

CASH FLOW STATEMENT (AS-3)

"Winners aren't who Never fail, But People who Never quit..."

It is an additional information provided to the users of accounts in the form of a statement, which reflects the various sources from where cash was generated (inflow of cash) by an enterprise during the relevant accounting year and how these inflows were utilized (outflow of cash) by the enterprise.

Financial statements with respect to one person company, small company, dormant company and private company (if such a private company is a startup), may not include the cash flow statement.

Cash Flow Statement helps the users of accounts:

- ◆ To identify the historical changes in the flow of cash & cash equivalents.
- ◆ To determine the future requirement of cash & cash equivalents.
- ◆ To assess the ability to generate cash & cash equivalents.
- ◆ To estimate the further requirement of generating cash & cash equivalents.
- ◆ To compare the operational efficiency of different enterprises.
- ◆ To study the insolvency and liquidity position of an enterprise.
- ◆ As an indicator of amount, timing and certainty of future cash flows.
- ◆ To check the accuracy of past assessments of future cash flows
- ◆ In examining relationship between profitability & net cash flow & impact of changing prices

THE TERM 'CASH'

Meaning	Cash comprises Cash in hand and Demand Deposits with banks.
Examples	Cash in hand, Cash at Bank

THE TERM 'CASH EQUIVALENTS'

Meaning	Cash Equivalents are short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.
Purpose	Cash Equivalents are held for the purpose of meeting short-term cash commitments rather than for Investment or other purposes.
Conditions to qualify	It must be readily convertible to a known amount of cash. It must be subject to an insignificant risk of changes in value. Therefore, an investment normally qualifies as a cash equivalent only <i>when it has a short maturity of, say, 3 months or less</i> from the date of acquisition. Investments in shares are not normally taken as cash equivalent (unless they are in substance cash equivalent), because of uncertainties associated with them as to realisable value.
Examples	Treasury Bills, Commercial Papers, Commercial Bills, Call Money, Certificate of Deposit

TRANSACTIONS NOT CONSIDERED AS CASH FLOWS

Meaning	Transactions which represent movements between items of Cash or Cash Equivalents are not considered as Cash Flows.
Reason	These components are part of the cash management of an enterprise rather than part of its Operating, Investing and Financing Activities.
Examples	a) Cash deposited into Bank; b) Cash withdrawn from Bank; c) Purchase/Sale of Short-term Marketable Securities (neither held as Current Investments nor held as Non-current Investments). d) It is important to note that a change in cash does not necessarily imply cash flow. For example: Suppose an enterprise has a bank balance of USD 10,000, stated in books at 4,90,000 using the rate of exchange 49/USD prevailing on date of receipt of dollars. If the closing rate of exchange is 50/USD, the bank balance will be restated at 5,00,000 on the balance sheet date. The increase is, however, not a cash flow because neither there is any cash inflow nor there is any cash outflow.

'CASH FLOWS'

Cash Flows	Cash Flows are inflows and outflows of Cash and Cash equivalents.
Cash Inflows	Cash Inflow arises when the net effect of transaction is increase in the amount of Cash or Cash Equivalents.
Cash Outflows	Cash Outflow arises when the net effect of transaction is to decrease in the amount of Cash or Cash Equivalents.

EXAMPLES OF CASH FLOWS

CASH INFLOWS	CASH OUTFLOWS
1) Cash Sales of Goods	1) Cash Purchases of Goods
2) Cash received from Trade Debtors	2) Cash paid to Trade Creditors
3) Cash received from commission & Royalty	3) Operating Expenses paid (e.g. Salaries & Wages, Administration Exp. Selling Exp.)
4) Sale of Fixed Assets for Cash	4) Income Tax paid
5) Sale of Investments (whether Current or Non-Current) for Cash	5) Purchase of Fixed Assets for Cash
6) Loans & Advances repayment received (whether Short term or Long term)	6) Purchase of Investments (whether Short term or Long term) for Cash
7) Income received on Investments (whether Current or Non-Current)	7) Loans & Advances granted (whether Short term or Long term)
8) Issue of Equity Shares for Cash	8) Buy-back of Equity Shares for Cash
9) Issue of Preference Shares for Cash	9) Redemption of Preference Shares for Cash
10) Issue of Debentures for Cash	10) Redemption of Debentures for Cash
11) Loans taken (whether Short/Long term)	11) Loans repaid (whether Short/Long term)
	12) Interest on Debentures & Loans paid.
	13) Final Dividend on Equity Shares paid.
	14) Dividend on Preference Shares paid.
	15) Interim Dividend on Equity Shares paid.

**OPERATING ACTIVITIES****MEANING OF OPERATING ACTIVITIES**

Principal revenue-producing activities of the enterprise and other activities that are not investing or financing activities.

Cash Inflows	Cash Outflows
1) Cash Sales of Goods	1) Cash Purchases of Goods
2) Cash received from Trade Debtors	2) Cash paid to Trade Creditors
3) Cash received from Trading Commission & Royalty	3) Operating Expenses paid (e.g. Salaries & Wages, Administration Exp. Selling Exp.)
	4) Income Tax paid (Operating Activity only).

NOTES

In case of *Financial Enterprises* the following activities are classified as Operating Activities since they relate to the main revenue-producing activity of that enterprise:

- *Purchases and Sales of Shares & Debentures of other companies for Cash*
- *Dividend received on Shares of other companies*
- *Interest received on Debentures of other companies*
- *Loans & Advances granted*
- *Interest received on Loans & Advances granted*

Other Examples: Cash receipts and cash payments of an insurance entity for premiums and claims, annuities, and other policy benefits.

Cash receipts & payments relating to futures contracts, forward contracts, option contracts & swap contracts when the contracts are held for dealing or trading purposes.

Cash flows arising from the purchase and sale of dealing or trading securities

INVESTING ACTIVITIES**MEANING OF INVESTING ACTIVITIES**

Acquisition & disposal of long-term assets & other investments not included in cash equivalents.

Cash inflows	Cash outflows
1) Cash sale of fixed assets	1) Cash purchase of fixed assets
2) Cash sale of investments (whether current or non-current)	2) Cash purchase of investments (whether short term or long term)
3) Loans & advances repayment received (whether short term or long term)	3) Loans & advances granted (whether short term or long term)
4) Income received on investments (whether current or non-current)	4) Brokerage paid on purchase of investments (whether short term or long term)

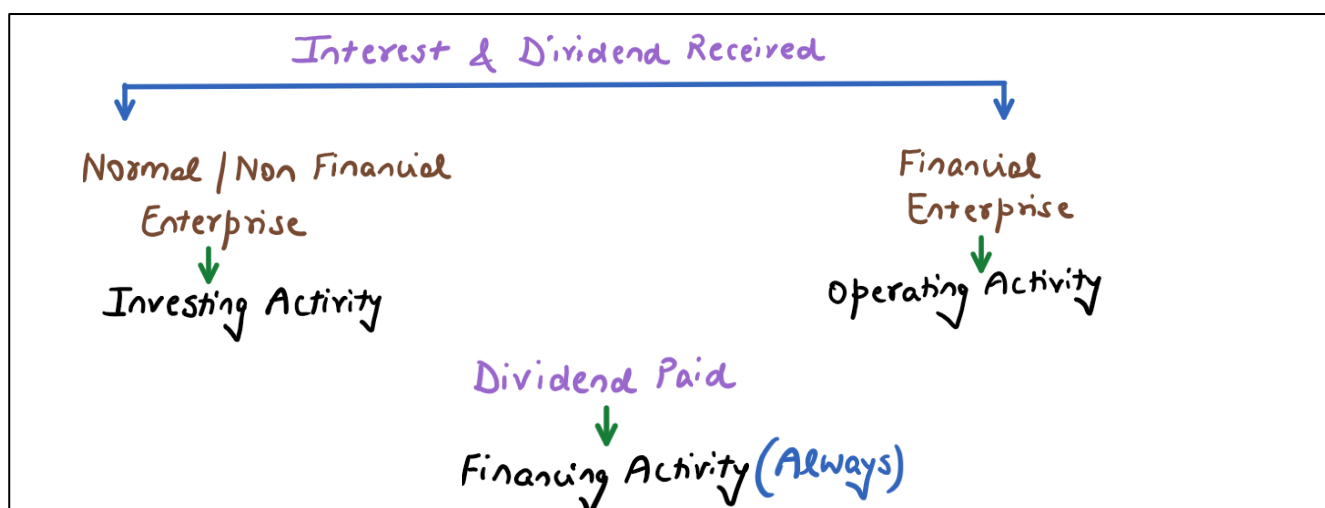
FINANCING ACTIVITIES**MEANING OF FINANCING ACTIVITIES**

Activities that result in changes in size and composition of the Owners' capital (including Preference share capital in case of a company) and Borrowings (whether short term or long term) of the enterprise.

Cash inflows	Cash outflows
1) Issue of Equity shares for cash	1) Buy-back of Equity shares for cash.
2) Issue of Preference shares for cash	2) Redemption of Preference shares for cash
3) Issue of Debentures for cash	3) Redemption of Debentures for cash
4) Loans taken (whether short term or long-term)	4) Loans repaid (whether short term or long term)
	5) Interest on Debentures and Loans paid
	6) Dividend on Shares Paid
	7) Brokerage & Underwriting Commission Paid on issue of Shares & Debentures
	8) Cash payments by lessee for reduction of O/s liability relating to a finance lease.

NON-CASH TRANSACTIONS

Meaning	Those transactions which do not involve Cash
Examples (Verification by Journal Entry)	Issue of Equity Shares or Debentures against the purchase of an Asset Asset A/c Dr To Equity Share Capital A/c / Debentures A/c
	Issue of Equity Shares on conversion of Convertible Debentures Convertible Debentures A/c Dr To Equity Share Capital A/c
Why ignored in CFS?	Non-Cash transactions are ignored while preparing Cash Flow Statement because these do not involve Cash.

