12,000	9,000
✓ Income taxes payable	3,000	5,000
<b>Analysis of selected accounts and transactions during 20X0-X1;</b>		
1) Purchased investments for ₹ 78,000.		
2) Sold investments for ₹ 1,02,000. These investments cost ₹ 90,000.		
3) Purchased plant assets for ₹ 1,20,000.		
4) Sold plant assets that cost ₹ 10,000 with accumulated depreciation of ₹ 2,000 for ₹ 5,000.		
5) Issued ₹ 1,00,000 of bonds at face value in an exchange for plant assets on 31 <sup>st</sup> March, 20X1.		
6) Repaid ₹ 50,000 of bonds at face value at maturity.		
7) Issued 15,000 shares of ₹ 10 each.		
8) Paid cash dividends ₹ 8,000.		
Prepare Cash Flow Statement as per AS-3 (Revised), using indirect method.		
(ICA SM/May 2003(M))		
<b>Sol.</b>	<b>Ryan Ltd.</b>	
	<b>Cash Flow Statement</b>	
	<b>For the year ending 31<sup>st</sup> March, 20X1</b>	
	<b>Particulars</b>	<b>(₹)</b>
	<b>(₹)</b>	<b>(₹)</b>
<b>Cash flows from operating activities;</b>		
✓ Net profit before taxation	23,000	
✓ <b>Adjustments for;</b>		
✓ Depreciation	37,000	
✓ Gain on sale of investments	(12,000)	
✓ Loss on sale of plant assets	3,000	
✓ Interest expense	23,000	
✓ Interest income	(6,000)	
✓ Operating profit before working capital changes	68,000	
✓ Decrease in trade receivables	8,000	
✓ Increase in inventory	(34,000)	

✓ Decrease in prepaid expenses	4,000	
✓ Increase in trade payables	7,000	
✓ Increase in outstanding liabilities	3,000	
✓ Cash generated from operations	56,000	
✓ Income taxes paid*	(9,000)	
✓ Net cash generated from operating activities		47,000
<b>Cash flows from investing activities;</b>		
✓ Purchase of plant	(1,20,000)	
✓ Sale of plant	5,000	
✓ Purchase of investments	(78,000)	
✓ Sale of investments	1,02,000	
✓ Interest received	6,000	
✓ Net cash used in investing activities		(85,000)
<b>Cash flows from financing activities;</b>		
✓ Proceeds from issuance of share capital	1,50,000	
✓ Repayment of bonds	(50,000)	
✓ Interest paid	(23,000)	
✓ Dividends paid	(8,000)	
✓ Net cash from financing activities		69,000
✓ Net increase in cash and cash equivalents		31,000
✓ Cash and cash equivalents at the beginning of the period		15,000
✓ Cash and cash equivalents at the end of the period		46,000

**Working Notes: -****1)**

Particulars	(₹)
<b>Income taxes paid;</b>	
✓ Income tax expense for the year	7,000
✓ <b>Add:</b> Income tax liability at the beginning of the year	5,000
	12,000
✓ <b>Less:</b> Income tax liability at the end of the year	(3,000)
	9,000

**2)**

Dr.		Investments A/c		Cr.	
Particulars	Amount	Particulars	Amount		
Balance B/d	1,27,000	Bank A/c (Sale)	1,02,000		
Bank A/c(Purchase)	78,000				
Profit and loss A/c	12,000	Balance C/d	1,15,000		
	<b>2,17,000</b>				<b>2,17,000</b>

Dr.		Plant A/c		Cr.	
Particulars	Amount	Particulars	Amount		
Balance B/d	5,05,000	Plant disposal A/c	10,000		
Bonds	1,00,000				
Bank A/c	1,20,000	Balance C/d	7,15,000		
	<b>7,25,000</b>				<b>7,25,000</b>

Dr.		Accumulated depreciation A/c		Cr.	
Particulars	Amount	Particulars	Amount		
Plant disposal a/c	2,000	Balance B/d		68,000	
Balance c/d	1,03,000	Depreciation (b/f)		37,000	
	<b>1,05,000</b>			<b>1,05,000</b>	

  

Dr.		Plant disposal A/c		Cr.	
Particulars	Amount	Particulars	Amount		
Plant A/c	10,000	Accumulated depreciation A/c		2,000	
		Bank A/c		5,000	
		Loss on sale of plant		3,000	
	<b>10,000</b>			<b>10,000</b>	

11. The following are the extracts of Balance Sheet and Statement of Profit and Loss of Supriya Ltd.;

**Extract of Balance Sheet**

Particulars	Notes	20X1 (₹'000)	20X0 (₹'000)
<b>Equity and Liabilities;</b>			
<b>1) Shareholder's funds;</b>			
a) Share Capital	1	500	200
<b>2) Non-Current liabilities;</b>			
a) Long-term loan from bank		---	250
<b>3) Current liabilities;</b>			
a) Trade Payables		1,000	3,047
<b>Assets;</b>			
<b>1) Non-current assets;</b>			
a) Property, Plant and Equipment		230	128
<b>2) Current Assets;</b>			
a) Trade receivables		2,000	4,783
b) Cash & Cash equivalents (Cash balance)		212	35

**Extract of Statement of Profit and Loss**

Particulars	Notes	20X1 (₹'000)	20X0 (₹'000)
<b>1) Expenses;</b>			
Employee benefits expenses		69	25
Other expenses	2	115	110
<b>2) Tax expense;</b>			
Current tax (paid during year)		243	140

**Notes to accounts;**

Particulars	20X1 (₹'000)	20X0 (₹'000)
<b>1) Share Capital;</b>		
Equity Shares of ₹ 10 each, fully paid up	500	200
<b>2) Other expenses;</b>		
Overheads	115	110

