

CASH FLOW STATEMENT

Solution 1

- 1) Operating Activities: b, c, f & i.
- 2) Investing Activities: a, g .
- 3) Financing Activities: d, e, h.

Solution 2

- (a) Operating Activities: Items 1 and 5.
- (b) Investing Activities: Items 3,7 and 9
- (c) Financing Activities: Items 4,6,8 and 10
- (d) Cash Equivalent: 2

Solution 3

- (a) Operating Activities: Items (c) and (j)
- (b) Investing Activities: Items (a),(d), (e) and (g)
- (c) Financing Activities: Items (b),(f) and (h)
- (d) Item (i): Not a Cash Equivalent:

Solution 4

X Ltd.
Cash Flow Statement for the year ended 31st March, 2022
(Using direct method)

	₹'000	₹'000
Cash flows from operating activities		
Cash receipts from customers	2,800	
Cash payments to suppliers	(2,000)	
Cash paid to employees	(100)	
Cash payments for overheads	(200)	
Cash generated from operations	500	
Income tax paid	(250)	
<i>Net cash generated from operating activities</i>		250
Cash flows from investing activities		
Payments for purchase of fixed assets	(200)	
Proceeds from sale of fixed assets	100	
<i>Net cash used in investing activities</i>		(100)
Cash flows from financing activities		
Proceeds from issuance of equity shares	300	
Bank loan repaid	(300)	
Dividend paid	(50)	
<i>Net cash used in financing activities</i>		(50)
Net increase in cash		100
Cash at beginning of the period		50
Cash at end of the period		150

Solution 5

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

	₹	₹
Cash flows from operating activities		
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)	(15,000)	
Cash generated from operations	2,20,000	
Income tax paid	(55,000)	
Net cash generated from operating activities		1,65,000
Cash flows from investing activities		
Payments for purchase of fixed assets	(4,00,000)	
Proceeds from sale of fixed assets	70,000	
Net cash used in investing activities		(3,30,000)
Cash flows from financing activities		
Proceeds from issuance of equity shares	5,00,000	
Bank loan repaid	(2,50,000)	
Debentures redeemed	(50,000)	
Dividend paid	(1,00,000)	
Net cash used in financing activities		1,00,000
Net decrease in cash & cash equivalents	(65,000)	
Cash and cash equivalents at the beginning of the year	80,000	
Cash and cash equivalents at the end of the year	15,000	

Solution 6

Gama Limited Cash Flow Statement for the Year Ended 31st March 2021

Particulars	Amount (₹'000)	Amount (₹'000)
Cash flow from Operating Activities:		
Cash receipts from customers	74,682	
Cash payments to suppliers	(54,918)	
Cash payments for wages & salaries	(1,863)	
Cash payments of overheads	(3,105)	
Cash Generated from Operations	14,796	
Payment of Taxation	(6,561)	
Net Cash from Operating Activities		8,235
Cash Flow from Investing Activities:		
Proceeds from sale of investments	459	
Proceeds from sale of Property, Plant and Equipment	3,456	
Purchase of Investments	(351)	
Purchase of Property, Plant and Equipment	(6,210)	
Net Cash Used in Investing Activities		(2,646)
Cash Flow from Financing Activities:		
Proceeds from issue of shares	8,100	
Payment of Dividend	(2,160)	
Repayment of Bank Overdraft	(6,750)	
Interest paid on Bank Overdraft	(1,350)	
Net Cash Used in Financing Activities		(2,160)
Net Increase in Cash & Cash Equivalent		3,429
Cash and Cash Equivalent in the Beginning of the year		945
Cash and Cash Equivalent in the end of the year		4374

Solution 7

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

	₹'000	₹'000
Cash flows from operating activities		
Cash receipts from customers	16,596	
Cash payments to suppliers	(12,204)	
Cash paid to employees	(414)	
Cash payments for Selling & Admin. Expenses	(690)	
Cash generated from operations	3,288	
Income tax paid	(1,458)	
Net cash generated from operating activities		1,830
Cash flows from investing activities		
Payments for purchase of fixed assets	(1,380)	
Proceeds from sale of fixed assets	768	
Sale of Investments	102	
Purchase of investments	(78)	
Net cash used in investing activities		(588)
Cash flows from financing activities		
Proceeds from issuance of equity shares	1,800	
Bank loan repaid	(1,500)	
Interest paid on bank loan	(300)	
Dividend paid	(480)	
Net cash used in financing activities		(480)
Net increase in cash and cash equivalents		762
Cash and cash equivalents at beginning of period		210
Cash and cash equivalents at end of period		972

