

<u>CF</u>	
1) Operating	150
2) Investing	(50)
3) Financing	100
Cash Net	200
Opn cash 100	
C.F. (Net) 200	
C.B. Bal 300	

→ Burn
 → Invest Kar diya
 → loan liya.

P.T.
 Cash/Bank 100 → 300
 200
 extra
 kaha se
 aaya

C.F. end

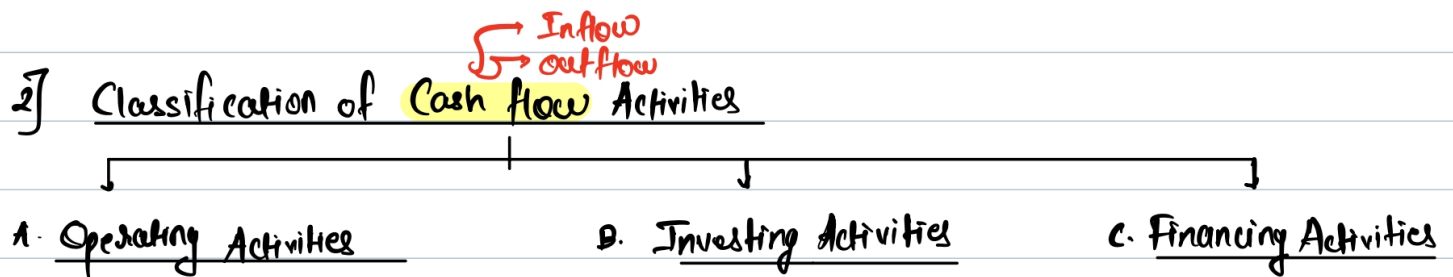
Cash flow Statement (AS 3)

1] Elements of cash & cash equivalents

It includes

- 1] Cash in Hand
- 2] Demand Deposits with Bank (Savings A/c, Current A/c)
- 3] Deposits (Fixed Deposits) with short maturity of 3 months or less
(3 months or less)
- 4] Short term highly liquid investments which are subject to an insignificant risk of changes in value (asaani se value upar niche nahi hote)

Note: Equity shares are never CCE as they have significant risk of changes in value.



A. Operating Activities

→ Principal revenue generating activities (eg. AK Sir → Teaching / Books sale)

Examples

- i) Cash receipts from the sale of goods & services
- ii) Cash receipts from royalties, fees, commission & other revenue
- iii) Cash payments to suppliers for goods & services
- iv) Cash payments to employees
- v) Cash payments or refunds of income taxes relating to operating activities etc.

eg. Inflows: Fees

Book Sale Revenue.

outflows: Employee Salary

Printing cost

Admin OH

B. Investing Activities

Cash flows from acquisition & disposal of long term assets & other investments not included in cash equivalents.

Examples

- 1) Cash payments to acquire PPE, Intangibles, Investment Property etc.
- 2) Cash receipts from sale of PPE, Intangible, Investment Property etc.
- 3) Cash payment to acquire investments in shares, investment in debentures, investment in pref shares or any other investment
- 4) Cash receipts from sale of investments in shares, investment in debentures, investment in pref shares or any other investment
- 5) Cash advances & loans given
- 6) Cash receipts from repayment of loans given.
- 7) Any income generated from investment activity for eg, interest income, dividend income, rent income on investment prop, interest incomes on loans & advances given etc, will also be treated as cash flow from investing activity.

C. Financing Activities

These are activities that result in changes in owner's capital & borrowings of the enterprise.