**STEPS INVOLVED IN THE PREPARATION OF CASH FLOW STATEMENT**

- Step 1: Calculate the Cash flow from Operating activities.
- Step 2: Calculate the Cash flow from Investing activities
- Step 3: Calculate the Cash flow from Financing activities
- Step 4: Calculate Net Increase/(Decrease) in cash & cash equivalents [Step (1 + 2 + 3)]
- Step 5: Calculate the Cash and Cash Equivalents at the beginning of period
- Step 6: Calculate the Cash and Cash Equivalents at the end of period [Step (4 + 5)]

HOW TO COMPUTE NET CASH FLOW FROM OPERATING ACTIVITIES (UNDER DIRECT METHOD)

Particulars	₹	₹
A. Operating Receipts in Cash (e.g.)		
Cash Sales	xxx	
Cash receipts from Debtors	xxx	
Trading Commission received	xxx	xxx
B. Opening Payments in cash (e.g.)		
Cash Purchases	xxx	
Cash paid to Suppliers	xxx	
Wages & Salaries Paid	xxx	
Office and Administration Expenses paid	xxx	
Manufacturing overheads paid	xxx	
Selling and Distribution expenses paid	xxx	xxx
C. Cash Generated from Operations before taxes (A-B)		xxx
D. Income tax paid (Net of refund of Tax)		xxx
E. Cash flow before extraordinary item (C-D)		xxx
F. Extraordinary item		xxx
G. Net cash from (used in) Operating Activities		xxx

HOW TO COMPUTE NET CASH FLOW FROM OPERATING ACTIVITIES (UNDER INDIRECT METHOD)

Particulars	₹	₹
Step 1: Calculate Net Profit before Taxation & Extraordinary item:		
Closing Balance of P & L A/c		xxx
Less: Opening Balance of P&L A/c (or Add: Opening Bal. of P&L A/c (Dr.))		xxx
Add: Dividend declared for the current year		xxx
Add: Interim Dividend paid during the current year		xxx
Add: Transfer to Reserve (or Less : Transfer from Reserve)		xxx
Add: Provision for Tax made during the Current Year		xxx
Less: Refund of Tax credited to P&L A/c		(xxx)
Less: Extraordinary Item, if any, credited to P&L A/c (e.g. Insurance proceeds from earthquake disaster settlement)		(xxx)
Add: Extraordinary Debit Items (e.g. Loss due to earthquake)		xxx
Net Profit before Taxation and Extraordinary Item		xxx
Step 2: Calculate Operating Profit before Working Capital Changes:		
Net Profit before Taxation and Extraordinary Item		xxx
Adjustments for Non-Cash and Non-Operating Items: (For Example)		
Depreciation	xxx	
Interest on Debentures & Loans (whether Short term or Long Term)	xxx	
Preliminary Expenses/Underwriting Commission/Discount on	xxx	
Issue of Debentures/Shares written off	xxx	
Goodwill/Patents/Trade Marks/Copyright amortized	xxx	
Loss on Sale of Investments (whether Current or Non Current)	xxx	
Interest income from Investments (whether current or non-current)	(xxx)	
Dividend income	(xxx)	
Rental income	(xxx)	
Profit on sale of Investments (whether current or non-current)	(xxx)	xxx
Operating profit before working capital changes		xxx

Step 3: Calculate Cash from Operations before tax & Extraordinary item:		
A. Operating profit before working capital changes		xxx
B. Add: Changes in current assets (Excluding cash and cash equivalents) & Current Liabilities (excluding bank overdraft and cash credit):	xxx	
Decrease in Inventories, Trade Receivables etc.	xxx	
Increase in Trade Payables, O/s exp. Etc.	xxx	
Increase in Inventories, Trade Receivables etc.	(xxx)	
Decrease in trade Payables, O/s Exp. etc.	(xxx)	xxx
Cash Generated from Operations		xxx
Step 4: Calculate Cash generated from Operations after tax but before extraordinary item:		
A. Cash generated from Operations		xxx
B. Less: Income taxes paid (incl. Advance tax but excl. refund of tax)		(xxx)
(Note: Income tax should be related to operating activities only)		
C. Cash flow before extraordinary item		xxx
Step 5 : Calculate Net Cash from (used in) Operating Activities :		
Cash Flow before Extraordinary Items		xxx
Add : Extraordinary Items (e.g. Insurance proceeds from earthquake disaster settlement, Govt. Grant)		xxx
Net Cash Flow from (used in) Operating Activities		xxx

Note : Negative items which are to be deducted have been shown in brackets.

CALCULATION OF CASH FLOW FROM INVESTING ACTIVITIES

Particulars	₹
A. Cash inflow from Investing Activities:	
Sale of Tangible Fixed Assets (eg. Machinery) for cash	xxx
Sale of Intangible Assets (e.g. Goodwill/Patents/Trademark/Copyright) for cash	xxx
Sale of Investments (whether current or non-current) for cash	xxx
Loans & Advances repayments received (whether short term or long term)	xxx
Incomes from Investments (whether current or non-current)	xxx
Dividend received on Shares held as investments	xxx
Interest received on Debentures held as investments	xxx
Rent received from Immovable property held as investments	xxx
B. Cash used in Investing Activities	
Purchase of Tangible Fixed Assets (e.g. Machinery) for cash	(xxx)
Purchase of Intangible Assets (e.g. Goodwill/Patents/Trademark/Copyright) for cash	(xxx)
Purchase of Investments (whether current or non-current) for cash	(xxx)
Loans & Advances granted (whether short term or long term)	(xxx)
Net Cash flow from/used in Investing Activities (if A>B)/ (If A<B)	xxx

CALCULATION OF CASH FLOW FROM FINANCING ACTIVITIES

Particulars	₹
A. Cash inflows from financing Activities:	
Issue of Equity share capital for cash	xxx
Issue of Preference share capital for cash	xxx
Issue of debentures for cash	xxx
Loans raised (whether short term or long term)	xxx

B. Cash used in financing activities	
Buy back of Equity shares	(xxx)
Redemption of preference shares for cash	(xxx)
Redemption of debentures for cash	(xxx)
Repayment of loans (whether short term or long term)	(xxx)
Interim dividend paid on Equity shares	(xxx)
Final dividend paid on Equity shares	(xxx)
Final dividend paid on preference shares	(xxx)
Interest paid on debentures & loans (whether short term or long term)	(xxx)
Net Cash flow from/used in Financing Activities (if A>B)/ (If A<B)	xxx

Note:-

As per AS 3, Cash Flow Statements, an enterprise should report separately major classes of gross cash receipts and gross cash payments arising from investing and financing activities, except in the case of:

- cash receipts and payments on behalf of customers when the cash flows reflect the activities of the customer rather than those of the enterprise; and
- cash receipts and payments for items in which the turnover is quick, the amounts are large, and the maturities are short.

Cash flows arising from each of the following activities of a financial enterprise may be reported on a net basis:

- (a) cash receipts & payments for acceptance & repayment of deposits with fixed maturity date
- (b) placement of deposits with and withdrawal of deposits from other financial enterprises
- (c) cash advances & loans made to customers and the repayment of those advances & loans

BUSINESS PURCHASE

Aggregate cash flows arising from acquisitions & disposals of subsidiaries or other business units should be presented separately and classified as cash flow from investing activities.

- (a) The cash flows from disposal and acquisition should not be netted off.
- (b) An enterprise should disclose, in aggregate, in respect of both acquisition and disposal of subsidiaries or other business units during the period each of the following:
 - (i) The total purchase or disposal consideration; and
 - (ii) The portion of the purchase or disposal consideration discharged by means of cash and cash equivalents.

IMPORTANT POINTS:

Loans/Advances given and Interests earned

For Financial enterprises	Operating cash flows
For Non-Financial enterprises	Investing cash flows
Given to Subsidiaries	Investing cash flows for all enterprises
Given to Employees	Operating cash flows for all enterprises.
Advance Payments to Suppliers	Operating cash flows for all enterprises.

Interests earned from customers for late payments are operating cash flows for non-financial enterprises.

Loans/Advances taken and interests paid

For Financial enterprises	Operating cash flows
For Non-Financial enterprises	Financing cash flows
Advance Taken from Customers	Operating cash flows

Interests paid to suppliers for late payments are operating cash flows for all enterprises.

Interests taken as part of inventory costs in accordance with AS 16 are operating cash flows

Investments made and Dividend earned

For Financial enterprises	Operating cash flows
For Non-Financial enterprises	Investing cash flows
Given to Subsidiaries	Investing cash flows for all enterprises

Tax Deducted at Source

If concerned incomes are Operating Incomes	Operating cash Outflow
If concerned incomes are Investment Incomes	Investing cash Outflow
If concerned expenses are Operating Expenses	Operating cash Inflow
If concerned expenses are Financing Expenses	Financing cash Inflow

Insurance claims received

Against loss of stock or loss of profits	Extraordinary operating cash inflows
Against loss of fixed assets	Extraordinary investing cash inflows

Exchange gains and losses

The foreign currency monetary assets (e.g. balance with bank, debtors etc.) and liabilities (e.g. creditors) are initially recognised by translating them into reporting currency by the rate of exchange transaction date. On the balance sheet date, these are restated using the rate of exchange on the balance sheet date. The difference in values is exchange gain/loss. The exchange gains and losses are recognised in the statement of profit and loss.

The exchange gains/losses in respect of cash and cash equivalents in foreign currency (e.g. balance in foreign currency bank account) are recognised by the principle aforesaid, and these balances are restated in the balance sheet in reporting currency at rate of exchange on balance sheet date. The change in cash or cash equivalents due to exchange gains and losses are however not cash flows. This being so, the net increases/decreases in cash or cash equivalents in the cash flow statements are stated exclusive of exchange gains and losses. *The resultant difference between cash and cash equivalents as per the cash flow statement and that recognised in the balance sheet is reconciled in the note on cash flow statement.*

DISCLOSURES

AS 3 requires an enterprise to disclose the amount of significant cash and cash equivalent balances held by it but not available for its use, together with a commentary by management. This may happen for example, in case of bank balances held in other countries subject to such exchange control or other regulations that the fund is practically of no use.

AS 3 encourages disclosure of additional information, relevant for understanding the financial position and liquidity of the enterprise together with a commentary by management. Such information may include:

- The amount of undrawn borrowing facilities that may be available for future operating activities and to settle capital commitments, indicating any restrictions on the use of these facilities; and
- The aggregate amount of cash flows required for maintaining operating capacity, e.g. purchase of machinery to replace the old, separately from cash flows that represent increase in operating capacity, e.g. additional machinery purchased to increase production

ASSIGNMENT QUESTIONS

Question 1 *(RTP May 2020) (Similar) / (ICAI Study Material)*

Pg no. _____

Classify the following activities as

(a) Operating Activities, (b) Investing Activities, (c) Financing Activities (d) Cash Equivalent

- a. Purchase of Machinery.
- b. Proceeds from issuance of equity share capital
- c. Cash Sales.
- d. Proceeds from long-term borrowings.
- e. Proceeds/cash receipts from Trade receivables.
- f. Trading Commission received.
- g. Purchase of investment.
- h. Redemption of Preference Shares.
- i. Cash Purchases.
- j. Proceeds from sale of investment
- k. Purchase of goodwill.
- l. Cash paid to suppliers.
- m. Interim Dividend paid on equity shares.
- n. Wages and salaries paid.
- o. Proceed from sale of patents.
- p. Interest received on debentures held as investment.
- q. Interest paid on Long-term borrowings.
- r. Office and Administration Expenses paid / Selling and distribution expense paid.
- s. Manufacturing Overheads paid.
- t. Dividend received on shares held as investments.
- u. Rent Received on property held as investment.
- v. Income tax paid
- w. Dividend paid on Preference shares.
- x. Underwritings Commission paid.
- y. Rent paid.
- z. Brokerage paid on purchase of investments.
- aa. Bank Overdraft
- bb. Cash Credit
- cc. Short-term Deposits
- dd. Highly Liquid Marketable Securities (without risk of change in value)
- ee. Refund of Income Tax received.