Solution 8

Cash Flow Statement for the year ending on March 31, 2022

	₹	₹
I. Cash flows from Operating Activities		
Net profit made during the year (W.N.1)	2,60,000	
Adjustment for depreciation on Machinery (W.N.2)	55,000	
Adjustment for depreciation on Land & Building	20,000	
Operating profit before change in Working Capital	3,35,000	
Decrease in inventory	20,000	
Increase in trade receivables	(20,000)	
Decrease in trade payables	(1,00,000)	
Income-tax paid	(45,000)	
Net cash from operating activities		1,90,000
II. Cash flows from Investing Activities		
Purchase on Machinery	(1,25,000)	
Sale of Investments	60,000	(65,000)
III. Cash flows from Financing Activities		
Issue of equity shares (2,50,000-1,00,000)	1,50,000	
Repayment of Long Term Loan from Bank (5,00,000-4,00,000)	(1,00,000)	
Dividend paid	(1,00,000)	(50,000)
Net increase in cash and cash equivalent		75,000
Cash and cash equivalents at the beginning of the period		5,00,000
Cash and cash equivalents at the end of the period		5,75,000

Working Notes:**(i) Net Profit made during the year ended 31.3.2022**

	₹
Increase in P & L (Cr.) Balance	30,000
Add: Transfer to general reserve	50,000
Add: Provision for taxation made during the year	55,000
Add: Dividend payable during the year	1,25,000
	2,60,000

(ii)**Machinery Account**

	₹		₹
To Balance b/d	7,50,000	By Depreciation (Bal. Fig.)	55,000
To Bank	1,25,000	By Balance c/d	9,20,000
To Equity share capital	1,00,000		
	9,75,000		9,75,000

(iii)**Provision for Taxation Account**

	₹		₹
To Cash (Bal. Fig.)	45,000	By Balance b/d	50,000
To Balance c/d	60,000	By P & L A/cd	55,000
	1,05,000		1,05,000

(iv)**Dividend Payable Account**

	₹		₹
To Bank	1,00,000	By Balance b/d	1,00,000
To Balance c/d	1,25,000	By P & L A/c (Bal. Fig.)	1,25,000
	2,25,000		2,25,000

(v)**Investment Account**

	₹		₹
To Balance b/d	1,00,000	By Bank A/c	60,000
To Capital Reserve A/c (Profit on sale of investment)	10,000	(Bal. fig. for investment sold)	50,000
	1,10,000	By Balance c/d	1,10,000

Solution 9**Fox Ltd.****Cash Flow Statement for the year ended 31st March, 2021**

Particular	₹	₹
Cash flows from operating activities		
Net Profit (35,000 less 25,000)	10,000	
Add: Dividend	10,000	
Provision for tax	8,000	
Net profit before taxation and extraordinary items	28,000	
Adjustments for:		
Depreciation	40,000	
Operating profit before working capital changes		68,000
Increase in trade receivables	(75,000)	
Increase in inventories	(70,000)	
Increase in other current assets	(33,000)	
Increase in trade payables	90,000	(88,000)
Cash used in operating activities		(20,000)

Less: Tax paid*		(5,000)
Net cash used in operating activities		<u>(25,000)</u>
Cash flows from investing activities		
Purchase of PPE	(2,10,000)	
Net cash used in investing activities		<u>(2,10,000)</u>
Cash flows from financing activities		
Issue of equity shares for cash	2,10,000	
Issue of preference shares	50,000	
Dividends paid	(10,000)	
Net cash generated from financing activities		<u>2,50,000</u>
Net increase in cash and cash equivalents		15,000
Cash and cash equivalents at beginning of period		<u>90,000</u>
Cash and cash equivalents at end of period		<u>1,05,000</u>

*Provision for tax of last year considered to be paid in the current year.

Working Note:

	₹
Property, plant and equipment acquisitions	
W.D.V. at 31.3.2021	3,50,000
Add back:	
Depreciation for the year	40,000
	<u>3,90,000</u>
Less: W.D.V. at 31.12.2020	1,80,000
Acquisitions during 2020-2021	<u>2,10,000</u>

Solution 10

Cash Flow Statement of Mr. Zen as per AS 3 for the year ended 31.3.2022

i.	Cash flow from operating activities		
	Net Profit (given)		3,60,000
	<i>Adjustments for</i>		
	Depreciation on Plant & Machinery	1,44,000	
	Loss on Sale of Machinery	<u>16,000</u>	<u>1,60,000</u>
	Operating Profit before working capital changes		5,20,000
	Decrease in inventories	80,000	
	Increase in trade receivables	(1,60,000)	
	Increase in trade payables	<u>32,000</u>	<u>(48,000)</u>
	<i>Net cash generated from operating activities</i>		4,72,000
ii.	Cash flow from investing activities		
	Sale of Machinery	40,000	
	Purchase of Land	<u>(2,80,000)</u>	
	<i>Net cash used in investing activities</i>		(2,40,000)
iii.	Cash flow from financing activities		
	Repayment of Mrs. Zen's Loan	(2,00,000)	
	Drawings	(1,36,000)	
	Loan from Bank	<u>80,000</u>	
	<i>Net cash used in financing activities</i>		(2,56,000)
	Net decrease in cash		(24,000)
	Opening balance as on 1.4.2021		<u>80,000</u>
	Cash balance as on 31.3.2022		56,000