Examples

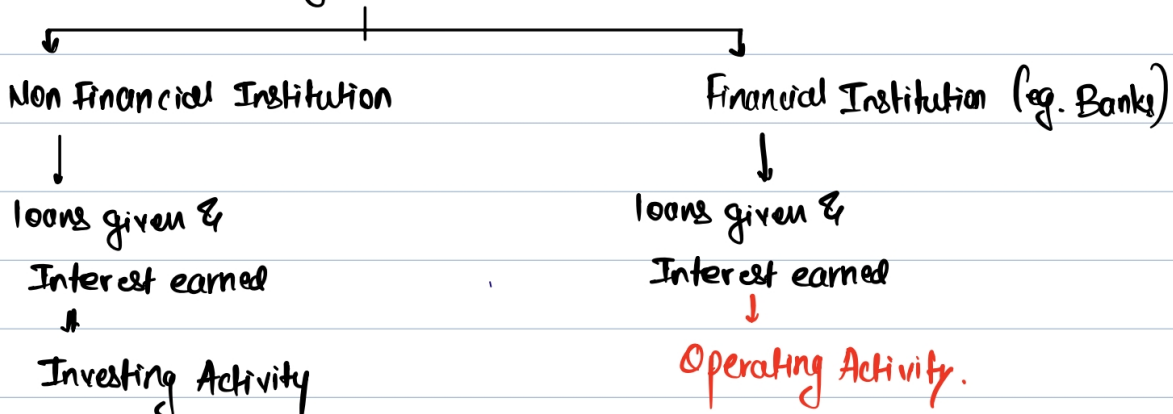
- i) Cash proceeds from issuing shares, or any other equity instruments.
- ii) Cash payments on buy back of shares.
- iii) Cash proceeds from issuing debentures, issuing pref shares, issuing bonds etc.
- iv) Cash repayment on redemption of deb, redemption of pref share, redemption of bonds
- v) Cash proceeds from loan or borrowings taken.
- vi) Cash repayment on such loan & borrowings taken.
- vii) Any dividend paid/interest paid on raising of funds is also financing activity.

BB		Asset
Esc	Psc	PPE
Deb Issued	loan taken	Intangible
	Trade payable	Investments
	o/c exp	loan given
		Inventories
		Trade receivables
		Prepaid exp
		CCE

PL	
Exp	Income
Operating → Bus Expenses	Main Revenue → operating
Financing { Interest Exp Dividend Exp	Interest Income } Investing
	Div Income }

3] Other Important Points

A] Loans Advanced given & Interest earned



Note: Loans given & Interest earned from **employees / suppliers** → Operating cash flow
 (for non financial as well as financial institution)

b] Investments made & dividend earned

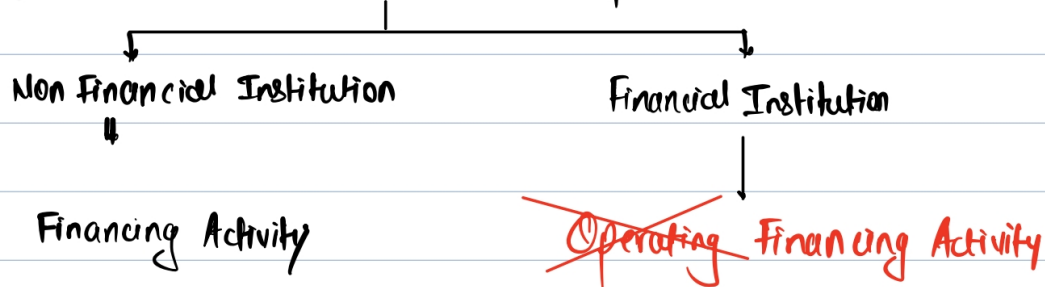


c] Loans Advances taken & Interest paid



Note: Loans taken & Interest paid from customers / suppliers → Operating cash flow
(for non financial as well as financial institution)

d] Issue of shares & dividend paid



Note: Share issue karna can never be your Busn ∴ Financing for all.

Non Fin Inst

Loan given to 3rd party → Invest
 Int earned → Invest

Investment purchased → Invest
 Return → Invest

Loan taken from 3rd party → Financing
 Int paid → Financing.

Issue of shares → Financing
 Div paid → Financing.

Fin Inst

Loan given to Int earned
 ↳ Op.

Loan taken & Int paid → Op.