Question 2 *(ICAI Study Material)*

Pg no. _____

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

Summary of Cash Account for the year ended March 31, 2022

Particulars	₹	Particulars	₹
To Balance b/d	1,00,000	By Cash Purchases	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
	5,96,000		5,96,000

Question 3 *(ICAI Study Material)*

Pg no. _____

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

Summary Cash Account

		('000)
Balance at 1.4.2021		35
Receipts from customers		2,783
Issue of shares		300
Sale of fixed assets		128
		<u>3,246</u>
Payments to suppliers	2,047	
Payments for Property, Plant & Equipment	230	
Payments for overheads	115	
Wages and salaries	69	
Taxation	243	
Dividends	80	
Repayments of bank loan	250	(3,034)
Balance at 31.03.2022		212

Prepare Cash Flow Statement of this company Hills Ltd. for the year ended 31st March, 2022 in accordance with AS-3. The company does not have any cash equivalents.

Question 4 *(ICAI Study Material)*

Pg no. _____

The balance sheets of Sun Ltd. as at 31st March 2021 and 2020 were as:

Particulars	Notes	2021	2020
Equity and Liabilities			
1. Shareholder's funds			
(a) Share capital	1	60,000	50,000
(b) Reserve & surplus	2	5,000	4,000
2. Current liabilities			
(a) Trade Payables		4,000	2,500
(b) Other current liabilities	3	-	1,000
(c) Short term provision (provision for tax)		1,500	1,000
Total		70,500	58,500
Assets			
1 Non-current assets			
(a) Property, Plant & Equipment	4	39,500	29,000
2 Current assets			
(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
Total		70,500	58,500

Notes to accounts

		2021	2020
1	Share Capital		
	Equity Shares of ₹10 each	60,000	50,000
2	Reserve & surplus		
	Profit and Loss Account	5,000	4,000

3	Other current liabilities		
	Dividend Payable	-	1,000
4	Property, plant and equipment (at WDV)		
	Building	10,000	10,000
	Fixtures	17,000	11,000
	Vehicles	12,500	8,000
	Total	39,500	29,000
5	Cash and cash equivalents		
	Cash and Bank	4,000	8,500

The profit and loss statement for the year ended 31st March, 2021 disclosed:

Particulars	₹
Profit before tax	4,500
Tax expense: Current tax	(1,500)
Profit for the year	3,000
Declared dividend	(2,000)
Retained Profit	1,000

Further information is available:

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

Prepare a Cash Flow Statement for the year ended 31st March, 2021.

Question 5

Pg no. ____

The following are the summarized Balance Sheet of Star Ltd. as on 31st March, 2021 and 2022:

(₹ in '000)					
Liabilities	31.03.2021	31.03.2022	Assets	31.03.2021	31.03.2022
Equity share capital of ₹ 10 each	3,400	3,800	Sundry Fixed Assets:		
Profit & Loss A/c	400	540	Gross Block	3,200	4,000
Securities Premium	40	80	Less: Depreciation	(640)	(1,440)
14% Debentures	800	900	Net Block	2,560	2,560
Long term borrowings	180	240	Investment	1,200	1,400
Trade payables	360	440	Inventories	1,000	1,400
Provision for Taxation	20	40	Trade receivables	640	900
Dividend payable	300	480	Cash & Bank	100	260
			Balance		
	5,500	6,520		5,500	6,520

The Profit and Loss account for the year ended 31st March, 2022 disclosed

	(₹ in '000)
Profit before tax	780
Less: Taxation	(160)
Profit after tax	620
Less: Dividend declared	(480)
Retained Profit	140

The following information are also available:

- 40,000 equity shares issued at a premium of ₹ 1 per share.
- The Company paid taxes of ₹ 1,40,000 for the year 2021-22.
- During the period, it discarded fixed assets costing ₹ 4 lacs, (accumulated depreciation ₹ 80,000) at ₹ 40,000 only.

You are required to prepare cash flow statement as per AS 3, using indirect method.

Question 6

Pg no. _____

Surya Ltd. has provided you the following particulars. Prepare Cash Flow from Operating Activities by Indirect Method in accordance with AS 3:

Profit & Loss Account of Surya Ltd. for the year ended 31st March, 2022

Particulars	₹	Particulars	₹
To Depreciation	86,700	By Operating Profit before dep.	11,01,600
To Patents written off	35,000	By Profit on Sale on Investments	10,000
To Provision for Tax	1,25,000	By Refund of Tax	3,000
To Dividend declared	72,000	By Insurance Claim-Major Fire Settlement	1,00,000
To Transfer to Reserve	87,000		
To Net Profit	8,08,900		
	12,14,600		12,14,600

Additional information:

	31.03.2021	31.03.2022
Stock	1,20,000	1,60,000
Trade Debtors	7,500	75,000
Trade Creditors	23,735	87,525
Provision for Tax	1,18,775	1,25,000
Prepaid Expenses	15,325	12,475
Marketable Securities	11,775	29,325
Cash Balance	25,325	35,340

Question 7 *(ICAI Study Material) / (RTP May 2022) (Similar)*

Pg no. _____

From the following Balance sheet of Grow More Ltd., prepare Cash Flow Statement for the year ended 31st March, 2021 :

	Particulars	Notes	31st March, 2021	31st March, 2020
	Equity and Liabilities			
1	Shareholders' funds			
A	Share capital		10,00,000	8,00,000
B	Reserves and Surplus	1	3,00,000	2,10,000
2	Non-current liabilities			
	Long term borrowings	2	2,00,000	-
3	Current liabilities			
A	Trade Payables		7,00,000	8,20,000
B	Other current liabilities	3	-	1,00,000
C	Short term provision (provision for tax)		1,00,000	70,000
	Total		23,00,000	20,00,000
	Assets			
1	Non-current assets			
A	Property, plant and Equipment	4	13,00,000	9,00,000
B	Non-Current Investments		1,00,000	-

2	Current assets			
A	Inventories		4,00,000	2,00,000
B	Trade receivables		5,00,000	7,00,000
C	Cash and Cash equivalents		-	2,00,000
	Total		23,00,000	20,00,000

Notes to accounts

No.	Particulars	31st March, 2021	31st March, 2020
1	Reserves and Surplus		
	General reserve	2,00,000	1,50,000
	Profit and Loss account	1,00,000	60,000
	Total	3,00,000	2,10,000
2	Long term borrowings		
	Debentures (issued at end of year)	2,00,000	--
3.	Other current liabilities		
	Dividend payable	-	1,00,000
4	Property, plant and equipment		
	Plant and machinery	7,00,000	5,00,000
	Land and building	6,00,000	4,00,000
	Net carrying value	13,00,000	9,00,000

- Depreciation @ 25% was charged on the opening value of Plant and Machinery.
- At the year end, one old machine costing ₹ 50,000 (WDV ₹ 20,000) was sold for ₹ 35,000. Purchase was also made at the year end.
- ₹ 50,000 was paid towards Income tax during the year.
- Construction of the building got completed on 31.03.2021 and hence no depreciation may be charged on the same.

Prepare Cash flow Statement.

Question 8 *(ICAI Study Material)*

Pg no. _____

ABC Ltd. gives you the Balance sheets as at 31st March 2020 and 31st March 2021. You are required to prepare Cash Flow Statement by using indirect method as per AS 3 for the year ended 31st March 2021:

	Particulars	Notes	31st March 2020	31st March 2021
	Equity and Liabilities			
1	Shareholders' funds			
A	Share capital		50,00,000	50,00,000
B	Reserves and Surplus		26,50,000	36,90,000
2	Non-current liabilities			
	Long term borrowings	1	-	9,00,000
3	Current liabilities			
A	Short-term borrowings (Bank loan)		1,50,000	3,00,000
B	Trade payables		8,80,000	8,20,000
C	Other current liabilities	2	4,80,000	2,70,000
	Total		91,60,000	1,09,80,000
	Assets			
1	Non-current assets			
A	Property, plant and Equipment	3	21,20,000	32,80,000
2	Current assets			

A	Current Investments		11,80,000	15,00,000
B	Inventory		20,10,000	19,20,000
C	Trade receivables		22,40,000	26,40,000
D	Cash and Cash equivalents	4	15,20,000	15,20,000
E	Other Current assets (Prepaid expenses)		90,000	1,20,000
	Total		91,60,000	1,09,80,000

Notes to accounts

No.	Particulars	2020	2021
1	Long term borrowings		
	9% Debentures (issued at the end of year)	-	9,00,000
	Total	-	9,00,000
2.	Other current liabilities		
	Dividend payable	1,50,000	-
	Liabilities for expenses	3,30,000	2,70,000
	Total	4,80,000	2,70,000
3	Property, plant and equipment		
	Plant and machinery	27,30,000	40,70,000
	Less: Depreciation	(6,10,000)	(7,90,000)
	Net carrying value	21,20,000	32,80,000
4	Trade receivables		
	Gross amount	23,90,000	28,30,000
	Less: Provision for doubtful debts	(1,50,000)	(1,90,000)
	Total	22,40,000	26,40,000

Additional Information:

- a) Net profit for year ended 31st March, 2021, after charging depreciation 1,80,000 is ₹ 10,40,000.
b) 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.

Question 9 (ICAI Study Material)

Pg no. _____

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

	Particulars	Notes	31.3.2021 ₹	31.3.2022 ₹
	Equity and Liabilities			
	Shareholder's funds			
(a)	Share capital	1	5,00,000	5,00,000
(b)	Reserve & surplus	2	50,000	90,000
	Non-current liabilities			
(a)	Long-term borrowings	3	5,00,000	7,50,000
	Current liabilities			
(a)	Other current liabilities	4	---	5,000
	Assets			
	Non-current assets			
(a)	Intangible assets	5	2,05,000	1,80,000

Notes to accounts

		31.3.2021 ₹	31.3.2022 ₹
1	Share Capital		
	50,000 Equity Shares of ₹10 each	5,00,000	5,00,000
2	Reserve & surplus		
	Profit & Loss A/c	50,000	90,000
3	Long-term borrowings		

	10% Debentures	5,00,000	7,50,000
4	Other current liabilities		
	Unpaid interest	---	5,000
5	Intangible assets		
	Goodwill	2,05,000	1,80,000

You are required to show the related items in Cash Flow Statement.