Working Notes:

Plant & Machinery A/c

	₹		₹
To Balance b/d (6,40,000 + 2,00,000)	8,40,000	By Cash Sales By Provision for Depreciation A/c By Profit & Loss A/c – Loss on Sale (80,000 – 64,000) By Balance c/d (4,40,000+3,20,000)	40,000 24,000 16,000 7,60,000
	8,40,000		8,40,000

Provision for depreciation on Plant and Machinery A/c

	₹		₹
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 (Bal. fig.)	1,44,000
	3,44,000		3,44,000

To find out Mr. Zen's drawings:

	₹
Opening Capital	10,00,000
Add: Net Profit	<u>3,60,000</u>
	13,60,000
Less: Closing Capital	(12,24,000)
Drawings	1,36,000

Solution 11

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

	Amount	Amount
I Cash Flows from Operating Activities		
Closing Balance as per Profit & Loss A/c		1,60,000
Less: Opening Balance as per Profit & Loss A/c		(1,00,000)
		60,000
Add: Transfer to General Reserve		<u>20,000</u>
Net Profit before taxation and extra-ordinary items		80,000
Add: Depreciation on Plant and Machinery		50,000
Less: Profit on sale of machinery (Refer W.N.)		(3,000)
Operating Profit		1,27,000
Add: Decrease in Inventory	25,000	
Add: Increase in trade payables	<u>47,000</u>	72,000
Less: Increase in trade receivables	(10,000)	
Less: Decrease in Outstanding expenses	(2,000)	(12,000)
Net Cash from Operating Activities		1,87,000
II Cash Flows from Investing Activities		
Purchase of Land & Building	(40,000)	
Proceeds from Sale of Machinery (Refer W.N.)	8,000	
Purchases of Plant & Machinery (Refer W.N.)	(3,55,000)	
Net Cash Used in Investing Activities		(3,87,000)
III Cash Flows from Financing Activities		
Proceeds from Issuance of Share Capital	<u>2,00,000</u>	
Net Cash from Financing Activities		<u>2,00,000</u>
Net Increase/Decrease in Cash & Cash Equivalents		0

Add: Cash in hand at the beginning of the year		20,000
Cash in hand at the end of the year		20,000

Working Note:
Plant and Machinery Account

	₹		₹
To Balance b/d	5,00,000	By Bank	8,000*
To Profit & Loss A/c (Profit on sale)	3,000	By Depreciation	50,000
To Purchases (Bal. fig.)	3,55,000	By Balance c/d	8,00,000
	8,58,000		8,58,000

*160% of (12,000-7,000) = 8,000

Solution 12
Cash Flow Statement of A (P) Ltd. for the year ended 31st March 2022

		₹	₹
I	Cash flows from Operating Activities		
	Profit before tax	5,90,000	
	Adjustments for		
	Depreciation	2,20,000	
	Interest paid	1,40,000	
	Dividend received	(50,000)	
	Operating profit before working capital changes	9,00,000	
	Add:		
	Decrease in trade receivables	70,000	
	Increase in trade payables	50,000	
		10,20,000	
	Less: Increase in inventory	(20,000)	
	Cash generated from operations	10,00,000	
	Less: Tax paid	(2,60,000)	
	<i>Cash flow from operating activities</i>		7,40,000
II	Cash flows from investing activities		
	Purchase of fixed assets[20,00,000+2,20,000-17,00,000]	(5,20,000)	
	Dividend on investments	50,000	
	<i>Cash used in investing activities</i>		(4,70,000)
III	Cash flows from financing activities		
	Long term loan taken	60,000	
	Interest paid	(1,40,000)	
	Dividend paid	(1,80,000)	
	<i>Cash used in financing activities</i>		(2,60,000)
	Net increase in cash during the year	10,000	
	Add: Opening cash balance	60,000	
	Closing cash balance		70,000

Solution 13
Harry Ltd.
Cash Flow Statement for the year ended 31st March, 2022

A.	Cash flow from Operating Activities		
	Net profit for the year before taxation	8,000	
	Adjustment for		
	Depreciation (1,000+2,000+5,000)	8,000	
	Profit on sale of Investment	(8,000)	
	Profit on sale of car	(1,400)	
	Operating profit before working capital changes	6,600	

	Adjustment for working capital changes		
	Increase in trade receivables	(2,000)	
	Increase in Inventory	(6,000)	
	Increase in trade payables	<u>3,000</u>	
	Cash generated from operations	1,600	
	Income tax paid	(2,000)	
	Net Cash generated from operating activities (a)		<u>(400)</u>
B.	Cash flow from Investing Activities		
	Sale of Car	3,400	
	Purchase of Car	(16,000)	
	Sale of Investment	10,000	
	Purchase of Investment	(6,000)	
	Purchase of Furniture & fixtures	<u>(14,000)</u>	
	Net Cash used in investing activities (b)		<u>(22,600)</u>
C.	Cash flow from Financing Activities		
	Issue of shares for cash	20,000	
	Dividend paid	<u>(2,000)</u>	
	Net cash inflow from financing activities (c)		<u>18,000</u>
	Net increase in cash & cash equivalents during the year (a+b+c)		<u>(5,000)</u>
	Cash and cash equivalents at the beginning of the year		17,000
	Cash and cash equivalents at the end of the year		12,000