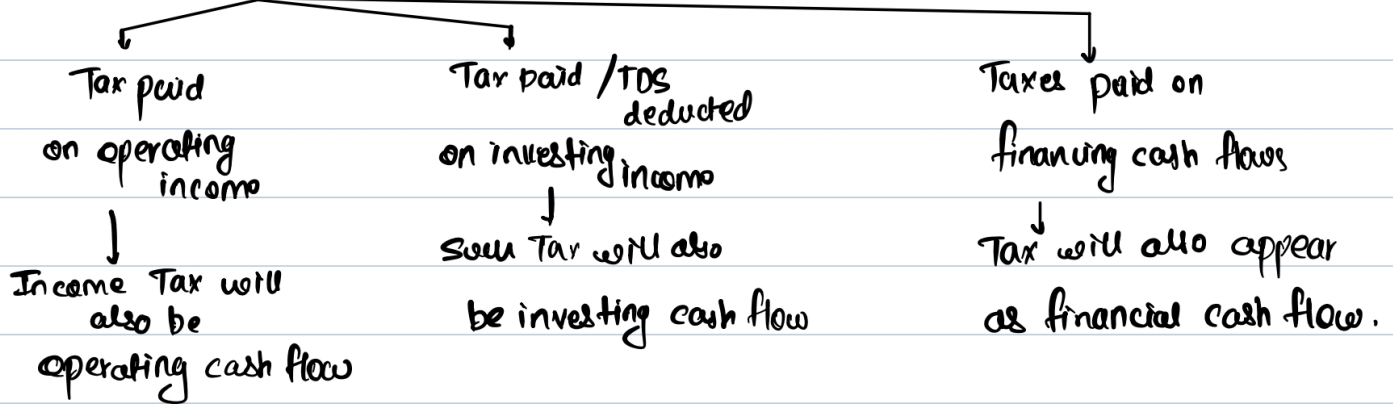
Investment purchased → Op.

Issue of shares & Div paid → Financing.

Loan given to emp / supp → Op.
 Int earn Op.

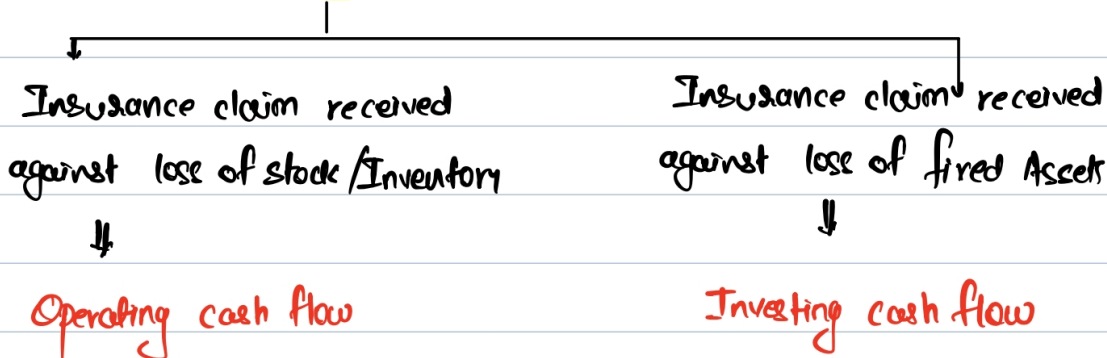
Loan taken from cost / supp → Op.
 Int exp Op.

E] Income Taxes



Note: If income tax is given in the question but nothing is mentioned, then consider it as operating cash flow.

F] Insurance claims received



Note: As per AS 3, ^{along with AS 5} Insurance claim recd is an extraordinary cash flow ∴ separate disclosure will be required of the same in the statement of cash flow.

G] Non-cash transaction

Transactions that do not require the use of cash or cash equivalents should be excluded from cash flow statement

(eg: Issue of Bonus Shares, PPE acquired in exchange of shares, etc)

H.J Reporting of cash flow on net Basis

AS 3 prohibits netting of receipts & payments of cash flows i.e. they should be shown on gross basis.

eg: Acquisition of machine for ₹ 50,000 } → They should be shown separately.
Sale of furniture ₹ 10,000 }

I] Purchasing shares of Subsidiaries [Investment in Subsidiaries Shares / Deb etc.]
↓
Invest in Subs & Int / Div rec'd from Subs
↓
Investing activity.

(for non financial as well as financial institutions)

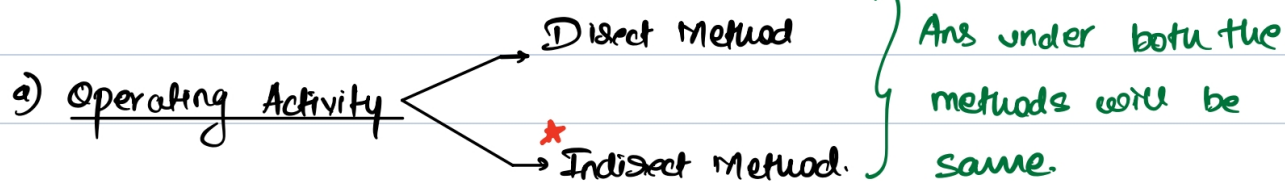
→ Investment in shares can be business ∴ operating

But investment in shares of subsidiary can never be burn ∴ Always Investing.