	<p>Prepare Cash Flow Statement of Supriya Ltd. for the year ended 31<sup>st</sup> March, 20X1 in accordance with AS-3 (Revised) using direct method. All transactions were done in cash only. There were no outstanding/prepaid expense as on 31<sup>st</sup> March, 20X0 and on 31<sup>st</sup> March, 20X1. Ignore depreciation. Dividend amounting ₹ 80,000 was paid during the year ended 31<sup>st</sup>, 20X1. (May 2021 RTP/November 2006)</p>																																																																		
<b>Sol.</b>	<p style="text-align: center;"><b>Supriya Ltd.</b> <b>Cash Flow Statement for the year ended 31<sup>st</sup> March, 20X1</b> <b>(Using direct method)</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;">Particulars</th> <th style="width: 20%;">(₹ '000)</th> <th style="width: 20%;">(₹ '000)</th> </tr> </thead> <tbody> <tr> <td colspan="3"><b>Cash Flow from Operating Activities;</b></td> </tr> <tr> <td>✓ Cash receipts from customers</td> <td style="text-align: right;">2,783</td> <td></td> </tr> <tr> <td>✓ Cash payments to suppliers</td> <td style="text-align: right;">(2,047)</td> <td></td> </tr> <tr> <td>✓ Cash paid to employees</td> <td style="text-align: right;">(69)</td> <td></td> </tr> <tr> <td>✓ Other cash payments (for overheads)</td> <td style="text-align: right;">(115)</td> <td></td> </tr> <tr> <td>✓ Cash generated from operations</td> <td style="text-align: right;">552</td> <td></td> </tr> <tr> <td>✓ Income taxes paid</td> <td style="text-align: right;">(243)</td> <td></td> </tr> <tr> <td><b>Net cash from operating activities</b></td> <td></td> <td style="text-align: right;"><b>309</b></td> </tr> <tr> <td colspan="3"><b>Cash flows from investing activities;</b></td> </tr> <tr> <td>✓ Payments for purchase of Property, Plant and Equipment</td> <td style="text-align: right;">(102)</td> <td></td> </tr> <tr> <td><b>Net Cash used in investing activities</b></td> <td></td> <td style="text-align: right;"><b>(102)</b></td> </tr> <tr> <td colspan="3"><b>Cash flows from financing activities;</b></td> </tr> <tr> <td>✓ Proceeds from issuance of share capital</td> <td style="text-align: right;">300</td> <td></td> </tr> <tr> <td>✓ Bank loan repaid</td> <td style="text-align: right;">(250)</td> <td></td> </tr> <tr> <td>✓ Dividend paid</td> <td style="text-align: right;">(80)</td> <td></td> </tr> <tr> <td>✓ Net cash used in financing activities</td> <td></td> <td style="text-align: right;">(30)</td> </tr> <tr> <td><b>Net increase in cash and cash equivalents</b></td> <td></td> <td style="text-align: right;"><b>177</b></td> </tr> <tr> <td><b>Cash and cash equivalents at beginning of period</b></td> <td></td> <td style="text-align: right;"><b>35</b></td> </tr> <tr> <td><b>Cash and cash equivalents at end of period</b></td> <td></td> <td style="text-align: right;"><b>212</b></td> </tr> </tbody> </table>			Particulars	(₹ '000)	(₹ '000)	<b>Cash Flow from Operating Activities;</b>			✓ Cash receipts from customers	2,783		✓ Cash payments to suppliers	(2,047)		✓ Cash paid to employees	(69)		✓ Other cash payments (for overheads)	(115)		✓ Cash generated from operations	552		✓ Income taxes paid	(243)		<b>Net cash from operating activities</b>		<b>309</b>	<b>Cash flows from investing activities;</b>			✓ Payments for purchase of Property, Plant and Equipment	(102)		<b>Net Cash used in investing activities</b>		<b>(102)</b>	<b>Cash flows from financing activities;</b>			✓ Proceeds from issuance of share capital	300		✓ Bank loan repaid	(250)		✓ Dividend paid	(80)		✓ Net cash used in financing activities		(30)	<b>Net increase in cash and cash equivalents</b>		<b>177</b>	<b>Cash and cash equivalents at beginning of period</b>		<b>35</b>	<b>Cash and cash equivalents at end of period</b>		<b>212</b>				
Particulars	(₹ '000)	(₹ '000)																																																																	
<b>Cash Flow from Operating Activities;</b>																																																																			
✓ Cash receipts from customers	2,783																																																																		
✓ Cash payments to suppliers	(2,047)																																																																		
✓ Cash paid to employees	(69)																																																																		
✓ Other cash payments (for overheads)	(115)																																																																		
✓ Cash generated from operations	552																																																																		
✓ Income taxes paid	(243)																																																																		
<b>Net cash from operating activities</b>		<b>309</b>																																																																	
<b>Cash flows from investing activities;</b>																																																																			
✓ Payments for purchase of Property, Plant and Equipment	(102)																																																																		
<b>Net Cash used in investing activities</b>		<b>(102)</b>																																																																	
<b>Cash flows from financing activities;</b>																																																																			
✓ Proceeds from issuance of share capital	300																																																																		
✓ Bank loan repaid	(250)																																																																		
✓ Dividend paid	(80)																																																																		
✓ Net cash used in financing activities		(30)																																																																	
<b>Net increase in cash and cash equivalents</b>		<b>177</b>																																																																	
<b>Cash and cash equivalents at beginning of period</b>		<b>35</b>																																																																	
<b>Cash and cash equivalents at end of period</b>		<b>212</b>																																																																	
<b>12.</b>	<p>From the following information, prepare a Cash Flow Statement for the year ended 31<sup>st</sup> March, 20X2.</p> <p style="text-align: center;"><b>Balance Sheets</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;">Particulars</th> <th style="width: 5%;">Note</th> <th style="width: 20%;">31.03.20X2(₹)</th> <th style="width: 35%;">31.03.20X1(₹)</th> </tr> </thead> <tbody> <tr> <td colspan="4"><b>I. EQUITY AND LIABILITIES;</b></td> </tr> <tr> <td colspan="4"><b>1) Shareholder's Funds;</b></td> </tr> <tr> <td>a) Share Capital</td> <td style="text-align: center;">1</td> <td style="text-align: right;">3,50,000</td> <td style="text-align: right;">3,00,000</td> </tr> <tr> <td>b) Reserves and Surplus</td> <td style="text-align: center;">2</td> <td style="text-align: right;">82,000</td> <td style="text-align: right;">38,000</td> </tr> <tr> <td colspan="4"><b>2) Non-Current Liabilities;</b></td> </tr> <tr> <td colspan="4"><b>3) Current Liabilities;</b></td> </tr> <tr> <td>a) Trade Payables</td> <td></td> <td style="text-align: right;">65,000</td> <td style="text-align: right;">44,000</td> </tr> <tr> <td>b) Other Current Liabilities Short term Provisions</td> <td style="text-align: center;">3</td> <td style="text-align: right;">69,000</td> <td style="text-align: right;">55,000</td> </tr> <tr> <td style="text-align: center;"><b>Total</b></td> <td></td> <td style="text-align: right;"><b>5,66,000</b></td> <td style="text-align: right;"><b>4,37,000</b></td> </tr> <tr> <td colspan="4"><b>II. ASSETS;</b></td> </tr> <tr> <td colspan="4"><b>1) Non-Current Assets;</b></td> </tr> <tr> <td>a) Tangible Assets</td> <td style="text-align: center;">4</td> <td style="text-align: right;">2,66,000</td> <td style="text-align: right;">1,90,000</td> </tr> <tr> <td>b) Intangible Assets (Goodwill)</td> <td></td> <td style="text-align: right;">47,000</td> <td style="text-align: right;">60,000</td> </tr> <tr> <td><b>Non-Current Investments;</b></td> <td></td> <td style="text-align: right;">35,000</td> <td style="text-align: right;">10,000</td> </tr> <tr> <td colspan="4"><b>2) Current Assets;</b></td> </tr> </tbody> </table>			Particulars	Note	31.03.20X2(₹)	31.03.20X1(₹)	<b>I. EQUITY AND LIABILITIES;</b>				<b>1) Shareholder's Funds;</b>				a) Share Capital	1	3,50,000	3,00,000	b) Reserves and Surplus	2	82,000	38,000	<b>2) Non-Current Liabilities;</b>				<b>3) Current Liabilities;</b>				a) Trade Payables		65,000	44,000	b) Other Current Liabilities Short term Provisions	3	69,000	55,000	<b>Total</b>		<b>5,66,000</b>	<b>4,37,000</b>	<b>II. ASSETS;</b>				<b>1) Non-Current Assets;</b>				a) Tangible Assets	4	2,66,000	1,90,000	b) Intangible Assets (Goodwill)		47,000	60,000	<b>Non-Current Investments;</b>		35,000	10,000	<b>2) Current Assets;</b>			
Particulars	Note	31.03.20X2(₹)	31.03.20X1(₹)																																																																
<b>I. EQUITY AND LIABILITIES;</b>																																																																			
<b>1) Shareholder's Funds;</b>																																																																			
a) Share Capital	1	3,50,000	3,00,000																																																																
b) Reserves and Surplus	2	82,000	38,000																																																																
<b>2) Non-Current Liabilities;</b>																																																																			
<b>3) Current Liabilities;</b>																																																																			
a) Trade Payables		65,000	44,000																																																																
b) Other Current Liabilities Short term Provisions	3	69,000	55,000																																																																
<b>Total</b>		<b>5,66,000</b>	<b>4,37,000</b>																																																																
<b>II. ASSETS;</b>																																																																			
<b>1) Non-Current Assets;</b>																																																																			
a) Tangible Assets	4	2,66,000	1,90,000																																																																
b) Intangible Assets (Goodwill)		47,000	60,000																																																																
<b>Non-Current Investments;</b>		35,000	10,000																																																																
<b>2) Current Assets;</b>																																																																			

a) Inventories	78,000	85,000
b) Trade Receivables	1,08,000	75,000
c) Cash & Cash Equivalents	32,000	17,000
<b>Total</b>	<b>5,66,000</b>	<b>4,37,000</b>

**Note: -1 Share Capital**

Particulars	31.03.20X2 (₹)	31.03.20X1 (₹)
✓ Equity Share Capital	2,50,000	1,50,000
✓ 8% Preference Share Capital	1,00,000	1,50,000
<b>Total</b>	<b>3,50,000</b>	<b>3,00,000</b>

**Note: -2 Reserves and Surplus**

Particulars	31.03.20X2 (₹)	31.03.20X1 (₹)
✓ General Reserve	30,000	20,000
✓ Profit and Loss A/c	27,000	18,000
✓ Capital Reserve	25,000	----
<b>Total</b>	<b>82,000</b>	<b>38,000</b>

**Note: -3 (Provision for tax)**

Particulars	31.03.20X2 (₹)	31.03.20X1 (₹)
Provision for tax	69,000	55,000

**Note: -4 Tangible Assets**

Particulars	31.03.20X2 (₹)	31.03.20X1 (₹)
✓ Land & Building	75,000	1,00,000
✓ Machinery	1,91,000	90,000
<b>Total</b>	<b>2,66,000</b>	<b>1,90,000</b>

**Additional Information;**

- ₹ 18,000 depreciation for the year has been written off on plant and machinery and no depreciation has been charged on Land and Building.
- A Piece of land has been sold out for ₹ 50,000 and the balance has been revalued. Profit on such sale and revaluation being transferred to capital reserve. There is no other entry in Capital Reserve Account.
- A plant was sold for ₹ 12,000 WDV being ₹ 15,000 on the date of sale (after charging depreciation).
- Dividend received amounted to ₹ 2,100 which included pre-acquisition dividend of ₹ 600.
- An interim dividend of ₹ 10,000 including Dividend Distribution Tax has been paid.
- Non-current investments given in the balance sheet represents investment in shares of other companies.
- Amount of provision for tax existing on 31.03.20X1 was paid during the year 20X1-20X2.