Working Notes:

Provision for Taxation A/c

	₹		₹
To Cash (Bal. Fig.)	2,000	By Balance b/d	2,000
To Balance c/d	3,000	By P & L A/c	3,000
	5,000		5,000

Calculation of Fixed assets acquisitions

	Furniture & Fixtures	Car
W.D.V. at 31.3.2022	34,000	25,000
Add back: Depreciation for the year	2,000	5,000
Disposals	-	2,000
	36,000	32,000
Less: W.D.V. at 31.3.2021	(22,000)	(16,000)
Acquisitions during 2021-2022	14,000	16,000

Solution 14

Cash Flow Statement for the year ending on March 31, 2022

		₹	₹
I.	Cash flows from Operating Activities		
	Net profit before tax for the year (W.N.1)	67,500	
	Add: Depreciation on Machinery (W.N.2)	27,500	
	Add: Depreciation on Land & Building	<u>10,000</u>	
	Operating profit before change in Working Capital	1,05,000	
	Decrease in inventory	10,000	
	Increase in trade receivables	(10,000)	
	Decrease in trade payables	(50,000)	
	Income-tax paid	<u>(22,500)</u>	
	Net cash from operating activities		32,500
II.	Cash flows from Investing Activities		
	Purchase on Machinery	(62,500)	
	Sale of Investments	<u>30,000</u>	(32,500)

III.	Cash flows from Financing Activities		
	Issue of equity shares (1,25,000-50,000)	75,000	
	Repayment of Long Term Loan from Bank	(50,000)	25,000
	Net increase in cash and cash equivalent		25,000
	Cash and cash equivalents at the beginning of the period		2,50,000
	Cash and cash equivalents at the end of the period		2,75,000

Working Notes:

(i) **Net Profit made during the year ended 31.3.2022**

	₹
Increase in P & L (Cr.) Balance	40,000
Add: Provision for taxation made during the year	27,500
	67,500

(ii) **Machinery Account**

	₹		₹
To Balance b/d	3,75,000	By Depreciation (Bal. Fig.)	27,500
To Bank	62,500	By Balance c/d	4,60,000
To Equity share capital	50,000		
	4,87,500		4,87,500

(iii) **Provision for Taxation Account**

	₹		₹
To Cash (Bal. Fig.)	22,500	By Balance b/d	25,000
To Balance c/d	30,000	By P & L A/c	27,500
	52,500		52,500

(iv) **Investment Account**

	₹		₹
To Balance b/d	50,000	By Bank A/c	30,000
To Capital Reserve A/c (Profit on sale of investment)	5,000	(Bal. fig. for investment sold) By Balance c/d	25,000
	55,000		55,000

Solution 15

Cash Flow Statement as per AS 3

<u>Cash flows from operating activities:</u>		<i>₹ in lacs</i>
Net profit before tax provision		72,000
<i>Add:</i> Non cash expenditures:		
Depreciation	48,000	
Loss on sale of assets	96	
Interest expenditure (non-operating activity)	<u>24,000</u>	<u>72,096</u>
		1,44,096
<i>Less:</i> Non cash income		
Amortisation of capital grant received	(20)	
Profit on sale of investments (non-operating income)	(240)	
Interest income from investments (non-operating income)	<u>(6,000)</u>	<u>6,260</u>
<i>Operating profit</i>		1,37,836
<i>Less:</i> Increase in working capital		(1,34,580)
<i>Cash from operations</i>		3,256

Less: Income tax paid		(10,200)
Net cash generated from operating activities		(6,944)
<i><u>Cash flows from investing activities:</u></i>		
Sale of assets (444 – 96)	348	
Sale of investments (66,636+240)	66,876	
Interest income from investments	6,000	
Grants for capital projects	36	
Purchase of fixed assets	(44,184)	
Expenditure on construction work	(83,376)	
Net cash used in investing activities		(54,300)
<i><u>Cash flows from financing activities:</u></i>		
Long term borrowings	1,11,732	
Interest paid	(26,084)	
Dividend paid	(20,404)	
Net cash from financing activities		65,244
Net increase in cash		4,000
<i>Add:</i> Cash and bank balance as on 1.4.2021		12,000
Cash and bank balance as on 31.3.2022		16,000