Question 10 *(ICAI Study Material)*

Pg no. _____

Ryan Ltd provides you the following information at the year-end, March 31, 2022

		₹
Sales		6,98,000
Cost of Goods Sold		(5,20,000)
		1,78,000
Operating Expenses (incl. Depreciation Expense of ₹ 37,000)		(1,47,000)
		31,000
Other Income / (Expenses)		
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)
		23,000
Income tax		(7,000)
		16,000

Information Available:

	31.03.2022	31.03.2021
Plant Assets	7,15,000	5,05,000
Less: 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

Analysis of selected accounts and transactions during 2021-22

- 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 31st March, 2022.
- 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 using indirect method.

Question 11 (ICAI Study Material)

Pg no. _____

The Balance Sheet of New Light Ltd. as at 31st March, 2021 and 2020 (for the years ended) are as follows:

		Notes	31st March 2020	31st March 2021
	Equity and Liabilities			
1	Shareholders' funds			
A	Share capital	1	16,00,000	18,80,000
B	Reserves and Surplus	2	8,40,000	11,00,000
2	Non-current liabilities			
	Long term borrowings	3	4,00,000	2,80,000
3	Current liabilities			
A	Other current liabilities	4	6,00,000	5,20,000
B	Short term provision (provision for tax)		3,60,000	3,40,000
	Total		38,00,000	41,20,000
	Assets			
1	Non-current assets			
A	Property, plant and Equipment	5	22,80,000	26,40,000
B	Non-Current Investments		4,00,000	3,20,000
2	Current assets			
A	Cash and Cash equivalents		10,000	10,000
B	Other Current assets		11,10,000	11,50,000
	Total		38,00,000	41,20,000

Notes to accounts

No.	Particulars	31st March, 2020	31st March, 2021
1.	Share capital		
	Equity share capital	12,00,000	16,00,000
	10% Preference share capital	4,00,000	2,80,000
	Total	16,00,000	18,80,000
2	Reserves and Surplus		
	General reserve	6,00,000	7,60,000
	Profit and Loss account	2,40,000	3,40,000
	Total	8,40,000	11,00,000
3	Long term borrowings		
	9% Debentures	4,00,000	2,80,000
	Total	4,00,000	2,80,000
4.	Other current liabilities		
	Dividend payable	1,20,000	-
	Current Liabilities	4,80,000	5,20,000
	Total	6,00,000	5,20,000
5	Property, plant and equipment		
	Property, plant and equipment	32,00,000	38,00,000
	Less: Depreciation	(9,20,000)	(11,60,000)
	Net carrying value	22,80,000	26,40,000

Additional information:

- a. 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.

- b. 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.
- c. Depreciation on property, plant and equipment provided ₹ 3,60,000.
- d. Company sold some investment at a profit of ₹ 40,000.
- e. Debentures and preference share capital redeemed at 5% premium. Debentures were redeemed at the year end.
- f. 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 31.3.2020 was ₹ 2,16,000. The inventory on 31.3.2021 was correctly valued at ₹ 3,00,000.

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

Question 12 *(ICAI Study Material)*

Pg no. _____

Ms. Jyoti of Star Oils Limited has collected the following information for the preparation of cash flow statement for the year ended 31st March, 2022:

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

Prepare Cash Flow Statement for year ended 31st March 2022 in accordance with AS 3. (Make necessary assumptions).

Question 13 *(RTP May 2020)*

Pg no. _____

The following figures have been extracted from the Books of X Limited for the year ended on 31.3.2022. You are required to prepare a cash flow statement.

- a) Net profit before taking into account income tax and income from law suits but after taking into account the following items was ₹ 20 lakhs:
 - (i) Depreciation on Fixed Assets ₹ 5 lakhs.
 - (ii) Discount on issue of Debentures written off ₹ 30,000.
 - (iii) Interest on Debentures paid ₹ 3,50,000.
 - (iv) Book value of investments ₹ 3 lakhs (Sale of Investments for ₹ 3,20,000).
 - (v) Interest received on investments ₹ 60,000.

- b) Compensation received ₹ 90,000 by the company in a suit filed.
- c) Income tax paid during the year ₹ 10,50,000.
- d) 15,000, 10% preference shares of ₹ 100 each were redeemed on 31.3.2022 at a premium of 5%. Further the company issued 50,000 equity shares of ₹ 10 each at a premium of 20% on 2.4.2021. Dividend on preference shares were paid at the time of redemption.
- e) Dividends paid for the year 2020-2021 ₹ 5 lakhs and interim dividend paid ₹ 3 lakhs for the year 2021-2022.
- f) Land was purchased on 2.4.2021 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.
- g) Current assets & current liabilities in the beginning & at the end of years were as below:

	As on 31.03.2021	As on 31.03.2022
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

Question 14 (ICAI Study Material)

Pg no. _____

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

	Particulars	Notes	31.3.2021 (₹ in lakhs)	31.3.2020 (₹ in lakhs)
	Equity and Liabilities			
1	Current liabilities			
(a)	Trade Payables		250	230
(b)	Short term Provisions	1	200	180
(c)	Other current liabilities	2	70	50
	Assets			
1	Current assets			
(a)	Inventories		200	180
(b)	Trade Receivables		400	250
(c)	Other current assets	3	195	180

Statement of Profit and Loss of ABC Ltd. for the year ended 31st March, 2021

	Particulars	Notes	₹ in lakhs
I	Revenue from operations		4,150
II	Other income	4	100
III	Total income (I + II)		4,250
	Expenses:		
	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 expenses		200
IV	Total expenses		3,540
V	Profit before tax (III - IV)		710
VI	Tax expense:		
	Current tax		200
VII	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

Notes to accounts:

		2021 (₹ in lakhs)	2020 (₹ in lakhs)
1	Short term Provisions:		
	Provision for Tax	200	180
2	Other current liabilities:		
	Outstanding wages	50	40
	Outstanding expenses	20	10
	Total	70	50
3	Other current assets:		
	Advance tax	195	180
4	Other income:		
	Interest and dividend	100	
5	Finance cost:		
	Interest	60	

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

Question 15

Pg no. _____

The following particulars relate to Bee Ltd., for the year ended 31st March, 2022:

- Furniture of book value of ₹ 15,500 was disposed off for ₹ 12,000.
- Machinery costing ₹ 3,10,000 was purchased and ₹ 20,000 were spent on its erection.
- Fully paid 8% preference shares 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 applications.
- Dividend was paid as follows:
On 8% preference shares ₹ 40,000 On equity shares for the year 2021-22 ₹ 1,10,000
- Total sales were ₹ 32,00,000 out of which cash sales were ₹ 11,50,000.
- Total purchases were ₹ 8,00,000 including cash purchase of ₹ 60,000.
- Total expenses were ₹ 12,40,000 charged to Profit and Loss A/c.
- Taxes paid were ₹ 3,30,000.
- Cash and cash equivalents as on 31st March, 2022 were ₹ 1,25,000.

You are requested to prepare Cash Flow Statement as per AS 3 for the year ended 31st March, 2022 after taking into consideration the following also:

	On 31st March, 2021	On 31st March, 2022
Sundry Debtors	1,50,000	1,47,000
Sundry Creditors	78,000	83,000
Unpaid expenses	63,000	55,000

Question 16 (ICAI Study Material)

Pg no. _____

Prepare Cash flow for Gamma Ltd., for the year ending 31.3.2022 from following information:

- Sales for the year amounted to ₹ 135 crores out of which 60% was cash sales.
- Purchases for the year amounted to ₹ 55 crores out of which credit purchase was 80%.
- Administrative & selling expenses amounted to ₹ 18 crores and salary paid amounted to ₹ 22 crores.
- The Company redeemed debentures of ₹ 20 crores at a premium of 10%. Debenture holders were issued equity shares of ₹ 15 crores towards redemption and the balance was paid in cash. Debenture interest paid during the year was ₹ 1.5 crores.

- 5) Dividend paid during the year amounted to ₹ 11.7 crores was also paid.
- 6) Investment costing ₹ 12 crores were sold at a profit of ₹ 2.4 crores.
- 7) ₹ 8 crores was paid towards income tax during the year.
- 8) A new plant costing ₹ 21 crores was purchased in part exchange of an old plant. The book value of the old plant was ₹ 12 crores but the vendor took over the old plant at a value of ₹ 10 crores only. The balance was paid in cash to the vendor.
- 9) The following balances are also provided: (in crores)

	1.4.2021	31.3.2022
Debtors	45	50
Creditors	21	23
Bank	6	18.2

Question 17

Pg no. _____

The following information was provided by XYZ Ltd. for the year ended 31st March, 2022:

- (1) Gross Profit Ratio was 25% for the year, which amounts to ₹ 7,50,000.
- (2) Company sold goods for cash only.
- (3) Opening inventory was lesser than closing inventory by ₹ 50,000.
- (4) Wages paid during the year ₹ 11,10,000.
- (5) Office expenses paid during the year ₹ 70,000.
- (6) Selling expenses paid during the year ₹ 30,000.
- (7) Dividend paid during the year ₹ 80,000.
- (8) Bank Loan repaid during the year ₹ 4,10,000 (included interest ₹ 10,000)
- (9) Trade Payables on 31st March, 2021 were ₹ 1,00,000 & on 31st March, 2022 were ₹ 70,000.
- (10) Amount paid to Trade payables during the year ₹ 12,20,000
- (11) Income Tax paid during the year amounts to ₹ 1,10,000 (Provision for taxation as on 31st March, 2022 ₹ 60,000).
- (12) Investments of ₹ 16,40,000 sold during the year at a profit of ₹ 40,000.
- (13) Depreciation on furniture amounts to ₹ 80,000.
- (14) Depreciation on other tangible assets amounts to ₹ 40,000.
- (15) Plant and Machinery purchased on 15th November, 2021 for ₹ 7,00,000
- (16) On 31st March, 2022 ₹ 4,00,000, 7% Debentures were issued at face value in exchange for a plant.
- (17) Cash and Cash equivalents on 31st March, 2021 ₹ 4,50,000.

- (A) Prepare cash flow statement for the year ended 31st March, 2022, using direct method.
- (B) Calculate cash flow from operating activities, using indirect method

Question 18 (ICAI Study Material)

Pg no. _____

Prepare Cash Flow from Investing Activities of M/s. Creative Ltd. year ended 31-3-22.