**(November 2019 RTP)**

Sol.	<b>Cash Flow Statement for the year ending 31<sup>st</sup> March, 20X2</b>		
	Particulars	(₹)	(₹)
	<b>1) Cash Flow from Operating Activities;</b>		
	a) Closing balance as per Profit and Loss Account		27,000

✓ <b>Less:</b> Opening balance as per Profit and Loss Account			(18,000)
✓ <b>Add:</b> Interim dividend paid during the year			10,000
✓ <b>Add:</b> Transfer to reserve			10,000
✓ <b>Add:</b> Provision for Tax			<u>69,000</u>
<b>b)</b> Net profit before taxation, and extra-ordinary item			98,000
<b>c) Add:</b> Items to be added			
✓ Depreciation	18,000		
✓ Loss on sale of Plant	3,000		
✓ Goodwill written off	<u>13,000</u>		34,000
<b>d) Less:</b> Dividend Income			<u>(1,500)</u>
<b>e)</b> Operating profit before working capital changes [B + C - D]			1,30,500
<b>f) Add:</b> Decrease in Current Assets and Increase in Current Liabilities			
✓ Decrease in Inventories	7,000		
✓ Increase in Trade Payables	<u>21,000</u>		28,000
<b>g) Less:</b> Increase in Trade Receivables			<u>(33,000)</u>
<b>h)</b> Cash generated from operations (E + F - G)			1,25,500
<b>I) Less:</b> Income taxes paid			<u>(55,000)</u>
<b>j)</b> Net Cash from (used in) operating activities			<u>70,500</u>
<b>II. Cash Flows from investing activities;</b>			
✓ Purchase of Plant			(1,34,000)
✓ Sale of Land			50,000
✓ Sale of plant			12,000
✓ Purchase of investments			(25,600)
✓ Dividend Received			<u>2,100</u>
✓ Net cash used in investing activities			<u>(95,500)</u>
<b>III. Cash Flows from Financing activities;</b>			
✓ Proceeds from issue of equity share capital			1,00,000
✓ Redemption of preference shares			(50,000)
✓ Interim Dividend paid			(10,000)
✓ Net cash from financing activities			<u>40,000</u>
<b>IV. Net increase in cash and cash equivalents (I + II + III)</b>			15,000
<b>V. Cash and cash equivalents at beginning of period</b>			<u>17,000</u>
<b>VI. Cash and cash equivalents at end of period (IV + V)</b>			32,000
<b>1)</b>			
<b>Land and Building Account</b>			
<b>Particulars</b>	<b>(₹)</b>	<b>Particulars</b>	<b>(₹)</b>
To Balance b/d	1,00,000	By Bank A/c (Sale)	50,000
To Capital Reserve A/c (Profit on sale/revaluation)	25,000	By Balance c/d	75,000
	<u>1,25,000</u>		<u>1,25,000</u>

2)				
<b>Plant and Machinery Account</b>				
<b>Particulars</b>	<b>(₹)</b>	<b>Particulars</b>	<b>(₹)</b>	
To Balance b/d	90,000	By Depreciation A/c	18,000	
To Bank A/c (Purchase)	1,34,000	By Bank A/c (sale)	12,000	
		By Profit and Loss A/c (Loss on sale)	3,000	
		By Balance c/d	1,91,000	
	<b>2,24,000</b>		<b>2,24,000</b>	
3)				
<b>Investment Account</b>				
<b>Particulars</b>	<b>(₹)</b>	<b>Particulars</b>	<b>(₹)</b>	
To Balance b/d	10,000	By Bank A/c (Dividend received)	600	
To bank A/c (Purchase)	25,600	By Balance c/d	35,000	
	<b>35,600</b>		<b>35,600</b>	
13. The balance sheets of Sun Ltd. as at 31 <sup>st</sup> March 20X1 and 20X0 were as;				
<b>Particulars</b>	<b>Notes</b>	<b>20X1 (₹)</b>	<b>20X0 (₹)</b>	
<b>Equity and Liabilities;</b>				
<b>1) Shareholder's funds;</b>				
a) Share capital	1	60,000	50,000	
b) Reserve & Surplus	2	5,000	4,000	
<b>2) Current Liabilities;</b>				
a) Trade Payables		4,000	2,500	
b) Other current liabilities		----		
Short term provision (provision for tax)	3	1,500	2,000	
<b>Total</b>		<b>70,500</b>	<b>58,500</b>	
<b>Assets;</b>				
<b>1) Non-current assets;</b>				
a) Property, Plant & Equipment	4	39,500	29,000	
<b>2) Current assets;</b>				
a) Current investments		2,000	1,000	
b) Inventories		17,000	14,000	
c) Trade receivables		8,000	6,000	
d) Cash & cash equivalents	5	4,000	8,500	
		<b>70,500</b>	<b>58,500</b>	
<b>Notes to accounts;</b>				
<b>Particulars</b>	<b>20X1 (₹)</b>	<b>20X0 (₹)</b>		
<b>1) Share Capital;</b>				
Equity Shares of ₹ 10 each	60,000	50,000		
<b>2) Reserve &amp; surplus;</b>				
Profit and Loss Account	5,000	4,000		
<b>3) Other current liabilities;</b>				

Provision for tax)	<u>1,500----</u>	<u>2,000</u>
<b>4) Property, plant and equipment (at WDV);</b>		
Building	10,000	10,000
Fixtures	17,000	11,000
Vehicles	<u>12,500</u>	<u>8,000</u>
<b>Total</b>	<u>39,500</u>	<u>29,000</u>
<b>5) Cash and cash equivalents;</b>		
Cash and Bank	<u>4,000</u>	<u>8,500</u>

**The profit and loss statement for the year ended 31<sup>st</sup> March, 20X1 disclosed;**

Particulars	(₹)
✓ Profit before tax	4,500
✓ Tax expense; Current tax	<u>(1,500)</u>
✓ Profit for the year	3,000
✓ Declared dividend	<u>(2,000)</u>
✓ Retained Profit	1,000

**Further information is available;**

Particulars	Fixtures (₹)	Vehicles (₹)
✓ Depreciation for the year	1,000	2,500
✓ Disposals;		
✓ Proceeds on disposal of vehicles	----	1,700
✓ Written down value	----	<u>(1,000)</u>
✓ Profit on disposal		<u>700</u>

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

(ICAI SM)

Sol.

<b>Sun Ltd.</b>		
<b>Cash Flow Statement</b>		
<b>For the year ended 31<sup>st</sup> March, 20X1</b>		
Particulars	(₹)	(₹)
<b>Cash flows from operating activities;</b>		
✓ Net Profit before taxation	4,500	
✓ Adjustments for;		
✓ Depreciation	3,500	
✓ Profit on sale of vehicles (1,700 - 1,000)	(700)	
✓ Operating profit before working capital changes	7,300	
✓ Increase in Trade receivables	(2,000)	
✓ Increase in inventories	(3,000)	
✓ Increase in Trade payables	1,500	
✓ Cash generated from operations	3,800	
✓ Income taxes paid (W.N.1)	(2,000)	
✓ Net cash generated from operating activities		1,800
<b>Cash flows from investing activities;</b>		
✓ Sale of vehicles	1,700	
✓ Purchase of current investments	(1,000)	
✓ Purchase of vehicles (W.N.3)	(8,000)	
✓ Purchase of fixtures (W.N.3)	(7,000)	
✓ Net cash used in investing activities		(14,300)
<b>Cash flows from financing activities;</b>		
✓ Issues of shares for cash	10,000	

✓ Dividends paid (W.N.2)	(2,000)	
✓ Net cash generated from financing activities		8,000
<b>Net decrease in cash and cash equivalents</b>		<b>(4,500)</b>
<b>Cash and cash equivalents at beginning of period (See Note)</b>		8,500
<b>Cash and cash equivalents at end of period (See Note)</b>		4,000
<b>Note to the Cash Flow Statement</b>		
<b>Cash and Cash Equivalents</b>	<b>31.3.20X1</b>	<b>31.3.20X0</b>
✓ Bank and Cash	4,000	8,500
✓ Cash and cash equivalents	4,000	8,500

**Working Notes: -**

Particulars		(₹)
<b>1) Income taxes paid;</b>		
Income tax expense for the year		1,500
<b>Add:</b> Income tax liability at the beginning of the year		2,000
		3,500
<b>Less:</b> Income tax liability at the end of the year		(1,500)
		<b>2,000</b>
<b>2) Dividend paid;</b>		
Declared dividend for the year		2,000
		<b>2,000</b>
<b>3) Property, Plant and equipment acquisitions;</b>		
Particulars	Fixtures (₹)	Vehicles (₹)
✓ W.D.V at 31.03.20X1	17,000	12,500
✓ <b>Add:</b> back;		
✓ Depreciation for the year	1,000	2,500
✓ Disposals	----	1,000
	18,000	16,000
✓ <b>Less:</b> W.D.V at 31.12.20X0	(11,000)	(8,000)
✓ Acquisitions during 20X0-20X1	7,000	8,000

**Note: -**

\*Current investments may not be readily convertible to a known amount of cash and may not be subject to an insignificant risk of changes in value as per the requirements of AS-3 and hence those have been considered as investing activities.

- 14.** Ms. Jyoti of Star Oils Limited has collected the following information for the preparation of cash flow statement for the year ended 31<sup>st</sup> March, 20X1;

Particulars	(₹ in Lakhs)
✓ Net Profit	25,000
✓ Dividend 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 the Statement of Profit and Loss	20,000
✓ Profit on sale of investments	100
✓ Carrying amount of Investment sold	27,765
✓ Interest income received 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 ended 31 March 20X1 in accordance with AS 3, (Make necessary assumptions.) **(ICAI SM)**

<b>Star Oils Limited</b>		
<b>Cash Flow Statement</b>		
<b>For the year ended 31<sup>st</sup> March, 20X1</b>		
Particulars	(₹) in Lakhs	
<b>Cash flows from operating activities;</b>		
✓ Net profit before taxation (25,000 + 5,000)	30,000	
Adjustments for;		
✓ Depreciation	20,000	
✓ Loss on sale of assets (Net)	40	
✓ Profit on sale of investments	(100)	
✓ Interest income on investments	(2,506)	
✓ Interest expenses	10,000	
✓ Operating profit before working capital changes	57,434	
Changes in working capital (Excluding cash and bank balance)	(56,081)	
Cash generated from operations	1,353	
✓ Income taxes paid	(4,248)	
Net cash used in operating activities		<b>(2,895)</b>
<b>Cash flows from investing activities;</b>		
✓ Sale of assets (W.N.1)	145	
✓ Sale of investments (27,765 + 100)	27,865	
✓ Receipt of grant for capital projects	12	
✓ Interest income on investments	2,506	
✓ Purchase of fixed assets	(14,560)	
✓ Investment in joint venture	(3,850)	
✓ Expenditure on construction work-in-progress	(34,740)	
Net cash used in investing activities		<b>(22,622)</b>
<b>Cash flows from financing activities;</b>		
✓ Proceeds from calls in arrear	2	
✓ Proceeds from long-term borrowings	25,980	
✓ Proceed from short-term borrowings	20,575	
✓ Interest paid	(10,520)	
✓ Dividend paid	(8,535)	
Net increase in cash and cash equivalents		<b>1,985</b>
Cash and cash equivalents at the beginning of the period		<b>5,003</b>
Cash and cash equivalents at the end of the period		<b>6,988</b>