Solution 16

Manan Ltd. Cash Flow Statement for the year ended 31st March, 2022

	Amount	Amount
<u>Cash flow from Operating Activities</u>		
Net profit before income tax and extraordinary items:		30,00,000
Adjustments for:		
Depreciation on Property, plant and equipment	7,50,000	
Discount on issue of debentures	45,000	
Interest on debentures paid	5,25,000	
Interest on investments received	(90,000)	
Profit on sale of investments	(30,000)	
		12,00,000
Operating profit before working capital changes		42,00,000
Adjustments for:		
Increase in inventory	(1,77,000)	
Decrease in trade receivable	7,350	
Increase in trade payables	450	
Increase in outstanding expenses	10,200	(1,59,000)
Cash generated from operations		40,41,000
Income tax paid		(15,75,000)
Cash flow from ordinary items		24,66,000
Cash flow from extraordinary items:		
Compensation received in a suit filed		1,35,000
Net cash flow from operating activities		26,01,000
<u>Cash flow from Investing Activities;</u>		
Sale proceeds of investments	4,80,000	
Interest received on investments	90,000	
Purchase of land (3,00,000 less 2,64,000)	(36,000)	

Net cash flow from investing activities		5,34,000
Cash flow from Financing Activities		
Proceeds of issue of equity shares at 20% premium	6,00,000	
Redemption of preference shares at 5% premium	(23,62,500)	
Preference dividend paid	(2,25,000)	
Interest on debentures paid	(5,25,000)	
Dividend paid (7,50,000 + 2,50,000)	(10,00,000)	
Net cash used in financing activities		(35,12,500)
Net decrease in cash and cash equivalents during the year		(3,77,500)
Add: Cash and cash equivalents as on 31.3.2021		3,94,450
Cash and cash equivalents as on 31.3.2022		16,950

Solution 17

S Ltd.

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

	Amount	Amount
Cash flow from Operating Activities		
Net profit before income tax and extraordinary items:		30,00,000
Adjustments for:		
Depreciation on Property, plant and equipment	7,00,000	
Discount on issue of debentures	45,000	
Interest on debentures paid	4,35,000	
Interest on investments received	(70,000)	
Profit on sale of investments	(25,000)	
Stock adjustment {14,76,000 less 16,40,000(14,76,000/90X100)}	1,64,000	12,49,000
Operating profit before working capital changes		42,49,000
Adjustments for:		
Increase in inventory	(2,90,000)	
{16,40,000(14,76,000/90X100) less 13,50,000}		
Decrease in trade receivable	13,800	
Increase in trade payables	2,600	
Increase in outstanding expenses	4,400	(2,69,200)
Cash generated from operations		39,79,800
Income tax paid		(12,80,000)
Net cash flow from operating activities		26,99,800
Cash flow from Investing Activities;		
Sale proceeds of investments	3,75,000	
Interest received on investments	70,000	
Purchase of Fixed Assets (7,00,000 less 6,00,000)	(1,00,000)	
Net cash flow from investing activities		3,45,000
Cash flow from Financing Activities		
Proceeds of issue of equity shares	7,20,000	
Redemption of preference shares	(21,00,000)	
Dividend paid	(11,00,000)	
Interest on debentures paid	(4,35,000)	
Net cash used in financing activities		(29,15,000)
Net increase in cash and cash equivalents during the year		1,29,800
Add: Cash and cash equivalents as on 31.3.2021		2,40,700
Cash and cash equivalents as on 31.3.2022		3,70,500

*Net profit given in the question is after considering only the items listed as information point (1) of the question; hence amount of loss on plant not added back

Solution 18**Cash flow statement for the year ended 31st March, 2022**

	₹ (in crore)	₹ (in crore)
Cash flow from operating activities		
Cash sales	131	
Cash collected from credit customers	67	
Less: Cash paid to suppliers for goods & services and to employees	(159)	
Cash from operations	39	
Less: Income tax paid	(13)	
<i>Net cash generated from operating activities</i>		26.00
Cash flow from investing activities		
Payment for purchase of Machine	(40.00)	
Proceeds from sale of Machine	<u>20.70</u>	
<i>Net cash used in investing activities</i>		(19.30)
Cash flow from financing activities		
Redemption of Preference shares	(16.00)	
Proceeds from issue of Equity shares	20.00	
Debenture interest paid	(1.00)	
Dividend Paid	<u>(11.70)</u>	
<i>Net cash used in financing activities</i>		(8.70)
Net decrease in cash and cash equivalent		(2.00)
<i>Add: Cash and cash equivalents as on 1.04.2021</i>		9.00
<i>Cash and cash equivalents as on 31.3.2022</i>		7.00

Solution 19**Cash flow statement (using Direct Method) for the year ended 31st March, 2023**