Particulars	₹
Plant acquired by the issue of 8% Debentures	1,56,000
Claim received for loss of plant in fire	49,600
Unsecured loans given to subsidiaries	4,85,000
Interest on loan received from subsidiary companies	82,500
Pre-acquisition dividend received on investment made	62,400
Debenture interest paid	1,16,000
Term loan repaid	4,25,000
Interest received on investment (TDS of ₹ 8,200 was deducted on the above interest)	68,000
Book value of plant sold (loss incurred ₹ 9,600)	84,000

Question 19 (ICAI Study Material)

Pg no. _____

From the following Balance Sheets and information, prepare Cash Flow Statement of Ryan Ltd. by Indirect method for the year ended 31st March, 2021:

	Particulars	Notes	31st March 2021	31st March 2020
	Equity and Liabilities			
1	Shareholders' funds			
a	Share capital	1	6,00,000	7,00,000
b	Reserves and Surplus	2	4,20,000	3,00,000
2	Non-current liabilities			
	Long term borrowings	3	2,00,000	-
3	Current liabilities			
a	Trade Payables		1,15,000	1,10,000
b	Other current liabilities	4	30,000	80,000
c	Short term provision (provision for tax)		95,000	60,000
	Total		14,60,000	12,50,000
	Assets			
1	Non-current assets			
a	Property, plant and Equipment	5	9,15,000	7,00,000
b	Non-Current Investments		50,000	80,000
2	Current assets			
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
	Total		14,60,000	12,50,000

Notes to accounts

No.		31st March, 2021	31st March, 2020
1.	Share capital		
	Equity share capital	6,00,000	5,00,000
	10% Redeemable Preference share capital	--	2,00,000
	Total	6,00,000	7,00,000
2	Reserves and Surplus		
	Capital redemption reserve	1,00,000	-
	Capital reserve	70,000	-
	General reserve	1,50,000	2,50,000
	Profit and Loss account	1,00,000	50,000
	Total	4,20,000	3,00,000
3	Long term borrowings		
	9% Debentures	2,00,000	--
4.	Other current liabilities		
	Dividend payable	-	60,000
	Liabilities for expenses	30,000	20,000
	Total	30,000	80,000
5	Property, plant and equipment		
	Plant and machinery	7,65,000	5,00,000
	Land and building	1,50,000	2,00,000
	Net carrying value	9,15,000	7,00,000

Additional Information:

- 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.
- On 1st April, 2020 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.
- Part of the investments (Cost – ₹50,000) was sold for ₹70,000.
- Pre-acquisition dividend received ₹5,000 was adjusted against cost of investment.
- Interim dividend was declared and paid @ 15% during the current year.
- Income-tax liability for the current year was estimated at ₹1,35,000.
- Depreciation @ 15% has been charged on Plant and Machinery but no depreciation has been charged on Building.

Question 20 (ICAI Study Material)

Pg no. _____

How will you disclose following items while preparing Cash Flow Statement of Gagan Ltd. as per AS-3 for the year ended 31st March, 2022?

- 10% Debentures issued: As on 01-04-2021 ₹ 1,10,000 As on 31-03-2022 ₹ 77,000
- Debentures were redeemed at 5% premium at the end of the year. Premium was charged to the Profit & Loss Account for the year.
- Unpaid Interest on Debentures: As on 01-04-2021 ₹ 275 As on 31-03-2022 ₹ 1,175
- Debtors of ₹ 36,000 were written off against the Provision for Doubtful Debts A/c during the year.
- 10% Bonds (Investments): As on 01-04-2021 ₹ 3,50,000 As on 31-03-2022 ₹ 3,50,000
- Accrued Interest on Investments: As on 31-03-2022 ₹ 10,500

Question 21 (RTP May 2021)

Pg no. _____

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

Extract of Balance Sheet

		Particulars	Notes	2022 ('000)	2021 ('000)
		Equity and Liabilities			
1		Shareholder's funds			
	a	Share capital	1	500	200
2		Non- current liabilities			
	a	Long term loan from bank		-	250
3		Current liabilities			
	a	Trade Payables		1,000	3,047
		Assets			
1		Non-current assets			
	a	Property, Plant and Equipment		230	128
2		Current assets			
	a	Trade receivables		2,000	4,783
	b	Cash & cash equivalents (Cash balance)		212	35

Extract of Statement of Profit and Loss

	Particulars	Notes	2022 ('000)	2021 ('000)
I	Expenses			
	Employee benefits expense		69	25
	Other expenses	2	115	110
II	Tax expense:			
	Current tax (paid during year)		243	140

Notes to accounts

	Particulars	2022 ('000)	2021 ('000)
1	Share Capital		
	Equity Shares of ₹ 10 each, fully paid up	500	200
2	Other expenses		
	Overheads	115	110

Prepare Cash Flow Statement of Supriya Ltd. for the year ended 31st March, 2022 in accordance with AS-3 using direct method. All transactions were done in cash only. There were no outstanding/prepaid expenses as on 31st March, 2021 & on 31st March, 2022. Dividend amounting ₹ 80,000 was paid during the year ended 31st March, 2022.

Ignore deprecation.

Question 22 *(ICAI Study Material) (Similar)*

Pg no. _____

From the following information of XYZ Limited, calculate cash and cash equivalent as on 31-03-2022 as per AS-3.

Particulars	Amount
Balance as per the Bank Statement	25,000
Cheque issued but not presented in the Bank	15,000
Short Term Investment in liquid equity shares of ABC Limited	50,000
Fixed Deposit created on 01-11-2021 and maturing on 15-04-2022	75,000
Short Term Investment in highly liquid Sovereign Debt Mutual fund on 01-03-2022 (having maturity period of less than 3 months)	1,00,000
Bank Balance in Foreign Currency Account in India (Conversion Rate: On the day of deposit ₹69/USD As on 31-03-2022 ₹70/USD)	\$ 1,000
Debentures purchased of ₹ 10 lacs of A Ltd. which are redeemable on 31 st October 2022	90,000
Shares of Alpha Ltd. purchased on 1 st January, 2022	60,000

Question 23 *(ICAI Study Material)*

Pg no. _____

Mayuri Ltd. acquired Plant and Machinery for ₹ 25 lakhs. During the same year, it also sold Furniture and Fixtures for ₹ 4 lakhs. Can the company disclose, Net Cash Outflow towards purchase of Fixed Assets ₹ 21 lakhs (i.e., 25 lakhs – 4 lakhs) in the Cash Flow Statement?

Solution

As per AS 3, Cash Flow Statements, an enterprise should report separately major classes of gross cash receipts and gross cash payments arising from investing and financing activities, except in the case of:

- cash receipts and payments on behalf of customers when the cash flows reflect the activities of the customer rather than those of the enterprise; and
- cash receipts and payments for items in which the turnover is quick, the amounts are large, and the maturities are short.

In the given case, since the purchase of Plant and Machinery and disposal of Furniture and Fixtures do not fall in the criteria of exception mentioned above, the same should be presented on a gross basis as an outflow of ₹ 25 lakhs and an inflow of ₹ 4 lakhs. Presentation of net cash outflow of ₹ 21 lakhs is not permitted as per AS 3

Question 24 *(ICAI Study Material)*

Pg no. _____

How would the following cash flows be classified in accordance with AS 3?

- a) Corporate Income Tax paid amounting to ₹ 70 lakhs during the reporting period.
- b) Payment of advance tax ₹ 8,75,000 out of which ₹ 75,000 was towards capital gains arising on account of sale of assets during the reporting period.
- c) Fixed Deposits withdrawn by customers of State Bank of India ₹ 3 crores.

Solution

- a) ₹ 70 lakhs: Operating Cash Flows
- b) ₹ 8,00,000: Operating Cash Flows ₹ 75,000: Investing Cash Flows
- c) ₹ 3 crores: Operating Cash Flows for State Bank of India.

Question 25 (ICAI Study Material)

Pg no. _____

Z Ltd. has no Foreign Currency Cash Flow during the reporting period. It held a deposit in a bank in France. The balances as at the beginning of the year and at the end of the year were € 100,000 and € 105,000 respectively. The exchange rate at the beginning of the year was € 1 = ₹ 82, and at the end of the year was € 1 = ₹ 85. The increase in the deposit balance of € 5,000 was on account of interest credited on the last day of the reporting period. The deposit was reported at ₹ 82,00,000 in the opening balance sheet and at ₹ 89,25,000 in the closing balance sheet. You are required to show how these transactions would be presented in the Cash Flow Statement as per AS 3

Solution

The Statement of Profit and Loss was credited on account of:

Interest Income: € 5,000 x ₹ 85 = ₹ 4,25,000

Exchange difference = € 100,000 x (₹ 85 – ₹ 82) = ₹ 3,00,000 In preparing the Cash Flow Statement, the exchange difference of ₹ 3,00,000 should be deducted from the Net Profit before taxes, since it is a non-cash item. However, in order to reconcile the opening balance of the Cash and Cash Equivalents with its closing balance, the Exchange Difference of ₹ 3,00,000 should be added to the opening balance in a Note to the Cash Flow Statement., Cash Flows arising from transactions in a Foreign Currency shall be recorded in Z Ltd.'s reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the cash flow.

PRACTICE QUESTIONS

Question 1

Pg no. _____

Classify the following activities as

(i) Operating Activities, (ii) Investing Activities, (iii) Financing Activities.

- a) Rent received on property held as investment.
- b) Selling and distribution expense paid.
- c) Income tax paid.
- d) Dividend paid on Preference shares.
- e) Underwriting Commission paid.
- f) Rent paid.
- g) Brokerage paid on purchase of investments.
- h) Long term Bank loan.
- i) Refund of Income Tax

Question 2 (Inter May 2018) (5 Marks)

Pg no. _____

Classify the following activities as (i) Operating Activities, (ii) Investing activities, (iii) Financial activities and (iv) Cash Equivalents

- (1) Cash receipts from Trade Receivables
- (2) Marketable Securities
- (3) Purchase of investment
- (4) Proceeds from long term borrowings
- (5) Wages and Salaries paid
- (6) Bank overdraft
- (7) Purchase of Goodwill
- (8) Interim dividend paid on equity shares
- (9) Short term Deposits
- (10) Underwriting commission paid

Question 3 (ICAI Study Material)

Pg no. _____

Classify the following activities as (a) Operating activities, (b) Investing activities (c) Financing activities (d) Cash equivalents with reference to AS 3.