	<b>Working Notes: -</b>		
	1)	✓ Book value of the assets sold	185
		✓ <b>Less:</b> Loss on sale of assets	(40)
		✓ Proceeds on sale	145
15.	How will you disclose following items while preparing Cash Flow Statement of Gagan Ltd. as per AS-3 for the year ended 31 <sup>st</sup> March, 20X2?		
	1)	10% Debentures issued;	As on 01-04-20X1 ₹ 1,10,000 As on 31-03-20X2 ₹ 77,000 (Redeemed at year end)
	2)	Debentures were redeemed at 5% premium at the end of the year. Premium was charged to the Profit & Loss Account A/c for the year.	
	3)	Unpaid Interest on Debentures;	As on 01-04-20X1 ₹ 275 As on 31-03-20X2 ₹ 1,175
	4)	Debtors of ₹ 36,000 were written off against the Provision for Doubtful Debts A/c during the year.	
	5)	10% Bonds (Investments);	As on 01-04-20X1 ₹ 3,50,000 As on 31-03-20X2 ₹ 3,50,000
	6)	Outstanding Interest on Investments; As on 31-03-20X2 ₹ 10,500	
			<b>(ICAI SM)</b>
Sol.	<b>Cash Flow Statement of M/s Gagan Ltd. for the year ended March 31, 20X2;</b>		
	<b>a) Cash Flow from Operating Activities;</b>		
		Net Profit as per Profit & Loss A/c	Xxxxx
		<b>Add:</b> Premium on Redemption of Debentures	1,650
		<b>Add:</b> Interest on 10% Debentures	11,000
		<b>Less:</b> Interest on 10% Investments	(35,000)
	<b>b) Cash Flow from Investing Activities;</b>		
		Interest on Investments [35,000 – 10,500]	24,500
	<b>c) Cash Flow from Financing Activities;</b>		
		Interest on Debentures paid [11,000 – (1,175 – 275)] – outflow	(10,100)
		Redemption of Debentures [(1,10,000 – 77,000) at 5% premium] – outflow	(34,650)
	<b>Note: -</b>		
	Debtors written off against provision for doubtful debts does not require any further adjustments in Cash Flow Statement.		
16.	<b>Following is the cash flow abstract of Alpha Ltd. for the year ended 31<sup>st</sup> March, 20X1;</b>		
	<b>Cash Flow (Abstract)</b>		
	<b>Inflows</b>	<b>(₹)</b>	<b>Outflows</b>
		<b>(₹)</b>	<b>(₹)</b>
	Opening cash and bank balance	80,000	Payment for Account Payables
	Share capital – shares issued	5,00,000	Salaries and wages
	Collection from Trade Receivables	3,50,000	Payment of overheads
	Sale of Machinery	70,000	Machinery acquired
			Debentures redeemed
			Bank loan repaid
			Tax paid
			Closing cash and bank balance
		<b>10,00,000</b>	<b>10,00,000</b>
	Prepare Cash Flow Statement for the year ended 31 <sup>st</sup> March, 20X1 in accordance with AS-3.		
			<b>(April 2021 MTP)</b>

Sol.	<b>Cash Flow Statement for the year ended 31.03.20X1</b>														
	<b>Particulars</b>	<b>(₹)</b>	<b>(₹)</b>												
	<b>Cash Flow from operating activities;</b>														
	✓ Cash received on account of trade receivables	3,50,000													
	✓ Cash paid on account of trade payables	(90,000)													
	✓ Cash paid to employees (salaries and wages)	(25,000)													
	✓ Other cash payments (overheads)	<u>(15,000)</u>													
	✓ Cash generated from operations	2,20,000													
	✓ Income tax paid	<u>(1,55,000)</u>													
	✓ Net cash generated from operating activities		65,000												
	<b>Cash Flow from investing activities;</b>														
	✓ Payment for purchase of machinery	(4,00,000)													
	✓ Proceeds from sale of machinery	<u>70,000</u>													
	✓ Net cash used in investment activities		(3,30,000)												
	<b>Cash flow from financing activities;</b>														
	✓ Proceeds from issue of share capital	5,00,000													
	✓ Bank loan repaid	(2,50,000)													
	✓ Debentures redeemed	<u>(50,000)</u>													
	✓ Net cash used in financing activities		<u>2,00,000</u>												
	✓ Net decrease in cash and cash equivalents		(65,000)												
	✓ Cash and Cash equivalents at the beginning of the year		<u>80,000</u>												
	✓ Cash and Cash equivalents at the end of the year		<u>15,000</u>												
17.	<p><b>The following particulars relate to Bee Ltd. For the year ended 31<sup>st</sup> March, 20X2;</b></p> <ol style="list-style-type: none"> <li>Furniture of book value of ₹ 15,500 was disposed off for ₹ 12,000.</li> <li>Machinery costing ₹ 3,10,000 was purchased and ₹ 20,000 were spent on its erection.</li> <li>Fully paid 8% preference share of the face value of ₹ 10,00,000 were redeemed at a premium of 3%. In this connection 60,000 equity shares of 10 each were issued at a premium of 2 per share. The entire money being received with application.</li> <li><b>Dividend was paid as follows;</b> <ul style="list-style-type: none"> <li>On 8% preference share 40,000</li> <li>On equity share for the year 20X1-X2, 1,10,000.</li> </ul> </li> <li>Total sales were 32,00,00 out of which cash sales were 11,50,000.</li> <li>Total purchase were 8,00,000 including cash purchase of 60,000.</li> <li>Total expenses were 12,40,000.</li> <li>Taxes paid were 3,30,000.</li> <li>Cash and cash equivalent as on 31<sup>st</sup> March 20X2 were 1,25,000.</li> </ol> <p>You are requested to prepare Cash Flow Statement as per AS-3 for the year ended 31<sup>st</sup> March, 2010 after taking into consideration the following also;</p> <table border="1"> <thead> <tr> <th><b>Particulars</b></th> <th><b>On 31<sup>st</sup> March, 20X1</b></th> <th><b>On 31<sup>st</sup> March, 20X2</b></th> </tr> </thead> <tbody> <tr> <td>✓ Sundry debtors</td> <td>1,50,000</td> <td>1,47,000</td> </tr> <tr> <td>✓ Sundry creditors</td> <td>78,000</td> <td>83,000</td> </tr> <tr> <td>✓ Unpaid expenses</td> <td>63,000</td> <td>55,000</td> </tr> </tbody> </table> <p style="text-align: right;"><b>(May, 2010)</b></p>			<b>Particulars</b>	<b>On 31<sup>st</sup> March, 20X1</b>	<b>On 31<sup>st</sup> March, 20X2</b>	✓ Sundry debtors	1,50,000	1,47,000	✓ Sundry creditors	78,000	83,000	✓ Unpaid expenses	63,000	55,000
<b>Particulars</b>	<b>On 31<sup>st</sup> March, 20X1</b>	<b>On 31<sup>st</sup> March, 20X2</b>													
✓ Sundry debtors	1,50,000	1,47,000													
✓ Sundry creditors	78,000	83,000													
✓ Unpaid expenses	63,000	55,000													
Sol.	<p style="text-align: center;"><b>Cash Flow Statement</b> <b>For the Year ended 31<sup>st</sup> March, 20X2</b></p> <table border="1"> <thead> <tr> <th><b>Particulars</b></th> <th><b>Amount</b></th> </tr> <tr> <th></th> <th><b>(₹)</b></th> </tr> </thead> <tbody> <tr> <td colspan="2"><b>I) Cash Flow from Operating Activities;</b></td> </tr> <tr> <td>✓ Cash receipts from customers (W.N.1)</td> <td>32,03,000</td> </tr> </tbody> </table>			<b>Particulars</b>	<b>Amount</b>		<b>(₹)</b>	<b>I) Cash Flow from Operating Activities;</b>		✓ Cash receipts from customers (W.N.1)	32,03,000				
<b>Particulars</b>	<b>Amount</b>														
	<b>(₹)</b>														
<b>I) Cash Flow from Operating Activities;</b>															
✓ Cash receipts from customers (W.N.1)	32,03,000														

✓ <b>Less:</b> Cash paid to suppliers and payment for expense (W.N.3) (20,43,000)		
✓ Cash generated from operations	11,60,000	
✓ Income tax paid (3,30,000)	<u>3,30,000</u>	
✓ Net cash from operating activities		<b>8,30,000</b>
<b>II) Cash Flows from Investing Activities;</b>		
✓ Sale of furniture	12,000	
✓ Purchase of machinery	<u>(3,30,000)</u>	
✓ Net cash used in investing activities		<b>(3,18,000)</b>
<b>III) Cash Flow from financing Activities;</b>		
✓ Proceeds from issue of equity shares	7,20,000	
✓ Redemption of 8% preference shares	(10,30,000)	
✓ Dividend paid	(1,50,000)	
Net cash used in financing activities		<b>(4,60,000)</b>
Net increase in cash and cash equivalents		<b>52,000</b>
<b>Add:</b> Cash and Cash equivalents as on 31 <sup>st</sup> March, 20X0 (Balancing figure)		<b>73,000</b>
Cash and Cash equivalents as on 31 <sup>st</sup> March, 20X1		<b>1,25,000</b>

**Working Notes: -****1) Cash receipt from customers;**

- ✓ Credit sales = Total sales 32,00,000 – Cash sales 11,50,000 = 20,50,000.