	₹ (in crore)	₹ (in crore)
Cash flow from operating activities		
Cash sales	524	
Cash collected from credit customers	268	
Less: Cash paid to suppliers for goods & services & to employees (W.N.)	<u>(502)</u>	
Cash from operations	290	
Less: Income tax paid	<u>(52)</u>	
<i>Net cash generated from operating activities</i>		238
Cash flow from investing activities		
Payment for purchase of Machine (50-30)	(20)	
Proceeds from sale of Investments	<u>32</u>	
<i>Net cash generated from investing activities</i>		12
Cash flow from financing activities		
Redemption of Preference shares	(64)	
Proceeds from issue of Equity shares	48	
Debenture interest paid	(4)	
Dividend Paid	<u>(30)</u>	
<i>Net cash used in financing activities</i>		(50)
Net increase in cash and cash equivalent		200
<i>Add: Cash and cash equivalents as on 1.04.2022</i>		4
<i>Cash and cash equivalents as on 31.3.2023</i>		204

Working Note: Calculation of cash paid to suppliers of goods and services and to employees

	(₹ in crores)
Opening Balance in creditors Account	168
Add: Purchases (440x .8)	352

	520
Less: Closing balance in Creditors Account	(184)
Cash paid to suppliers of goods	336
Add: Cash purchases (440x .2)	88
Total cash paid for purchases to suppliers (a)	424
Add: Cash paid to suppliers of other consumables and services (b)	38
Add: Payment to employees (c)	40
Total cash paid to suppliers of goods & services and to employees [(a)+ (b) + (c)]	502

Solution 20

M/s MNT Ltd.
Cash Flow Statement for the year ended 31st March, 2022

Particulars		
Cash flows from Operating Activities		
Cash sales (3,82,500/ .30)		12,75,000
Less: Cash payments for trade payables	(4,60,000)	
Wages Paid	(4,92,500)	
Office and selling expenses	(75,000)	(10,27,500)
Cash generated from operations before taxes		2,47,500
Income tax paid		(65,000)
Net cash generated from operating activities (A)		1,82,500
Cash flows from investing activities		
Sale of investments	7,20,000	
Payments for purchase of Plant & machinery	(2,50,000)	
Net cash used in investing activities (B)		4,70,000
Cash flows from financing activities		
Bank loan repayment(including interest)	(2,15,000)	
Dividend paid	(30,000)	
Net cash used in financing activities (C)		(2,45,000)
Net increase in cash (A+B+C)		4,07,500
Cash and cash equivalents at beginning of the period		2,00,000
Cash and cash equivalents at end of the period		6,07,500

Note: In the above answer, Cash Flow Statements has been prepared by Direct Method

Solution 21

M/s PQR Ltd.
Cash Flow Statement for the year ended 31st March, 2022
(Using Direct Method)

Particulars		
Cash flows from Operating Activities		
Cash sales (3,75,000/25%)		15,00,000
Less: 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 (A)		2,30,000
Cash flows from investing activities		
Sale of investments (8,20,000+20,000)	8,40,000	
Payments for purchase of Plant & machinery	(3,50,000)	
Net cash generated from investing activities (B)		4,90,000

Cash flows from financing activities		
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

**Cash Flow from Operating Activities
(Using Indirect Method)**

Particulars		
Net Profit for the year before tax and extraordinary items		2,80,000
Add: Non-Cash and Non-Operating Expenses:		
Depreciation		60,000
Interest Paid		5,000
Less: Non-Cash and Non-Operating Incomes:		
Profit on Sale of Investments		(20,000)
Net Profit after Adjustment for Non-Cash Items		3,25,000
Less: Decrease in trade payables	15,000	
Increase in inventory	25,000	(40,000)
Cash generated from operations before taxes		2,85,000

Working Note:

Calculation of net profit earned during the year

Particulars		
Gross profit		3,75,000
Less: Office expenses, selling expenses	50,000	
Depreciation	60,000	
Interest paid	5,000	(1,15,000)
		2,60,000
Add: Profit on sale of investments		20,000
Net profit before tax		2,80,000

Solution 22

Loans and Advances given to the following and interest earned on them:	
a) to suppliers	Operating Cash flow
b) to employees	Operating Cash flow
c) to its subsidiaries companies	Investing Cash flow
Investment made in subsidiary Smart Ltd. and dividend received	Investing Cash flow
Dividend paid for the year	Financing Cash Outflow
TDS on interest income earned on investments made	Investing Cash Outflow
TDS on interest earned on advance given to suppliers	Operating Cash Outflow
Insurance claim received against loss of fixed asset by fire	Extraordinary item to be shown under separate heading as 'Cash inflow from Investing activities'.

Solution 23

Interest paid by financial enterprise	Cash flows from operating activities
Dividend paid	Cash flows from financing activities

TDS on interest received from subsidiary co.	Cash flows from investing activities
Deposit with Bank for a term of two years	Cash flows from investing activities
Insurance claim received towards loss of machinery by fire	Extraordinary item to be shown as a separate heading under 'Cash flow from investing activities'

Purchase of business falls under Investing Activities as per AS 3 "Cash Flow Statement". The aggregate cash flows arising from acquisitions and from disposals of other business units should be presented separately and classified as investing activities. Thus netting of aggregate cash flows from disposal and acquisition of business units is not possible

Solution 24

As per AS 3 on 'Cash flow Statement', cash & cash equivalents consists of cash in hand, balance with banks & short-term, highly liquid investments. If investment, of ₹ 10 lacs, made in debentures is for short-term period then it is an item of 'cash equivalents'. However, if investment of ₹ 10 lacs made in debentures is for long-term period then as per AS 3, it should be shown as cash flow from investing activities.