Illus 5 (AS 3)*

Cash flow from investing activities	
Unsecured loan to Subsidiary	(485000)
Interest rec'd on loan	82500
Pre- Acq div received	62400
Interest rec'd on investments (Incess value)	76200
(Tax) TDS on above Interest	(8200)
Sale of Plant (BV (-) loss) = S.P (84000 - 9600)	74400
Cash flow from investing Activities (Before Extraordinary items)	(197700)
Extraordinary item (Claims rec'd for loss of plant)	49600
Cash flow from investing Activities (After Extraordinary items)	(148100)

4] Format for cash flow Statement



(b) Investing Activities } only 1 method

(c) Financing Activities

Cash Flow Statement of ____ Company for the year ended ____.

Direct method

A] Cash flow from operating activities

Cash received from sale of goods (Cash sales)	xx
(+) Cash received from Trade receivables	xx
(+) " " " Sale of services	xx
(-) Cash purchases	(xx)
(-) Payment to Trade payables	(xx)
(-) Payment for operating Expenses	(xx)
(eg: wages, salaries, rent, electricity, overheads, other Business related exp)	
(-) Payment of income tax	(xx)
Cash flow from operating activities Before Extraordinary items	xxx

(+/-) Adjustment for extraordinary items xx

Net Cash flows from operating Activities (A) xx

Ⓑ Cash Flow From Investing Activities

Purchase of PPE	(xx)
Sale of PPE	xx
Purchase of Investment	(xx)
Sale of Investment	xx
Interest received	xx
Dividend received	xx
Rent income on investment property	xx
etc.	
Cash flow from investing activities Before extraordinary items	xx

+/- Adjustment for extraordinary items

Net cash flows from investing activities

Ⓑ

xx

xx

Ⓒ Cash flow from financing activities

Issue of Shares	xx
Buy Back of Shares	(xx)
Issue of Pref Shares	xx
Redempt ⁿ of Pref Share	(xx)
Issue of Deb	xx
Redemption of Deb	(xx)
loan taken	xx
loan repaid	(xx)
Interest paid	(xx)
Dividend paid	(xx)
etc.	
Cash flows from financing Activities	Ⓒ <u>xx</u>

Opening Cash & Cash Equivalent	xx
(+) Net cash flows during the year (A + B + C)	<u>xx</u>
Closing Cash & Cash Equivalent	<u>xx</u>

Cash flow statement (Indirect method)

A. Cash flow from operating Activities

Closing Bal of Profit/loss (as per B/s)	xx	} Do this when PBT is NOT available directly
Less: Opn Bal of Profit/loss	(xx)	
Add: Transfer to Reserve (eg: Cls Bal of G-R (-) Opn Bal of G-R)		
Add: Appropriation of Profits (eg: Dividends)		
Add: C.G. Income Tax Accrued in P/L		
Add/less: Extraordinary effects (if any) (Add: Extraordinary exp less: ——— income)		

Profit Before Tax & Extraordinary items

- (+) Reversal of Non Cash Expense
- (-) Reversal of Non Cash income
- (+) Reversal of Non-Operating Expense
- (-) Reversal of Non-Operating Income

xx

+/- Changes in working capital (Inventory, Debtors, Creditors, o/s exp, prepaid exp)

- | | |
|-------------------------------|---|
| (-) Increase in current Asset | } C&E
Hint: Asset has inverse relation with cash
i.e. ↑ in Asset is deducted in cash flow
↓ in ——— added in cash flow |
| (+) Decrease in current Asset | |
| (+) Increase in current Liab | } Hint: Liab & Cash have direct relation
i.e. ↑ in Liab is added to cash flow
↓ ——— deducted in cash flow. |
| (-) Decrease in current Liab | |

xx

(-) Payment of Income Tax

(xx)