- (a) Brokerage paid on purchase of investments
- (b) Underwriting commission paid
- (c) Trading commission received
- (d) Proceeds from sale of investment
- (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

Question 4 (ICAI Study Material)

Pg no. _____

From the following Summary Cash Account of X Ltd. prepare Cash Flow Statement for the year ended 31st March, 2022 in accordance with AS 3 using the direct method.

Summary Cash Account for the year ended 31.3.2022

	₹ '000		₹ '000
Balance on 1.4.2021	50	Payment to Suppliers	2,000
Issue of Equity Shares	300	Purchase of Fixed Assets	200

Receipts from Customers	2,800	Overhead expense	200
Sale of Fixed Assets	100	Wages and Salaries	100
		Taxation	250
		Dividend	50
		Repayment of Bank Loan	300
		Balance on 31.3.2022	150
	3,250		3,250

Question 5 *(ICAI Study Material)*

Pg no. _____

Following is the cash flow abstract of Alpha Ltd. for the year ended 31st March, 2022:

Cash Flow (Abstract)

	₹		₹
Opening balance:		Payment for Account Payables	90,000
Cash	10,000	Salaries and wages	25,000
Bank	70,000	Payment of overheads	15,000
Share capital – shares issued	5,00,000	Fixed assets acquired	4,00,000
Collection on account of Trade Receivables	3,50,000	Debentures redeemed	50,000
Sale of fixed assets	70,000	Bank loan repaid	2,50,000
		Taxation	55,000
		Dividends	1,00,000
		Closing balance:	
		Cash	5,000
		Bank	10,000
	10,00,000		10,00,000

Prepare Cash Flow Statement for the year ended 31st March, 2022 in accordance with AS 3.

Question 6 *(Inter July 2021) (5 Marks)*

Pg no. _____

Prepare cash flow statement of Gama Limited for the year ended 31st March, 2021 in accordance with AS-3 from the following cash account summary:

Cash summary Account

Inflows	₹ ('000)	Outflows	₹ ('000)
Opening Balance	945	Payment to suppliers	54,918
Receipts from Customers	74,682	Purchase of Investments	351
Sale of Investments (Cost 4,05,000)	459	Property, plant & equipment acquired	6,210
Issue of Shares	8,100	Wages and salaries	1,863
Sale of Property, Plant & equipment	3,456	Payment of Overheads	3,105
		Taxation	6,561
		Dividends	2,160
		Repayment of Bank Overdraft	6,750
		Interest paid on Bank Overdraft	1,350
		Closing Balance	4,374
	87,642		87,642

Question 7 *(RTP Nov 2020) (Similar)*

Pg no. _____

Prepare Cash Flow Statement of Tom & Jerry Ltd. for the year ended 31st March, 2022

Summary Cash Account

		('000)
Balance at 1.4.2021		210
Receipts from customers		16,596
Sale of Investments (Cost ₹ 90,000)		102
Issue of shares		1,800
Sale of fixed assets		768
		19,476
Payments to suppliers	12,204	
Purchase of Investments	78	
Purchase of Fixed Assets	1,380	
Wages and salaries	414	
Selling & Administration Exp.	690	
Payment of Income Tax	1,458	
Payment of Dividends	480	
Repayment of Bank Loan	1,500	
Interest paid on Bank Loan	300	(18,504)
Balance at 31.03.2022		972

Question 8

Pg no. _____

The following are the summarized Balance Sheets of 'X' Ltd. as on March 31, 2021 and 2022:

Liabilities	As on 31.03.2021	As on 31.03.2022
Equity share capital	10,00,000	12,50,000
Capital Reserve	-	10,000
General Reserve	2,50,000	3,00,000
Profit and Loss A/c	1,50,000	1,80,000
Long term loan from the bank	5,00,000	4,00,000
Trade Payables	5,00,000	4,00,000
Provision for Taxation	50,000	60,000
Dividend payable	1,00,000	1,25,000
	25,50,000	27,25,000
Assets	As on 31.03.2021	As on 31.03.2022
Land and Building	5,00,000	4,80,000
Machinery	7,50,000	9,20,000
Investment	1,00,000	50,000
Inventory	3,00,000	2,80,000
Trade Receivables	4,00,000	4,20,000
Cash in Hand	2,00,000	1,65,000
Cash at Bank	3,00,000	4,10,000
	25,50,000	27,25,000

Additional Information:

- Dividend of ₹ 1,00,000 was paid during the year ended March 31, 2022.
- Machinery during the year purchased for ₹ 1,25,000.
- Machinery of another company was purchased for a consideration of ₹ 1,00,000 payable in equity shares.
- Income-tax provided during the year ₹ 55,000.
- Company sold some investment at profit of ₹ 10,000, which was credited to Capital reserve.
- There was no sale of machinery during the year.
- Depreciation written off on Land and Building ₹ 20,000.

From the above particulars, prepare a cash flow statement for the year ended March, 2022 as per AS 3 (Indirect method).

Question 9 (RTP May 2023)

Pg no. _____

Following is the Balance Sheet of Fox Ltd. You are required to prepare cash flow statement using Indirect Method.

Particulars	Note No.	31 st March, 2021	31 st March, 2020
(I) Equity and Liabilities			
1. Shareholders' Funds			
(a) Share capital	1	5,60,000	3,00,000
(b) Reserve and Surplus	2	35,000	25,000
2. Current Liabilities			
(a) Trade payables		1,50,000	60,000
(b) Short-term provisions (Provision for taxation)		8,000	5,000
Total		7,53,000	3,90,000
(II) Assets			
1. Non-current assets			
(a) Property, Plant and Equipment		3,50,000	1,80,000
2. Current assets			
(a) Inventories		1,20,000	50,000
(b) Trade receivables		1,00,000	25,000
(c) Cash and cash equivalents		1,05,000	90,000
(d) Other current assets		78,000	45,000
Total		7,53,000	3,90,000

Notes to Accounts

Particulars	31 st March, 2021	31 st March, 2020
1. Share capital		
(a) Equity share capital	4,10,000	2,00,000
(b) Preference share capital	1,50,000	1,00,000
2. Reserve and surplus	5,60,000	3,00,000
Surplus in statement of profit and loss at the beginning of the year	25,000	
Add: Profit of the year	20,000	
Less: Dividend	(10,000)	
Surplus in statement of profit and loss at the end of the year	35,000	25,000

Additional Information:

- Dividend paid during the year ₹ 10,000
- Depreciation charges during the year ₹ 40,000.

Question 10 (ICAI Study Material)

Pg no. _____

From the following Balance Sheets of Mr. Zen, prepare a Cash flow statement as per AS-3 for the year ended 31.3.2022:

Ledger Balances of Mr. Zen

	As on 01.04.2021	As on 31.03.2022
Zen's Capital A/c	10,00,000	12,24,000
Trade payables	3,20,000	3,52,000

Mrs. Zen's loan	2,00,000	-
Loan from Bank	3,20,000	4,00,000
Land	6,00,000	8,80,000
Plant and Machinery (net block)	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

Additional information:

A machine costing ₹ 80,000 (accumulated depreciation there on ₹ 24,000) was sold for ₹ 40,000. The provision for depreciation on 1.4.2021 was ₹ 2,00,000 and 31.3.2022 was ₹ 3,20,000. The net profit for the year ended on 31.3.2022 was ₹ 3,60,000.

Question 11

Pg no. ____

The Balance Sheets of X Ltd. as on 31st March, 2021 and 31st March, 2022 are as follows:

Liabilities	31.03.2021	31.03.2022	Assets	31.03.2021	31.03.2022
Share Capital	5,00,000	7,00,000	Land and Buildings	80,000	1,20,000
General Reserve	50,000	70,000	Plant and Machinery	5,00,000	8,00,000
Profit and Loss A/c	1,00,000	1,60,000	Inventory	1,00,000	75,000
Trade payables	1,93,000	2,40,000	Trade receivables	1,50,000	1,60,000
O/s Expenses	7,000	5,000	Cash	20,000	20,000
	8,50,000	11,75,000		8,50,000	11,75,000

Additional Information:

- 50,000 depreciation has been charged to Plant & Machinery during year ended 31st Mar 22.
- A piece of Machinery costing ₹ 12,000 (Depreciation provided there on ₹ 7,000) was sold at 60% profit on book value.

Prepare Cash flow statement for year ended 31st March 2022 as per AS 3 using indirect method

Question 12

Pg no. ____

Prepare cash flow statement of A (P) Ltd. as at 31st March, 2022 by using indirect method:

Balance Sheet

	31.03.2021	31.03.2022
Liabilities		
Share capital	12,00,000	12,00,000
Profit and loss account	8,50,000	10,00,000
Long term loans	10,00,000	10,60,000
Trade payables	3,50,000	4,00,000
	34,00,000	36,60,000
Assets		
Fixed assets	17,00,000	20,00,000
Investment in shares	2,00,000	2,00,000
Inventory	6,80,000	7,00,000
Trade receivables	7,60,000	6,90,000
Cash	60,000	70,000
	34,00,000	36,60,000

Income Statement for the year ended 31st March, 2022

	₹
Sales	40,80,000
Less: Cost of sales	(27,20,000)
Gross profit	13,60,000
Less: Operating expenses:	

Administrative expenses	(4,60,000)
Depreciation	(2,20,000)
Operating profit	6,80,000
Add: Non-operating incomes (dividend received)	50,000
	7,30,000
Less: Interest paid	(1,40,000)
Profit before tax	5,90,000
Less: Income-tax	(2,60,000)
Profit after tax	3,30,000

Statement of Retained Earnings

	₹
Opening balance	8,50,000
Add: Profit	3,30,000
	11,80,000
Less: Dividend paid	(1,80,000)
Closing balance	10,00,000

Question 13 (RTP Nov 2018) / (RTP Nov 2022) (Similar)

Pg no. _____

Balance Sheet of Harry Ltd. for year ending 31st March, 2022 & 31st March, 2021 were as:

	2022	2021
Equity Share Capital	1,20,000	1,00,000
Reserves:		
Profit and Loss Account	9,000	8,000
Current Liabilities:		
Trade payables	8,000	5,000
Income Tax Payable	3,000	2,000
Dividend Payable	4,000	2,000
	1,44,000	1,17,000
Fixed Assets (at w.d.v.)		
Building	19,000	20,000
Furniture & Fixtures	34,000	22,000
Cars	25,000	16,000
Long-term investments	32,000	28,000
Current Assets		
Inventory	14,000	8,000
Trade receivables	8,000	6,000
Bank and Cash	12,000	17,000
	1,44,000	1,17,000

The profit and loss account for the year ended 31st March, 2022 disclosed

Profit before tax	8,000
Income Tax	(3,000)
Profit after tax	5,000
Declared dividends	(4,000)
Retained profit	1,000

Further Information is available:

1. Depreciation on Building ₹ 1,000
2. Depreciation on Furniture & Fixtures for the year ₹ 2,000
3. Depreciation on Cars for the year ₹ 5,000. One car was disposed during the year for ₹ 3,400 whose written down value was ₹ 2,000.