Solution 25

Cash Flow Statement from Investing Activities of Subham Creative Limited for the year ended 31-03-2022

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 extra-ordinary item)		(2,23,200)
Extraordinary claim received for loss of machinery		55,000
Net cash used in investing activities (after extra-ordinary item)		(1,68,200)

Note:

- Debenture interest paid and Term Loan repaid are financing activities and therefore not considered for preparing cash flow from investing activities.
- Machinery acquired by issue of shares does not amount to cash outflow, hence also not considered in the above cash flow statement.
- The investments made in debentures are for short-term, it will be treated as 'cash equivalent' and will not be considered as outflow in cash flow statement.

Solution 26

Cash Flow Statement for the year ending on March 31, 2022

		₹	₹
I	Cash flows from Operating Activities		
	Net profit made during the year (before tax) (W.N.1)	98,000	
	Add: Depreciation on Machinery	18,000	
	Add: Loss on sale of Plant	3,000	
	Add: Goodwill written off	13,000	
	Less: Dividend Income	<u>(1,500)</u>	
	Operating profit before change in Working Capital	1,30,500	
	Decrease in inventory	7,000	
	Increase in trade receivables	(33,000)	
	Increase in trade payables	21,000	
	Income-tax paid	<u>(28,000)</u>	
	<i>Net cash from operating activities</i>		97,500
II.	Cash flows from Investing Activities		

	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>	(95,500)
III.	Cash flows from Financing Activities		
	Proceeds from Issuance of equity shares	1,00,000	
	Redemption of Preference Shares	(50,000)	
	Interim Dividend paid	(10,000)	
	Final Dividend paid	(27,000)	13,000
	Net increase in cash and cash equivalent		15,000
	Cash and cash equivalents at the beginning of the period		<u>17,000</u>
	Cash and cash equivalents at the end of the period		32,000

Working Notes:

(i) Net Profit made during the year ended 31.3.2022

	₹
Increase in P & L (Cr.) Balance (27,000-18,000)	9,000
Add: Transfer to general reserve	10,000
Add: Dividend declared during the year	37,000
Add: Interim Dividend paid during the year	10,000
Add: Provision for taxation made during the year	32,000
	98,000

(ii)

Land & Building Account

	₹		₹
To Balance b/d	1,00,000	By Bank (Sale)	50,000
To Capital Reserve (Profit on Revaluation)	25,000	By Balance c/d	75,000
	1,25,000		1,25,000

(iii)

Plant & Machinery Account

	₹		₹
To Balance b/d	90,000	By Depreciation	18,000
To Bank A/c (Purchase)	1,34,000	By Bank (sale)	12,000
		By P&L A/c (Loss on sale)	3,000
		By Balance c/d	1,91,000
	2,24,000		2,24,000

(iv)

Investments Account

	₹		₹
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
	35,600		35,600

Solution 27

Cash flow statement consists of: (a) Cash in hand and deposits repayable on demand with any bank or other financial institutions and (b) Cash equivalents, which are short term, highly liquid investments that are readily convertible into known amounts of cash & are subject to insignificant risk or change in value. Cash flows are inflows (i.e. receipts) and outflows (i.e. payments) of cash and cash equivalents. Any transaction, which does not result in cash flow, should not be reported in the cash flow statement. Movements within cash or cash equivalents are not cash flows because they do not change cash as defined by AS 3 "Cash Flow Statements" which is sum of cash, bank and cash equivalents.

In the given case, due to increase in rate of foreign exchange by 75 paise, there is increase (change) in bank balance. This increase of ₹ 18,750 ($25,000 \times 0.75$) is not a cash flow because neither there is any cash inflow nor there is any cash outflow. Therefore, this change in bank balance amounting ₹ 18,750 need not be disclosed in Cash Flow Statement of Ruby exports.

The net increase/decrease in Cash/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 recognized in the balance sheet is reconciled in the note on cash flow statements.

Solution 28

The related items given in the question will appear in the Cash Flow Statement of ABC Limited for the year ended 31st March, 2021 as follows:

	₹	₹
Cash flows from operating activities		
Closing Balance as per Profit and Loss Account	28,00,000	
Less: Opening Balance as per Profit and Loss Account	(20,00,000)	
	8,00,000	
Less: Dividend received	<u>(50,000)</u>	7,50,000
Cash flows from investing activities		
Dividend received		50,000
Cash flows from financing activities		
Proceeds from issuance of share capital		
Equity shares issued for cash	10,00,000	
Proceeds from securities premium (₹ 5,50,000 – 5,00,000)	50,000	10,50,000
Less: Redemption of Preference shares (₹ 7,00,000 – ₹ 6,00,000)	<u>(1,00,000)</u>	9,50,000

Note:

- Machinery acquired by issue of shares does not amount to cash outflow, hence also not considered in the cash flow statement.
- ABC Ltd. has been considered as a non-financial company in the given answer.