**Total Debtors Account**

Particulars	Dr. (₹)	Particulars	Cr. (₹)
To Balance b/d	1,50,000	By Cash/Bank (Balancing figure)	20,53,000
To Credit Sales	20,50,000	By Balance c/d	1,47,000
	<b>22,00,000</b>		<b>22,00,000</b>

\*Total sale receipts = 20,53,000 + 11,50,000 = 32,03,000.

**2) Cash payment to Suppliers;**

\*Credit purchase = Total purchase 8,00,000 – Cash purchases 60,000 = 7,40,000.

**Total Creditors Account**

Particulars	Dr. (₹)	Particulars	Cr. (₹)
To Cash/Bank (Balancing figure)	7,35,000	By Balance b/d	78,000
To Balance c/d	83,000	By Credit purchases	7,40,000
	<b>8,18,000</b>		<b>8,18,000</b>

\*Total payments to suppliers = 7,35,000 + 60,000 = 7,95,000.

**3) Cash paid to suppliers and payment for expenses;**

Particulars	Amount (₹)
✓ Outstanding expenses as on 31.03.2009	63,000
✓ <b>Add:</b> Expenses charged to profit and loss account	<u>12,40,000</u>
	<b>13,03,000</b>

	✓ <b>Less:</b> Outstanding expenses as on 31.03.2010				<u>55,000</u>
	✓ Payment on account of expenses				12,48,000
	*Total of payment to suppliers and payment for expenses = 7,95,000 + 12,48,000 = 20,43,000.				
<b>18.</b>	<b>From the following information, prepare a Cash Flow Statement as per AS-3 for Banjara Ltd., Using direct method.</b>				
	<b><u>Balance Sheet as on March 31, 20X2</u></b>				
	<b>Particulars</b>		<b>20X2</b>	<b>20X1</b>	
	<b>Assets;</b>				
	✓ Cash on hand and balances with bank		200		25
	✓ Marketable securities (having one month maturity)		670		135
	✓ Sundry debtors		1,700		1,200
	✓ Interest receivables		100		----
	✓ Inventories		900		1,950
	✓ Investments		2,500		2,500
	✓ Fixed assets at cost	2,180		1,910	
	✓ Accumulated depreciation	<u>(1,450)</u>		<u>(1,060)</u>	
	✓ Fixed assets (net)		<u>730</u>		<u>850</u>
	<b>Total assets</b>		<u>6,800</u>		<u>6,660</u>
	<b>Liabilities</b>				
	✓ Sundry creditors		150		1,890
	✓ Interest payable		230		100
	✓ Income tax payable		400		1,000
	✓ Long term debt		<u>1,110</u>		<u>1,040</u>
	✓ Total liabilities		<u>1,890</u>		<u>4,030</u>
	✓ Shareholders' fund;				
	✓ Share capital		1,500		1,250
	✓ Reserves		<u>3,410</u>		<u>1,380</u>
			<u>4,910</u>		<u>2,630</u>
	<b>Total liabilities and shareholders fund</b>		<u>6,800</u>		<u>6,660</u>
	<b>Statement of Profit or Loss for the year ended 31.3.10.</b>				
	<b>Particulars</b>		<b>(₹)</b>		
	✓ Sales				30,650
	✓ Cost of sales				<u>(26,000)</u>
	✓ Gross profit				4,650
	✓ Depreciation				(450)
	✓ Administrative and selling expenses				(910)
	✓ Interest expenses				(400)
	✓ Interest income				300
	✓ Dividend income				<u>200</u>
	✓ Net profit before taxation and extraordinary items				3,390
	<b>Extraordinary items</b>				
	✓ Insurance proceeds from earthquake disaster settlement				<u>140</u>
	✓ Net profit after extraordinary items				3,530
	✓ Income tax				<u>(300)</u>
					<u>3,230</u>

	<p><b>Additional Information: -</b></p> <ol style="list-style-type: none"> <li>1) An amount of 250 was raised from the issue of share capital and a further 250 was raised from long-term borrowings.</li> <li>2) Interest expenses was 400 of which 170 was paid during the period 100 relating to interest expense of the prior period was also paid during the period.</li> <li>3) Dividends paid were 1,200.</li> <li>4) Tax deducted at source on dividends received (including in the tax expense of 300 for the year) amounted to 40.</li> <li>5) During the period the enterprise acquired fixed assets for 350. The payment was made in cash.</li> <li>6) Plant with original cost of ₹ 80 and accumulated depreciation of 60 was sold for 20.</li> </ol> <p>Sundry debtors and Sundry creditors include amounts relating to credit sales and credit purchase only.</p> <p style="text-align: right;"><b>November, 2010</b></p>		
<b>Sol.</b>	<b>Cash Flow Statement (direct method)</b>		
	<b>Particulars</b>		<b>Amount (₹)</b>
	<b>Cash flows from operating Activities</b>		
	✓ Cash receipts from customers (W.N.2)	30,150	
	✓ Cash paid to suppliers, employees and for expenses (W.N.3)	<u>(27,600)</u>	
	✓ Cash generated from operations	2,550	
	✓ Income tax paid (W.N.4)	<u>(860)</u>	
		1,690	
	✓ Cash flow before extraordinary item; proceeds from earthquake disaster settlement	<u>140</u>	
	✓ Net cash from operating activities		1,830
	<b>Cash flows from Investing Activities</b>		
	✓ Purchase of fixed assets	(350)	
	✓ Proceeds from sale of equipment	20	
	✓ Interest received (300 - 100)	200	
	✓ Dividends received (200 - 40)	<u>160</u>	
	✓ Net cash from investing activities		30
	<b>Cash flows from Financing Activities</b>		
	✓ Proceeds from issuance of share capital	250	
	✓ Proceeds from long term borrowings	250	
	✓ Repayment of long-term borrowings (W.N.5)	(180)	
	✓ Interest paid (W.N.6)	(270)	
	✓ Dividends paid	<u>(1,200)</u>	
	✓ Net cash used in financial activities		<u>(1,150)</u>
	✓ Net increase in cash and cash equivalents		710
	✓ Cash and Cash equivalents at beginning of the period (W.N.1)		<u>160</u>
	✓ Cash and cash equivalents at end of the period (W.N.1)		<u>870</u>
	<b>Working Notes: -</b>		
	<b>Cash and Cash equivalents;</b>		
	Cash and cash equivalents consist of cash in hand and balances with banks and investments in money market instruments for short period.		
	<b>Particulars</b>	<b>20X2</b>	<b>20X1</b>
	✓ Cash in hand and balance with bank	200	25
	✓ Short-term investments	<u>670</u>	<u>135</u>
	✓ Cash and cash equivalents	<u>870</u>	<u>160</u>

**Cash receipts from customers;**

Particulars	(₹) '000'
✓ Total Sales	30,650
✓ <b>Add:</b> Sundry debtors at the beginning of the year	<u>1,200</u>
	<b>31,850</b>
✓ <b>Less:</b> Sundry debtors at the end of the year	<u>(1,700)</u>
✓ Cash sales	<u>30,150</u>

**Cash paid to suppliers, employees and for expenses;**

Particulars	(₹) '000'
✓ Cost of sales	26,000
✓ Administrative and selling expenses	<u>910</u>
	26,910
✓ <b>Add:</b> Sundry creditors at the beginning of the year	1,890
✓ Inventories at the end of year	<u>900</u>
	2,790
	29,700
✓ <b>Less:</b> Sundry creditors at the end of year	(150)
✓ Inventories at the beginning of the year	<u>(1,950)</u>
	<u>(2,100)</u>
	<b>27,600</b>

**Income tax paid (Including TDS from dividends received);**

Particulars	(₹) '000'
✓ Income tax expenses for the year (Including tax deducted at source from dividends received)	300
✓ <b>Add:</b> Income tax liability at the beginning of the year	<u>1,000</u>
	1,300
✓ <b>Less:</b> Income tax liability at the end of the year	<u>(400)</u>
	<u>900</u>

\*Out of 900 thousands tax deducted at source on dividends received (amounting to 40 thousands) is included in cash flows from investing activities and the balance of 860 thousands is included in cash flows from operating activities.