Cash flows from operating activities Before extraordinary items

xx

+/- Adjustment for extraordinary items

xx

Net cash flows from operating activities

(A) xx

Remaining format is same as above

Ques 2 (W.R) AS 3 (Vol 1)

Cash flow Statement for the year ended 31/3/18

A] Cash flow from operating activities

Profit Before tax	8000
(+) Reversal of Non cash Exp	
Depn on Bldg	1000
Depn on Furniture	2000
Depn on cash	5000
(-) Reversal of Non cash income	-
(+) Reversal of non operating exp	
(-) Reversal of non- operating income	
Profit on sale of cash	(1400)
Profit on sale of investment	(8000)
	6600
+/- Changes in working Capital	
(+) Increase in trade payable (8000 - 5000)	3000
(-) Increase in Inventory (14000 - 8000)	(6000)
(-) Increase in Trade Receivables (8000 - 6000)	(2000)
	1600
(-) Income Tax Paid (WN ledger)	(2000)
CASH FLOW FROM OPERATING ACTIVITIES (A)	(400)

B. Cash flow from investing Activities

Sale of Cars

3400

Purchase of Investments

(6000)

Sale of Investments

10000

Purchase of furniture

(14000)

Purchase of cars

(16000)

CASH FLOW FROM INVESTING ACTIVITIES (B) (22600)

→ Don't record Profit/Loss on sale separately, the sell price already includes profit/loss

C. Cash flow from financing Activities

Issue of shares

20000

Payment of Dividend

(2000)

CASH FLOW FROM FINANCING ACTIVITIES (C) 18000

Opening Cash & Cash equivalent

17000

→ Copy from Opⁿ Bal in BLS.

(+) (-) Net cash flows during the year (A+B+C)

(5000)

Closing CCE

12000

→ same as closing Bal in BLS

To CIB (Income Tax paid) 2000

By bal bld (Opn)	2000
By P/L	3000

To bal cld (cub) 3000

By P/L (Exp) 3000

TO Income Tax Payable 3000

Dr.	Blog	Cr.
To bal b/d (Opn) 20000		By Deprn 1000
		By bal c/d 19000

Furniture	
To bal bld (Opn) 22000	By Depn 2000
TO cIB (B/f) 14000 (Purchase)	
	By bal cld 34000

Case	
To bal bld (Opn) 16000	By Depn 5000
To PL (Profit on Sale) 1400	By CLB 3400
To CLB (BID) 16000	
(Purchase)	By bal cld 25000

Investments	
To bal bld (Opn) 28000	By cIB (Sale) 10000
To cIB (Purchase) 6000	
To Profit/loss 8000	
<u> </u>	By bal cld 32000

J.E. Sale C/B Mc Dr 3400

TD Car (C-4) 2000

TO PIL 1400

JE CB 10000

TO Inst (C.A) 2000

TO Profit (8000)

Dr.	ESC	Cr.
	By bal b/d	100000
	By C/B (Issue)	20000
To bal c/d 120000		

Dr. Dividend declared (Liab) cr.

To CrB (P/L) 2000 (Payment of Div)	By bal bld 2000
To bal cld 4000	By P/L Appropriation 4000

Al Appropⁿ 400
/ TO Div 4000
Declared

Ques 7

* A- Cash flow from operating activities

Transfer to P/L Reserve	56000
(+) — Gen. Reserve	210000
(+) C.G. Tax in P/L	112000
PBT	378000
(+) Reversal of Non cash exp	
Depr ^{op. value} (700000 × 20%)	140000
(-) Reversal of Non cash inc	-
(+) — Non op exp	-
(-) — Non op income	
Profit on sale of machine	(21000)
	497000

Ledger Below

yeu q kiya uska logic.