Solution 29

Alpha Ltd.
Cash Flow Statement (from Operating Activities)
for the year ended 31st March, 2022

	₹	₹
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	<u>(1,20,000)</u>	
Profit on sale of investments	<u>(40,000)</u>	16,00,000
Operating profit before working capital changes		56,00,000
Adjustments for:		
Increase in inventory	<u>(2,36,000)</u>	
Increase in Sundry Debtors	<u>(10,200)</u>	
Decrease in Bills receivables	20,000	
Increase in Sundry Creditors	10,600	
Decrease in Bills payables	<u>(10,000)</u>	
Increase in outstanding expenses	<u>13,600</u>	<u>(2,12,000)</u>
Cash generated from operations		53,88,000

Income tax paid		(21,00,000)
Cash flow from ordinary items		32,88,000
Cash flow from extraordinary items:		
Compensation received in a suit filed		1,80,000
Net cash flow from operating activities		34,68,000

Solution 30

No.	Particulars	Activities
(i)	Dividend paid for the year	Financing
(ii)	TDS on interest income earned on investments made	Investing
(iii)	Loans and advances given to suppliers and interest earned from them	Operating
(iv)	Deposit with bank for a term of two years	Investing
(v)	Highly liquid Marketable Securities (without risk of change in value)	Cash Equivalent
(vi)	Investments made and dividends earned on them	Investing
(vii)	Insurance claims received against loss of stock or loss of profits	Operating
(viii)	Loans and advances given to subsidiaries and interest earned from them	Investing
(ix)	Issue of Bonus Shares	No Cash Inflow /Cash outflow
(x)	Term Loan repaid	Financing

Solution 31

Cash Flow Statement of Flora Limited from Operating Activities For the year ended 31st March, 2023

	₹	₹
Net profit before taxation (W.N.1)		92,000
Adjustment: Depreciation on Furniture & Fixtures	5,000	
Depreciation on Vehicles	2,200	
Profit on sale of land (₹ 125000 - ₹ 100000)	(25,000)	
Loss on sale (Vehicle)	800	
Profit on sale of long-term investments	(8,000)	
Interest received	(6,500)	
Interest on debentures	12,000	
Goodwill written off	13,000	(6,500)
Operating profit before working capital changes		85,500
Increase in Stock in Hand	(8,000)	
Increase in Bills Receivables	(3,650)	
Decrease in Trade Receivables	6,000	
Decrease in Bills payable	(2,000)	
Increase in Trade Payables	4,000	
Increase in outstanding expenses	1,500	(2,150)
Cash generated from Operations		83,350
Less: Income taxes paid		9,000
Cash flow from Operating activities		74,350

Alternative presentation:

Cash Flow Statement of Flora Limited from Operating Activities For the year ended 31st March, 2023

	₹
Net profit before taxation (W.N. 1)	92,000
Adjustment: Depreciation on Furniture & fixtures	5,000

Depreciation on Vehicles	2,200	
Profit on sale of land	(25,000)	
Loss on sale (Vehicle)	800	
Profit on sale of long- term investments	(8,000)	
Interest received	(6,500)	
Interest on debentures	12,000	
Goodwill written off	13,000	(6,500)
Operating profit before working capital changes		85,500
Increase in inventory	(8,000)	
Decrease in Trade receivables*	2,350	
Increase in Trade payables**	2,000	
Increase in outstanding expenses	1,500	(2,150)
Cash generated from Operations		83,350
Less: Income taxes paid		9,000
Cash flow from Operating activities		74,350

*[(18,150 + 46,000) - (14,500 + 52,000)]

**[(11,000 + 49,000) - (13,000 + 45,000)]

Working Notes:

1. Net Profit before Taxation

Particulars	(₹)
Increases in Profit and Loss A/c (93,000-52,000)	41,000
Increases in General Reserve (90,000-60,000)	30,000
Interim dividend Paid	5,000
Transfer – provision for Taxation	16,000
Increase in retained earnings (Net Profit before Taxation)	92,000

2. Provision for Taxation Account

	₹		₹
To Bank (Balancing figure)	9,000	By Balance b/d	11,000
To Balance c/d	18,000	By Profit and loss account	16,000
	27,000		27,000

3. Vehicles Account

Particulars	(₹)
Opening Balance	28,000
Less: Depreciation	(2,200)
Less: Closing Balance	(22,000)
Book value of vehicle sold	3,800
Less: Sale Value	(3,000)
Loss on sale of Vehicle	800