**Repayment of long-term borrowings during the year;**

Particulars	(₹)
✓ Long term debts at the beginning of the year	1,040
✓ <b>Add:</b> Long term borrowings made during the year	<u>250</u>
	1,290
✓ <b>Less:</b> Long term borrowings at the end of the year	<u>(1,110)</u>
	<u>180</u>

**Interest paid during the year;**

Particulars	(₹)
✓ Interest expense for the year	400
✓ <b>Add:</b> Interest payable at the beginning of the year	<u>100</u>
	500
✓ <b>Less:</b> Interest payable at the end of the year	<u>(230)</u>
	<u>270</u>

19. Given below are the relevant extracts of the Balance Sheet and the Statement of Profit and Loss of ABC Ltd. along with additional information;

**Extract of Balance Sheet**

Particulars	Notes	31.3.20X1 (₹) in Lakhs	31.03.20X0 (₹) in Lakhs
<b>Equity and Liabilities;</b>			
<b>1) Current liabilities;</b>			
a) Trade Payables		250	230
b) Short term Provisions	1	200	180
c) Other current liabilities	2	70	50
<b>Assets;</b>			
<b>1) Current assets;</b>			
a) Inventories		200	180
b) Trade Receivables		400	250
c) Other current assets	3	195	180

**Statements of Profit and Loss of ABC Ltd.**

**For the year ended 31<sup>st</sup> March, 20X1**

Particulars	Notes	(₹) in Lakhs
1) Revenue from operations		4,150
2) Other income	4	100
3) Total Revenue (I + II)		<b>4,250</b>
<b>Expenses;</b>		
Purchases of Stock-in-Trade		2,400
Change in inventories of finished goods		(20)
Employee benefits expense		800
Depreciation expense		100
Finance cost	5	60
Other expense		200
4) Total expenses		<b>3,540</b>
5) Profit before tax (III - IV)		710
6) Tax expenses;		
Current tax		200
7) Profit for the year from Continuing operations		510

**Appropriations;**

✓ Balance of Profit and Loss account brought forward	50
✓ Transfer to general reserve	200
✓ Dividend paid	330

**Note to accounts;**

Particulars	20X1 (₹) in lakhs	20X0 (₹) in lakhs
<b>1) Short term Provisions;</b>		
Provision for Tax	200	180
<b>2) Other current liabilities;</b>		
Outstanding wages	50	40
Outstanding expenses	20	10
<b>Total</b>	<b>70</b>	<b>50</b>
<b>3) Other current assets;</b>		
Advance tax	195	180

	<b>4) Other income;</b>		
	Interest and dividend		100
	<b>5) Finance cost;</b>		
	Interest		60
	Compute cash flow from operating activities using both direct and indirect method. (ICAI SM)		
<b>Sol.</b>	<b>Cash Flows from Operating Activities</b>		
	<b>Particulars</b>	<b>(₹) in lakhs</b>	<b>(₹) in lakhs</b>
	<b>Using Direct Method;</b>		
	<b>Cash Receipts;</b>		
	✓ Cash sales and collection from Trade receivables		
	✓ Sales + Opening Trade receivables - Closing Trade receivables (A)	4,150 + 250 - 400	4,000
	✓ Cash payments;		
	✓ Cash purchases & payment to Trade payables		
	✓ Purchases + Opening Trade payables - Closing Trade payables	2,400 + 230 - 250	2,380
	✓ Wages and salaries paid	800 + 40 - 50	790
	✓ Cash expenses	200 + 10 - 20	190
	✓ Taxes paid - Advance tax		195
	(B)		3,555
	✓ Cash flow from operating activities (A - B)		445
	<b>Using Indirect Method;</b>		
	✓ Profit before tax		710
	✓ <b>Add:</b> Non-cash items: Depreciation		100
	✓ <b>Add:</b> Interest: Financing cash inflow		60
	✓ <b>Less:</b> Interest and Dividend: Investment		(100)
	✓ Cash outflow		(195)
	✓ <b>Less:</b> Tax paid		
	✓ Working capital adjustments		
	✓ Trade receivables	250 - 400 (150)	
	✓ Inventories	180 - 200 (20)	
	✓ Trade payables	250 - 230 = 20	
	✓ Outstanding wage	50 - 40 = 10	
	✓ Outstanding expense	20 - 10 = 10	(130)
	<b>Cash flow from operating activities</b>		<b>445</b>
<b>20.</b>	<b>From the following information of Mr. zen, prepare a Cash flow statement as per AS-3 for the year ended 31.03.20X1;</b>		
	<b>Ledger balances of Mr. Zen as of 20X0 and 20X1</b>		
	<b>Particulars</b>	<b>As on 1.4.20X0 (₹)</b>	<b>As on 1.4.20X1 (₹)</b>
	✓ 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 at 10%P. a	3,20,000	4,00,000
	✓ 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	80,000	56,000
	<b>Additional information;</b>		

	A machine costing ₹ 80,000 (accumulated depreciation there on ₹ 24,000) was sold for ₹ 40,000. The provision for depreciation on 1.4.20X0 was ₹ 2,00,000 and 31.3.20X1 was ₹ 3,20,000. The net profit for the year ended on 31.03.20X1 was ₹ 3,60,000. <b>(ICAI SM)</b>		
<b>Sol.</b>	<b>Cash Flow Statement of Mr. Zen as per AS-3 For the year ended 31.03.20X1</b>		
	<b>Particulars</b>		<b>(₹)</b>
	<b>Cash flow from operating activities;</b>		
	✓ Net Profit (given)		3,60,000
	<b>Adjustments for;</b>		
	✓ Depreciation on Plant & Machinery (W.N.2)	1,44,000	
	✓ Loss on Sale of Machinery (W.N.1)	16,000	
	✓ Interest on bank loan	40,000	2,00,000
	✓ Operating Profit before working capital changes		5,60,000
	✓ Decrease in inventories	80,000	
	✓ Increase in trade receivables	(1,60,000)	
	✓ Increase in trade payables	32,000	(48,000)
	<b>Net cash generated from operating activities;</b>		<b>5,12,000</b>
	<b>Cash flow from investing activities;</b>		
	✓ Sale of Machinery (W.N.1)	40,000	
	✓ Purchase of Land (8,80,000 - 6,00,000)	(2,80,000)	
	<b>Net Cash used in investing activities;</b>		<b>(2,40,000)</b>
	<b>Cash flow from financing activities;</b>		
	✓ Repayment of Mrs. Zen's Loan	(2,00,000)	
	✓ Drawings (W.N.3)	(1,36,000)	
✓ Loan from Bank	80,000		
✓ Interest on bank loan	(40,000)		
<b>Net cash used in financing activities;</b>		<b>(2,96,000)</b>	
✓ Net decrease in cash		(24,000)	
✓ Opening balance as on 1.4.20X0		80,000	
✓ Cash balance as on 31.03.20X1		56,000	
<b>Working Notes :-</b>			
<b>1) Plant &amp; Machinery A/c;</b>			
<b>Particulars</b>	<b>(₹)</b>	<b>Particulars</b>	<b>(₹)</b>
To Balance b/d (6,40,000 + 2,00,000)	8,40,000	By Cash - Sales	40,000
		By Provision for Depreciation A/c	24,000
		By Profit & Loss A/c	16,000
		Loss on Sale (80,000 - 64,000)	
		By Balance c/d (4,40,000 + 3,20,000)	7,60,000
	<b>8,40,000</b>		<b>8,40,000</b>
<b>2) Provision for depreciation on Plant and Machinery A/c;</b>			
<b>Particulars</b>	<b>(₹)</b>	<b>Particulars</b>	<b>(₹)</b>
To Plant and Machinery A/c	24,000	By Balance b/d	2,00,000
To Balance c/d	3,20,000	By Profit & Loss A/c (Balancing figure)	1,44,000
	<b>3,44,000</b>		<b>3,44,000</b>

3) To Find out Mr. Zen's drawings;				
Particulars				(₹)
✓	Opening Capital			10,00,000
✓	<b>Add:</b> Net Profit			<u>3,60,000</u>
				13,60,000
✓	<b>Less:</b> Closing Capital			<u>(12,24,000)</u>
✓	Drawings			<u>1,36,000</u>
<b>Note:</b> Assume that additional loan taken from the bank in the starting of the year.				
21.	The Balance Sheet of New Light Ltd. as at 31st March, 20X1 and 20X0 (for theyears ended) are as follows:			
			₹	₹
		Notes	31st March 20X0	31st March 20X1
	<b>Equity and Liabilities</b>			
	<b>Shareholders' funds</b>			
1	A	Share capital	16,00,000	18,80,000
	B	Reserves and Surplus	8,40,000	11,00,000
2	<b>Non-current liabilities</b>			
		Long term borrowings	4,00,000	2,80,000
3	<b>Current liabilities</b>			
	A	Other current liabilities Short	6,00,000	5,20,000
	B	term provision (provision for tax)	3,60,000	3,40,000
		<b>Total</b>	<b>38,00,000</b>	<b>41,20,000</b>
	<b>Assets</b>			
1	<b>Non-current assets</b>			
	A	Property, plant and Equipment	22,80,000	26,40,000
		Non-Current Investments	4,00,000	3,20,000
2	<b>Current assets</b>			
	A	Cash and Cash equivalents Other	10,000	10,000
	B	Current assets	11,10,000	11,50,000
		<b>Total</b>	<b>38,00,000</b>	<b>41,20,000</b>
<b>Notes to accounts</b>				
No.	Particulars		31 <sup>st</sup> March, 20X0	31 <sup>st</sup> March, 20X1
1)	<b>Share capital</b>			
	Equity share capital		12,00,000	16,00,000
	10% Preference share capital		<u>4,00,000</u>	<u>2,80,000</u>
	<b>Total</b>		<b><u>16,00,000</u></b>	<b><u>18,80,000</u></b>
2)	<b>Reserves and Surplus</b>			
	General reserve		6,00,000	7,60,000
	Profit and Loss account		<u>2,40,000</u>	<u>3,40,000</u>
	<b>Total</b>		<b><u>8,40,000</u></b>	<b><u>11,00,000</u></b>
3)	<b>Long term borrowings</b>			