4. Purchase investments for ₹ 6,000.

5. Sold investments for ₹ 10,000, these investments cost ₹ 2,000.

Prepare Cash Flow Statements as per AS-3 using indirect method.

Question 14

Pg no. _____

The following are the summarized Balance Sheets of 'Fan' Ltd. as on March 31, 2021 and 2022:

Liabilities	As on 31.03.2021	As on 31.03.2022
Equity share capital	5,00,000	6,25,000
Capital Reserve	-	5,000
Profit and Loss A/c	2,00,000	2,40,000
Long term loan from the bank	2,50,000	2,00,000
Trade Payables	2,50,000	2,00,000
Provision for Taxation	25,000	30,000
	12,25,000	13,00,000
Assets	As on 31.03.2021	As on 31.03.2022
Land and Building	2,00,000	1,90,000
Machinery	3,75,000	4,60,000
Investment	50,000	25,000
Inventory	1,50,000	1,40,000
Trade Receivables	2,00,000	2,10,000
Cash in Hand	1,00,000	70,000
Cash at Bank	1,50,000	2,05,000
	12,25,000	13,00,000

Additional information:

a) Depreciation written off on land and building ₹ 10,000.

b) Company sold some investment at profit of ₹ 5,000, which was credited to Capital Reserve.

c) Income-tax provided during the year ₹ 27,500.

d) During the year, the company purchased a machinery for ₹ 1,12,500. They paid ₹ 62,500 in cash and issued 5,000 equity shares of ₹ 10 each at par.

Prepare cash flow statement for the year ended 31st March 2022 by using indirect method.

Question 15 (RTP May 2019)

Pg no. _____

From the following information prepare cash flow statement for year ended 31st March, 2022:

	(₹ in lacs)
Net profit before tax provision	72,000
Dividend paid	20,404
Income-tax paid	10,200
Book value of assets sold	444
Loss on sale of asset	96
Depreciation debited in P & L account	48,000
Capital grant received - amortized in P & L A/c	20
Book value of investment sold	66,636
Profit on sale of investment	240
Interest income from investment credited in P & L A/c	6,000
Interest expenditure debited in P & L A/c	24,000
Interest actually paid (Financing activity)	26,084
Increase in working capital [Excluding cash and bank balance]	1,34,580
Purchase of fixed assets	44,184
Expenditure on construction work	83,376
Grant received for capital projects	36

Long term borrowings from banks	1,11,732
Provision for Income-tax debited in P & L A/c	12,000
Cash and bank balance on 1.4.2021	12,000
Cash and bank balance on 31.3.2022	16,000

Question 16 *(Inter Nov 2020) (10 Marks)*

Pg no. _____

The following figures have been extracted from the books of Manan Jo Limited for the year ended on 31.3.2022. Prepare Cash Flow statement as per AS 3 using indirect method.

- (i) Net profit before taking into account income tax and income from law suits but after taking into account the following items was ₹ 30 lakhs:
 - (a) Depreciation on Property, Plant & Equipment ₹ 7.50 lakhs.
 - (b) Discount on issue of Debentures written off ₹ 45,000.
 - (c) Interest on Debentures paid ₹ 5,25,000.
 - (d) Book value of investments ₹ 4.50 lakhs (Sale of Investments for ₹ 4,80,000).
 - (e) Interest received on investments ₹ 90,000.
- (ii) Compensation received ₹ 1,35,000 by the company in a suit filed.
- (iii) Income tax paid during the year ₹ 15,75,000.
- (iv) 22,500, 10% preference shares of 100 each were redeemed on 02.04.21 at premium of 5%
- (v) Further the company issued 75,000 equity shares of ₹ 10 each at a premium of 20% on 30.3.2022 (Out of 75,000 equity shares, 25,000 equity shares were issued to a supplier of machinery)
- (vi) Dividend for FY 2020-21 on preference shares were paid at the time of redemption.
- (vii) Dividend on Equity shares paid on 31.01.2022 for the year 2020-2021 ₹ 7.50 lakhs and interim dividend paid ₹ 2.50 lakhs for the year 2021-2022.
- (viii) Land was purchased on 02.4.2021 for ₹ 3,00,000 for which the company issued 22,000 equity shares of ₹ 10 each at a premium of 20% to the land owner and balance in cash as consideration.
- (ix) Current assets & current liabilities in the beginning & at the end of the years were as:

	As on 01.04.2021	As on 31.03.2022
Inventory	18,00,000	19,77,000
Trade receivables	3,87,000	3,79,650
Cash in Hand	3,94,450	16,950
Trade payables	3,16,500	3,16,950
Outstanding expenses	1,12,500	1,22,700

Question 17 *(Inter Jan 2021) (12 Marks)*

Pg no. _____

Following information was extracted from books of S Ltd. for the year ended 31st March, 2022:

- (1) Net profit before taking into account income tax and after talking into account the following items was ₹ 30 lakhs;
 - (i) Depreciation on Property, Plant & Equipment ₹ 7,00,000
 - (ii) Discount on issue of debentures written off ₹ 45,000.
 - (iii) Interest on debentures paid ₹ 4,35,000
 - (iv) Investment of Book value ₹ 3,50,000 sold for ₹ 3,75,000.
 - (v) Interest received on Investments ₹ 70,000
- (2) Income tax paid during the year ₹ 12,80,000
- (3) Company issued 60,000 Equity Shares of ₹ 10 each at premium of 20% on 10th April, 2021.
- (4) 20,000, 9% Preference Shares of ₹ 100 each were redeemed on 31st March, 2022 at a premium of 5%
- (5) Dividend paid during the year amounted to ₹ 11 Lakhs

- (6) A new Plant costing ₹ 7 Lakhs was purchased in part exchange of an old plant on 1st January, 2022. The book value of the old plant was ₹ 8 Lakhs but the vendor took over the old plant at a value of ₹ 6 Lakhs only. The balance amount was paid to vendor through cheque on 30th March, 2022.
- (7) 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 31.03.2022 was ₹ 14,76,000. The inventory on 31.03.2021 was correctly valued at ₹ 13,50,000.
- (8) Current Assets & Current Liabilities in the beginning & at the end of year 21-22 were as:

	As on 01.04.2021	As on 31.03.2022
Inventory	13,50,000	14,76,000
Trade receivables	3,27,000	3,13,200
Cash & Bank	2,40,700	3,70,500
Trade payables	2,84,700	2,87,300
Outstanding expenses	97,000	1,01,400

You are required to prepare a Cash Flow Statement for the year ended 31st March, 2022 as per AS 3 using the indirect method.

Question 18

Pg no. _____

Prepare Cash Flow Statement for the year ended 31st March, 2022:

- Total sales for the year were ₹ 199 crore out of which cash sales amounted to ₹ 131 crore.
- Cash collections from credit customers during the year, totalled ₹ 67 crore.
- Cash paid to suppliers of goods and services and to the employees of the enterprise amounted to ₹ 159 crore.
- Fully paid preference shares of the face value of ₹ 16 crore were redeemed and equity shares of the face value of ₹ 16 crore were allotted as fully paid up at a premium of 25%.
- ₹ 13 crore were paid by way of income tax.
- Machine of the book value of ₹ 21 crore was sold at a loss of ₹ 30 lakhs and a new machine was installed at a total cost of ₹ 40 crore.
- Debenture interest amounting ₹ 1 crore was paid.
- Dividends totalling ₹ 11.7 crore was paid on equity and preference shares.
- On 31st March, 2021 balance with bank and cash on hand totalled ₹ 9 crore.

Question 19 (RTP May 2018) / (RTP Nov 2021) (Similar) / (RTP Nov 2023)

Pg no. _____

Prepare a Cash Flow Statement for the year ended 31st March, 2023 (Using direct method):

- Total sales for year were ₹ 796 crores out of which cash sales amounted to ₹ 524 crores.
- Receipts from credit customers during the year, totaled ₹ 268 crores.
- Purchases for the year amounted to ₹ 440 crores out of which credit purchase was 80%.
- Balance in creditors as on

1.4.2022	₹ 168 crores	31.3.2023	₹ 184 crores
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- Suppliers of other consumables and services were paid ₹ 38 crores in cash.
- Employees of the enterprises were paid 40 crores in cash.
- Fully paid 9% preference share of the face value of ₹ 64 crores were redeemed. Equity shares of the face value of ₹ 40 crores were allotted as fully paid up at premium of 20%.
- 10% Debentures of ₹ 40 crores at a premium of 10% were redeemed. Debenture holders were issued equity shares in lieu of their debentures.
- ₹ 52 crores were paid by way of income tax.
- A new machinery costing ₹ 50 crores was purchased in part exchange of an old machinery. The book value of the old machinery was ₹ 26 crores. Through the negotiations, the vendor agreed to take over the old machinery at a higher value of ₹ 30 crores. The balance was paid in cash to the vendor.

- k) Investment costing ₹ 36 crores were sold at a loss of ₹4 crores.
- l) Dividends totalling ₹ 30 crores was also paid.
- m) Debenture interest amounting ₹ 4 crore was paid.
- n) Non Cash expenditure incurred during the current year was 1.20 crores
- o) Dividend declared during the current year was 15% on Equity share capital (ESC=120 crores)
- p) On 31st March 2022, Balance with Bank and Cash on hand totaled ₹ 4 crores

Question 20 (ICAI Study Material)

Pg no. _____

Prepare cash flow statement of M/s MNT Ltd. for the year ended 31st March, 2022 with the help of the following information:

- 1) Company sold goods for cash only.
- 2) Gross Profit Ratio was 30% for the year, gross profit amounts to ₹ 3,82,500.
- 3) Opening inventory was less than closing inventory by ₹ 35,000.
- 4) Wages paid during the year ₹ 4,92,500.
- 5) Office and selling expenses paid during the year ₹ 75,000.
- 6) Dividend paid during the year ₹ 30,000
- 7) Bank loan repaid during the year ₹ 2,15,000 (included interest ₹ 15,000)
- 8) Trade payables on 31st March, 2021 exceed the balance on 31st March, 2022 by ₹ 25,000.
- 9) Amount paid to trade payables during the year ₹ 4,60,000.
- 10) Tax paid during the year amounts to ₹ 65,000 (Provision for taxation as on 31.03.2022 ₹ 45,000).
- 11) Investments of ₹ 7,00,000 sold during the year at a profit of ₹ 20,000.
- 12) Depreciation on fixed assets amounts to ₹ 85,000.
- 13) Plant and machinery purchased on 15th November, 2021 for ₹ 2,50,000.
- 14) Cash and Cash Equivalents on 31st March, 2021 ₹ 2,00,000.
- 15) Cash and Cash Equivalents on 31st March, 2022 ₹ 6,07,500.