	9% Debentures		<u>4,00,000</u>	<u>2,80,000</u>
	<b>Total</b>		<b><u>4,00,000</u></b>	<b><u>2,80,000</u></b>
<b>4)</b>	<b>Other current liabilities</b>			
	Dividend payable		1,20,000	-
	Current Liabilities		<u>4,80,000</u>	<u>5,20,000</u>
	<b>Total</b>		<b><u>6,00,000</u></b>	<b><u>5,20,000</u></b>
<b>5)</b>	<b>Property, plant and equipment</b>			
	Property, plant and equipment		32,00,000	38,00,000
	Less: Depreciation		<u>(9,20,000)</u>	<u>(11,60,000)</u>
	<b>Net carrying value</b>		<b><u>22,80,000</u></b>	<b><u>26,40,000</u></b>

**Additional information:**

- i) The company sold one property, plant and equipment for ₹ 1,00,000, the cost of which was ₹ 2,00,000 and the depreciation provided on it was ₹ 80,000.
- ii) The company also decided to write off another item of property, plant and equipment costing ₹ 56,000 on which depreciation amounting to ₹ 40,000 has been provided.
- iii) Depreciation on property, plant and equipment provided ₹ 3,60,000.
- iv) Company sold some investment at a profit of ₹ 40,000.
- v) Debentures and preference share capital redeemed at 5% premium. Debentures were redeemed at the year end.
- 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 ₹ 2,16,000. The inventory on 31.3.20X1 was correctly valued at ₹ 3,00,000.

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

(ICAI SM)

Sol.		New Light Ltd.	
		Cash Flow Statement for the year ended 31st March, 20X1	
A)	Cash Flow from operating activities	₹	₹
	Profit after appropriation		
	Increase in profit and loss A/c after inventory adjustment [₹3,40,000 – (₹2,40,000 + ₹24,000)]		76,000
	Transfer to general reserve		1,60,000
	Provision for tax		3,40,000
	Net profit before taxation and extraordinary item		5,76,000
	Adjustments for:		
	Depreciation		3,60,000
	Loss on sale of property, plant and equipment		20,000
	Decrease in value of property, plant and equipment		16,000
	Profit on sale of investment		(40,000)
	Premium on redemption of preference share capital		6,000
	Interest on debentures		36,000
	Premium on redemption of debentures		6,000

	Operating profit before working capital changes	9,80,000	
	Increase in current liabilities (₹5,20,000 – ₹4,80,000)	40,000	
	Increase in other current assets [₹11,50,000 – (₹ 11,10,000 + ₹24,000)]	(16,000)	
	Cash generated from operations	10,04,000	
	Income taxes paid	(3,60,000)	
	Net Cash generated from operating activities		6,44,000
<b>B)</b>	<b>Cash Flow from investing activities</b>		
	Purchase of property, plant and equipment (W.N.3)	(8,56,000)	
	Proceeds from sale of property, plant and equipment (W.N.3)	1,00,000	
	Proceeds from sale of investments (W.N.2)	1,20,000	
	Net Cash used in investing activities		(6,36,000)
<b>C)</b>	<b>Cash Flow from financing activities</b>		
	Proceeds from issuance of share capital	4,00,000	
	Redemption of preference share capital (₹1,20,000 + ₹6,000)	(1,26,000)	
	Redemption of debentures (₹ 1,20,000 + ₹ 6,000)	(1,26,000)	
	Dividend paid	(1,20,000)	
	Interest on debentures	(36,000)	
	Net Cash generated from financing activities		(8,000)
	Net increase/decrease in cash and cash equivalent during the year		Nil
	Cash and cash equivalent at the beginning of the year		10,000
	Cash and cash equivalent at the end of the year		10,000

**Working Notes:**

- 1) Revaluation of inventory will increase opening inventory by ₹ 24,000.  $2,16,000/90 \times 10 = ₹ 24,000$

Therefore, opening balance of other current assets would be as follows:

$$₹ 11,10,000 + ₹ 24,000 = ₹ 11,34,000$$

Due to under valuation of inventory, the opening balance of profit and loss account be increased by ₹ 24,000.

The opening balance of profit and loss account after revaluation of inventory will be ₹  $2,40,000 + ₹ 24,000 = ₹ 2,64,000$

**2) Investment Account**

	₹		₹
To Balance b/d	4,00,000	By Bank A/c	1,20,000
To Profit and Loss A/c (Profit on sale of investment)	40,000	(balancing figure being investment sold)	
	4,40,000	By Balance c/d	3,20,000
			4,40,000

**3) Property, Plant and Equipment Account**

Particulars	₹	Particulars	₹	₹
To Balance b/d	32,00,000	By Bank A/c (Sale of assets)	1,00,000	
To Bank A/c (balancing figure being assets purchased)	8,56,000	By Accumulated depreciation A/c	80,000	
		By Profit and loss A/c (loss on sale of assets)	20,000	2,00,000
		By Accumulated depreciation A/c	40,000	
		By Profit and loss A/c (assets written off)	<u>16,000</u>	56,000
		By Balance c/d		38,00,000
	40,56,000			40,56,000

**4) Accumulated Depreciation Account**

	₹		₹
To Property, plant and equipment A/c	80,000	By Balance b/d	9,20,000
To Property, plant and equipment A/c	40,000	By Profit and loss A/c (depreciation for the year)	3,60,000
To Balance c/d	11,60,000		
	12,80,000		12,80,000

22. ABC Ltd. gives you the Balance sheets as at 31st March 20X0 and 31st March 20X1. You are required to prepare Cash Flow Statement by using indirect method as per AS 3 for the year ended 31st March 20X1:

Particulars		Notes	₹ 31st March 20X0	₹ 31st March 20X1
1	Equity and Liabilities Shareholders' funds Share			

	<b>A</b>	capital Reserves and		50,00,000	50,00,000
	<b>B</b>	Surplus		26,50,000	36,90,000
<b>2</b>		<b>Non-current liabilities</b>			
		Long term borrowings	1	-	9,00,000
<b>3</b>		<b>Current liabilities</b>			
	<b>A</b>	Short-term borrowings (Bank loan)		1,50,000	3,00,000
	<b>B</b>	Trade payables		8,80,000	8,20,000
	<b>C</b>	Other current liabilities	2	4,80,000	2,70,000
		Total		<b>91,60,000</b>	<b>1,09,80,000</b>
<b>1</b>		<b>Assets</b>			
	<b>A</b>	Non-current assets		21,20,000	32,80,000
<b>2</b>		Property, plant and Equipment	3		
		<b>Current assets</b>			
	<b>A</b>	Investments Inventory		11,80,000	15,00,000
	<b>B</b>	Trade receivables		20,10,000	19,20,000
	<b>C</b>	Cash and Cash equivalents	4	22,40,000	26,40,000
	<b>D</b>	Other Current assets (Prepaid expenses)		15,20,000	15,20,000
	<b>E</b>			90,000	1,20,000
		Total		<b>91,60,000</b>	<b>1,09,80,000</b>

**Notes to accounts**

No.	Particulars	₹20X0	20X1
<b>1)</b>	<b>Long term borrowings</b>		
	9% Debentures (issued at the end of year)	-	9,00,000
	<b>Total</b>	-	<b>9,00,000</b>
<b>2)</b>	<b>Other current liabilities</b>		
	Dividend payable	1,50,000	-
	Liabilities for expenses	3,30,000	2,70,000
	<b>Total</b>	<b>4,80,000</b>	<b>2,70,000</b>
<b>3)</b>	<b>Property, plant and equipment</b>		
	Plant and machinery	27,30,000	40,70,000
	Less: Depreciation	<u>(6,10,000)</u>	<u>(7,90,000)</u>
	<b>Net carrying value</b>	<b>21,20,000</b>	<b>32,80,000</b>
<b>4)</b>	<b>Trade receivables</b>		
	Gross amount	23,90,000	28,30,000
	Less: Provision for doubtful debts	<u>(1,50,000)</u>	<u>(1,90,000)</u>
	<b>Total</b>	<b>22,40,000</b>	<b>26,40,000</b>

**Additional Information:**

- i) Net profit for the year ended 31st March, 20X1, after charging depreciation ₹ 1,80,000 is ₹ 10,40,000.
- ii) Trade receivables of ₹ 2,30,000 were determined to be worthless and were written off against the provisions for doubtful debts account during the year.

**(ICAI SM)**

Sol.	<b>Cash Flow Statement of ABC Ltd. for the year ended 31.3.20X1</b>		
	₹	₹	₹
<b>Cash flows from Operating Activities</b>			
<b>Net Profit</b>	10,40,000		
Add: Adjustment For Depreciation (₹7,90,000 – ₹6,10,000)	1,80,000		
Add: Adjustment for Provision for Doubtful Debts (₹ 4,20,000 – ₹1,50,000)	2,70,000		
Operating Profit Before Working Capital Changes	14,90,000		
Add: Decrease in Inventories (₹ 20,10,000 – ₹ 19,20,000)	90,000		
	15,80,000		
Less: Increase in Current Assets			
Trade Receivables (₹ 30,60,000 – ₹23,90,000)	6,70,000		
Prepaid Expenses (₹ 1,20,000 – ₹90,000)	30,000		
Decrease in Current Liabilities:			
Trade Payables (₹ 8,80,000 – ₹ 8,20,000)	60,000		
Expenses Outstanding (₹ 3,30,000 – ₹ 2,70,000)	60,000	(8,20,000)	
Net Cash generated from Operating Activities			7,60,000
<b>Cash Flows from Investing Activities</b>	(3,20,000)		
Investment in Current Investments			
Purchase of Plant & Machinery (₹ 40,70,000 – ₹ 27,30,000)	(13,40,000)		
Net Cash Used in Investing Activities			(16,60,000)
<b>Cash Flows from Financing Activities</b>			
Bank Loan Raised (₹ 3,00,000 – ₹ 1,50,000)	1,50,000		
Issue of Debentures	9,00,000		
Payment of Dividend	(1,50,000)		
Net Cash Used in Financing Activities			9,00,000
Net Increase in Cash During the Year			15,20,000
Add: Cash and Cash Equivalents as on 1.4.20X0			15,20,000
Cash and Cash Equivalents as on 31.3.20X1			15,20,000
<b>Note:</b>			
1) Bad debts amounting ₹ 2,30,000 were written off against provision for doubtful debts account during the year. In the above solution, Bad debts have been added back in the balances of provision for doubtful debts and trade receivables as on 31.3.20X1. Alternatively, the adjustment of writing off bad debts may be ignored and the solution can be given on the basis of figures of trade receivables and provision for doubtful debts as appearing in the balance sheet on 31.3.20X1.			
2) Current investments (i.e. Marketable securities) may not be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value as per the requirements of AS 3 and hence those have been considered as investing activities.			

23. The summarized Balance Sheet of Flora Limited for the year ended 31<sup>st</sup> March, 20X0 and 31<sup>st</sup> March, 20X1 are as below:

Assets	31/03/20X1 (₹)	31/03/20X0 (₹)
Goodwill	15,000	28,000
Land	5,75,000	6,00,000
Furniture and Fixture	48,000	44,000
Vehicles	22,000	28,000
Office Equipment	21,000	-
Long-term Investments	60,000	1,10,000
Stock-in-hand	96,000	88,000
Bills Receivables	46,000	52,000
Cash and Bank Balance	1,29,850	34,500
<b>Total</b>	<b>10,31,000</b>	<b>9,99,000</b>

Liabilities	31/03/20X1 (₹)	31/03/20X0 (₹)
Equity Share Capital	6,80,000	5,00,000
General Reserves	90,000	60,000
Profit and Loss Account	93,000	52,000
Capital Reserve	75,000	-
8% Debentures of ₹100 each	-	3,00,000
Loan from Mr. Andrew	-	15,000
Bills Payables	11,000	13,000
Trade Payables	49,000	45,000
Creditors for Equipment	10,500	-
Outstanding Expenses	4,500	3,000
Provision for Taxation	18,000	11,000
<b>Total</b>	<b>10,31,000</b>	<b>9,99,000</b>

**Additional Information:**

- i) On 1<sup>st</sup> April, 20X0, one of the vehicles was sold for ₹3,000. No new purchases were made during the year.
- ii) A part of the total land was sold for ₹1,25,000 (Cost ₹1,00,000) and the balance land was revalued. Capital reserve consists of profit on revaluation of balance land. No new purchases were made during the year.
- iii) Depreciation provided during the year.
  - ✓ Furniture and Fixtures ₹5,000
  - ✓ Vehicles ₹2,200
- iv) Interim dividend of ₹5,000 was paid during the year.
- v) Provision for taxation for the year 20X0-20X1 was ₹16,000.
- vi) 8% Debentures were redeemed at par after half year interest payment on 30<sup>th</sup> September, 20X0.
- vii) Part of the long-term investments were sold at a profit of ₹8,000.
- viii) Interest income received during the year on long-term investment was ₹6,500.

	You are required to prepare Cash Flow Statement from Operating Activities for the year ended 31 <sup>st</sup> March, 20X1 using indirect method. (All workings should form part of the answer).		
	<b>(May 2023)</b>		
<b>Sol.</b>	<b>Cash Flow from operating Activities</b>		
	Profit before tax		92,000
	Add: Depreciation		7,200
	Add: Interest on 8% Debentures		12,000
	Add: loss on sale of vehicle		800
	Add: Goodwill W/o		13,000
	Less: Profit on Sale of land		25,000
	Less: Profit on Sale of long term Investments		8,000
	Less Interest Income received		6,500
	Operating Profit before working capital changes		<b>85,500</b>
	Add: Increase in Outstanding Expenses		1,500
	Add: Increase in Trade Payable		4,000
	Less: Decrease in Bills Payable		(2,000)
	Less: Increase in Stock		(8,000)
	Less: Increase in Bills Receivable		(3,650)
	Decrease in Trade Receivable		6,000
	Operating profit before tax		<b>83,350</b>
	Income Tax paid (w.n.4)		9,000
	Net cash from operating Activities		<b>74,350</b>
	<b>Working Note</b>		
	<b>1)</b>		
	<b>Vehicle A/C</b>		<b>Cr.</b>
	To balance b/d	28,000	By Bank A/C
			3,000
			By Depreciation A/C
			2,200
			By P/L A/C
			800
			(Loss on Sale)
			By balance C/d
			22000
		<b>28,000</b>	<b>28,000</b>
	<b>2)</b>		
	<b>Land A/C</b>		<b>Cr.</b>
	To balance b/d	6,00,000	By Bank A/C
			1,25,000
	To P/L A/C (Profit on Sale)	25,000	
	To Capital Reserve (Revaluation profit)	75,000	By balance c/d
			5,75,000
		<b>7,00,000</b>	<b>7,00,000</b>
	<b>3)</b>		
	<b>Furniture/ Fixtures A/C</b>		<b>Cr.</b>
	To balance b/d	44,000	By Depreciation
			5,000
	To bank A/C (Purchase)	9,000	

		By balance c/d	48,000
	<b>53,000</b>		<b>53,000</b>
<b>4)</b>			
<b>Dr.</b>		<b>Cr.</b>	
<b>Provision for Taxation A/C</b>			
To Bank A/c	9,000	By Balance b/d	11,000
		By P/L A/C (C.Y. Prov. For tax)	16,000
To balance c/d	18,000		
	<b>27,000</b>		<b>27,000</b>
<b>5) Calculation of Profit before tax</b>			
Increase in Profit /Loss A/C			41,000
Increase in General Reserve A/C			30,000
Add: C.Y. Provision for tax			16,000
Add: Interim Dividend paid			5,000
Profit before tax			<b>92,000</b>
<b>24.</b>	The following information is provided by Alpha Limited, for the year ended 31 <sup>st</sup> March, 20X1:		
	<ul style="list-style-type: none"> <li><b>i)</b> Net profit before taking into account income tax and income from law suits but after taking into account the following items was ₹40 lakhs.</li> <li><b>ii)</b> Depreciation on Fixed Assets ₹10 lakhs.</li> <li><b>iii)</b> Discount on issue of Debentures written of ₹60,000.</li> <li><b>iv)</b> Interest on Debentures paid ₹7,00,000.</li> <li><b>v)</b> Book value of investments ₹6 lakhs (Sale of Investments for ₹6,40,000).</li> <li><b>vi)</b> Interest received on investments ₹1,20,000.</li> <li><b>vii)</b> Compensation received ₹1,80,000 by the company in a suit filed.</li> <li><b>viii)</b> Income tax paid ₹21,00,000</li> <li><b>ix)</b> Current assets and current liabilities in the beginning and at the end of the year were as detailed below:</li> </ul>		
		<b>As on 31.3.20X0</b>	<b>As on 31.3.20X1</b>
		<b>₹</b>	<b>₹</b>
	Stock	24,00,000	26,36,000
	Sundry Debtors	4,16,000	4,26,200
	Cash in hand	3,92,600	70,600
	Bills Receivable	1,00,000	80,000
	Bills Payable	90,000	80,000
	Sundry Creditors	3,32,000	3,42,600
	Outstanding Expenses	1,50,000	1,63,600
	You are required to prepare Cash Flow Statement from Operating Activities in accordance with AS-3 (revised) using the indirect method for the year ended 31 <sup>st</sup> March, 20X1.		
			<b>(May 2022)</b>
<b>Sol.</b>	<b>Alpha Ltd.</b>		
	<b>Cash Flow Statement (from Operating Activities)</b>		
	<b>for the year ended 31<sup>st</sup> March, 2022</b>		
		<b>₹</b>	<b>₹</b>
	Cash flow from Operating Activities		
	Net profit before income tax and extraordinary items:		40,00,000
	Adjustments for:		
	Depreciation on Property, plant and equipment	10,00,000	

Discount on issue of debentures	60,000	
Interest on debentures paid	7,00,000	
Interest on investments received	(1,20,000)	
Profit on sale of investments	(40,000)	16,00,000
Operating profit before working capital changes		56,00,000
Adjustments for:		
Increase in inventory	(2,36,000)	
Increase in Sundry Debtors	(10,200)	
Decrease in Bills receivables	20,000	
Increase in Sundry Creditors	10,600	
Increase in Bills payables	(10,000)	
Increase in outstanding expenses	<u>13,600</u>	<u>(2,12,000)</u>
Cash generated from operations		53,88,000
Income tax paid		<u>(21,00,000)</u>
Cash flow from ordinary items		32,88,000
Cash flow from extraordinary items:		
Compensation received in a suit filed		<u>1,80,000</u>
Net cash flow from operating activities		<u>34,68,000</u>



JAY Khambhaliya.jay@gmail.com 919653188969