Question 21 (Inter May 2019) (10 Marks)

Pg no. _____

The following information was provided by PQR Ltd. for the year ended 31st March, 2022:

- (1) Gross Profit Ratio was 25% for the year, which amounts to ₹ 3,75,000.
 - (2) Company sold goods for cash only.
 - (3) Opening inventory was lesser than closing inventory by ₹ 25,000.
 - (4) Wages paid during the year ₹ 5,55,000.
 - (5) Office expenses paid during the year ₹ 35,000.
 - (6) Selling expenses paid during the year ₹ 15,000.
 - (7) Dividend paid during the year ₹ 40,000
 - (8) Bank Loan repaid during the year ₹ 2,05,000 (included interest ₹ 5,000)
 - (9) Trade Payables on 31st March, 2021 were ₹ 50,000 and on 31st March, 2022 were ₹ 35,000.
 - (10) Amount paid to Trade payables during the year ₹ 6,10,000
 - (11) Income Tax paid during the year amounts to ₹ 55,000 (Provision for taxation as on 31st March, 2022 ₹ 30,000).
 - (12) Investments of ₹ 8,20,000 sold during the year at a profit of ₹ 20,000.
 - (13) Depreciation on furniture amounts to ₹ 40,000.
 - (14) Depreciation on other tangible assets amounts to ₹ 20,000.
 - (15) Plant and Machinery purchased on 15th November, 2021 for ₹ 3,50,000
 - (16) On 31st March, 2022 ₹ 2,00,000, 7% Debentures were issued at face value in an exchange for a plant.
 - (17) Cash and Cash equivalents on 31st March, 2021 ₹ 2,25,000.
- (A) Prepare cash flow statement for the year ended 31st March, 2022, using direct method.
(B) Calculate cash flow from operating activities, using indirect method

Question 22 *(ICAI Study Material)* Pg no. _____

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

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

- (i) to suppliers
- (ii) to employees
- (iii) to its subsidiaries companies

b) Investment made in subsidiary Smart Ltd. and dividend received

c) Dividend paid for the year

d) TDS on interest income earned on investments made

e) TDS on interest earned on advance given to suppliers

f) Insurance claim received against loss of fixed asset by fire

Discuss in the context of AS 3 Cash Flow Statement

Question 23 *(ICAI Study Material) (Similar)* Pg no. _____

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

a) Interest paid by financial enterprise

b) Dividend paid

c) Tax deducted at source on interest received from subsidiary company

d) Deposit with Bank for a term of two years

e) Insurance claim received towards loss of machinery by fire

Which activity does the purchase of business falls under and whether netting off of aggregate cash flows from disposal and acquisition of business units is possible?

Question 24 *(ICAI Study Material)* Pg no. _____

X Ltd. purchased debentures of ₹ 10 lacs of Y Ltd., which are redeemable within three months. How will you show this item as per AS 3 while preparing cash flow statement for year ended on 31st March, 2022?

Question 25 *(Inter Nov 2019) (5 Marks)* Pg no. _____

Prepare cash flow from investing activities as per AS 3 of M/s Subham Creative Limited for year ended 31.3.2022.

Particulars	Amount
Machinery acquired by issue of shares at 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
Purchased debentures of X Ltd., on. 1st December, 2021 which are redeemable within 3 months	3,00,000
Book value of plant & machinery sold (loss incurred ₹ 9,600)	90,000

Question 26 *(RTP Nov 2019)* Pg no. _____

Prepare a Cash Flow Statement for the year ended 31st March, 2022.

Balance Sheets as on.....

Particulars	Note No.	31.03.2022	31.03.2021
EQUITY AND LIABILITIES			
(1) Shareholder's Funds			
(a) Share Capital	1	3,50,000	3,00,000
(b) Reserve & Surplus	2	82,000	38,000
(2) Current Liabilities			
Trade Payables		65,000	44,000
Other Current Liabilities	3	37,000	27,000
Short Term Provisions (Provision for Tax)		32,000	28,000
Total		5,66,000	4,37,000
ASSETS			
(1) Non Current Assets			
Tangible Fixed Assets	4	2,66,000	1,90,000
Intangible Assets (Goodwill)		47,000	60,000
Non Current Investments		35,000	10,000
(2) Current Assets			
Inventories		78,000	85,000
Trade Receivables		1,08,000	75,000
Cash & Cash Equivalents		32,000	17,000
Total		5,66,000	4,37,000

Note 1: Share Capital

Particulars	31.03.2022	31.03.2021
Equity Share Capital	2,50,000	1,50,000
8% Preference Share Capital	1,00,000	1,50,000
Total	3,50,000	3,00,000

Note 2: Reserve & Surplus

Particulars	31.03.2022	31.03.2021
General Reserve	30,000	20,000
Profit & Loss A/c	27,000	18,000
Capital Reserve	25,000	-
Total	82,000	38,000

Note 3: Current Liabilities

Particulars	31.03.2022	31.03.2021
Dividend Declared	37,000	27,000
Total	37,000	27,000

Note 4: Tangible Fixed Assets

Particulars	31.03.2022	31.03.2021
Land & Building	75,000	1,00,000
Machinery	1,91,000	90,000
Total	2,66,000	1,90,000

Additional Information:

- a) ₹ 18,000 depreciation for the year has been written off on Plant and Machinery and no depreciation has been charged on land and building.

- b) 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.
- c) A plant was sold for ₹ 12,000 (WDV being ₹ 15,000).
- d) Dividend received amounted to ₹ 2,100 which included pre acquisition dividend of ₹ 600.
- e) An interim dividend of ₹ 10,000 has been paid.
- f) Non-current investments given in the balance sheet represents investment in shares of other companies.

Question 27

Pg no. _____

Explain the meaning of the terms 'cash' and 'cash equivalent' for the purpose of Cash Flow Statement as per AS-3.

Ruby Exports had a bank balance of USD 25,000, stated in books at ₹ 16,76,250 using the rate of exchange ₹ 67.05 per USD prevailing on the date of receipt of dollars. However, on the balance sheet date, the closing rate of exchange was ₹ 67.80, and the bank balance had to be restated at ₹ 16,95,000. Comment on the effect of change in bank balance due to exchange rate fluctuation and also discuss how it will be disclosed in Cash Flow Statement of Ruby Exports with reference to AS-3.

Question 28 *(Inter Dec 2021) (5 Marks)*

Pg no. _____

Following are the extracts from the Balance Sheet of ABC Ltd.

Liabilities	31.3.2020	31.3.2021
	(₹)	(₹)
Equity Share Capital	25,00,000	35,60,000
10% Preference Share Capital	7,00,000	6,00,000
Securities Premium Account	5,00,000	5,50,000
Profit & Loss A/c	20,00,000	28,00,000

Equity Share Capital for the year ended 31st March, 2021 includes ₹ 60,000 of equity shares issued to Grey Ltd. at par for supply of Machinery of ₹ 60,000.

Profit & Loss account on 31st March, 2021 includes ₹ 50,000 of dividend received on Equity shares invested in X Ltd. Show how the related items will appear in the Cash Flow Statement of ABC Ltd. as per AS-3.

Question 29 *(Inter May 2022) (5 Marks)*

Pg no. _____

The following information is provided by Alpha Limited, for the year ended 31st March, 2022:

- a) Net profit before taking into account income tax and income from law suits but after taking into account the following items was ₹ 40 lakhs.
- b) Depreciation on Fixed Assets ₹ 10 lakhs.
- c) Discount on issue of Debentures written of ₹ 60,000.
- d) Interest on Debentures paid ₹ 7,00,000.
- e) Book value of investments ₹ 6 lakhs (Sale of Investments for ₹ 6,40,000).
- f) Interest received on investments ₹ 1,20,000.
- g) Compensation received ₹ 1,80,000 by the company in a suit filed.
- h) Income tax paid ₹ 21,00,000
- i) Current assets and current liabilities in the beginning and at the end of the year were as detailed below:

	As on 31.3.2021 ₹	As on 31.3.2022 ₹
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 31st March, 2022.

Question 30 *(Inter Nov 2022) (5 Marks)*

Pg no. _____

Ridgeway Limited, a Non-Financial company has the following activities:

- Dividend paid for the year.
- TDS on interest income earned on investments made.
- Loans and advances given to suppliers and interest earned from them.
- Deposit with bank for a term of two years.
- Highly liquid Marketable Securities (without risk of change in value).
- Investments made and dividends earned on them.
- Insurance claims received against loss of stock or loss of profits.
- Loans and advances given to subsidiaries and interest earned from them.
- Issue of Bonus Shares.
- Term loan repaid.

You are required to classify the above activities in Cash Flow Statement as per 'AS-3'.

Question 31 *(Inter May 2023) (10 Marks)*

Pg no. _____

The summarised Balance Sheet of Flora Limited for the year ended 31st March, 2022 and 31st March, 2023 are as below :

Assets	31/03/2023 (₹)	31/03/2022 (₹)
Goodwill	15,000	28,000
Land	5,75,000	6,00,000
Furniture and Fixtures	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	18,150	14,500
Trade Receivables	46,000	52,000
Cash and Bank Balances	1,29,850	34,500
Total	10,31,000	9,99,000
Liabilities	31/03/2023 (₹)	31/03/2022 (₹)
Equity Share Capital	6,80,000	5,00,000
General Reserves	90,000	60,000
Profit & Loss Account	93,000	52,000
Capital Reserve	75,000	-
8% Debenture of ₹ 100 each	-	3,00,000
Loan from Mr. Andrew	-	15,000
Bills Payable	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
Total	10,31,000	9,99,000

Additional Information:

- a. On 1st April, 2022, one of the vehicles was sold for ₹ 3,000. No new purchases were made during the year.
- b. 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.
- c. Depreciation provided during the year:
 - Furniture and Fixtures ₹ 5,000
 - Vehicles ₹ 2,200
- d. Interim dividend of ₹ 5,000 was paid during the year.
- e. Provision for taxation for the year 2022-2023 was ₹ 16,000.
- f. 8% Debentures were redeemed at par after half year interest payment on 30th September, 2022.
- g. Part of the long-term investments were sold at a profit of ₹ 8,000.
- h. 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 31st March, 2023 using indirect method. (All workings should form part of the answer)