PBT	100
(-) Tax	(10)
	90
(-) Div	(10)
	80
Trf C.G.R	(30)
P/L Reserve	50

+/- w/c changes

(-) ↓ in T.P	(168000)
(+) ↓ in T.R	280000
(-) ↑ in Inventory	(280000)
	324000

(-) Income Tax Paid	(70000)
---------------------	---------

Cash flow from op. Activities (A) 254000

B] Cash flow from investing Activities

Sale of Plant	49000
Purchase of Plant	(448000)
Renovation of Bldg	(280000)
Purchase of Invst	(140000)
Cash flow from invst ^d Act. (B).	(819000)

C] Cash flow from Fin. Act

Issue of shares	280000
— Deb	280000

Cash flow from Fin. Act (C) 560000

Opn CCE 280000

(+) Net cash flows during the Yr (A+B+C) NIL

Cl^d CCE 280000

PLC		Gen. Reserve	
	By bal bld 84000		By bal bld 350000
To bal cld 140000	PLC 56000	To bal cld 560000	PLC 210000

Prov for tax	
	By bal bld 98000
To clb (Given) 70000	By PLC 112000
To bal cld 140000	

Plant & Machs		Land & Bldg	
To bal bld 700000	By Deprn 140000	To bal bld 560000	
To Profit 21000	By clb 49000	TO clb 280000	
TO clb (Bldg) 448000		(Renovation)	
(Purchase)	By bal cld 980000		By bal cld 840000
J.E clb 49000		J.E Bldg Acc Dr (Renovation) 280	
TO Machine 28000		TO clb 280	
TO Profit 21000			

Investments	
To bal bld 0	
TO clb (Bldg) 140000	
Purchase-	By bal cld 140000

Esc		Deb	
	By bal bld 1120000		By bal bld 0
	By clb 280000		By clb 280000
To bal cld 1400000	(Issue)	To bal cld 280000	(Issue)

Cash flow chapter

Illus 6 (LOR) (pg 315)

A Cash flow from operating activities

Profit Before Tax	23000
(+) loss on sale of plant	3000
(-) Profit on sale of investment	(12000)
(-) Interest income received	(6000)
(+) Interest Exp	23000
(+) Depreciation	37000
<u>+/- changes in working capital</u>	
(-) increase in inventory	(34000)
(+) decrease in T-R	8000
(+) ——— Prepaid Exp	4000
(+) Increase in T-P	7000
(+) ——— outstanding exp	3000
	56000
(-) Income Tax paid	(9000)
Cash flow from operating activities	<u>47000</u>

B. Cash flow from investing activities

Interest income received	6000
Purchase of Plant	(120000)
Sale of Plant	5000
Purch of Invest	(78000)
Sale of Invest	102000
	(B) (85000)

C. Cash flow from financing activities

Interest Exp paid	(23000)
Dividend paid	(8000)
Issue of share	150000
Bond repaid	(50000)
	(C) 69000

Opening CCE	15000
Net CF during the yr (A + B + C)	31000
CLB CCE	46000

<u>CWN</u>		<u>Plant (net of Acc- Deprn)</u>	<u>Investments</u>				
To bal bld	437000	By P/L (loss)	3000	To bal bld	127000	By c/B (Sale)	102000
To c/B (Purchase)	120000	By Depn	37000	To P/L (Profit)	12000		
To Bonds	100000	By c/B (Sale)	8000	To c/B	78000		
		By Bal cld	612000			By bal cld	115000

Share Capital		Bonds	
	By bal bld 315000	To C/B (repaid) 50000	By bal bld 245000
	By C/B (Issue) 150000		By plant 100000
To bal cld 465000			
		To bal cld 295000	

Income Tax Payable			
To C/B	9000	By Bal bld	5000
		By P/L	7000
To bal cld	3000		

Income Tax Exp
 P/L
 To I-T Payable
 I-T Payable
 To C/B

Illust

Cash flow Statement (Indirect method)

A. Cash flow from Operating Activities

PBT	4500
(+) Depreciation	3500
(-) Profit on sale of vehicles	(700)

+/- Changes in WC

(+) ↑ in T-P	1500
(-) ↑ in Inv	(3000)
(-) ↑ in T-R	(2000)

3800

(-) Income Tax paid

(1000)

(A)

2800

B. Cash flow from investing activities

Sale of PPE	1700
Purch of PPE	(15000)
Purchase of Invest	(1000)
	<u>(14300)</u>
	(B)

(C) Cash flow from Financing activities

Issue of shares	10000
Div paid	(3000)
	<u>7000</u>
	(C)

Opn CCE	8500
(+) Net cash flows during the year	<u>(4500)</u>
Clc CCE	4000

WN

Share Capital

	Opn	50000
	By ClB (Issue)	10000
ClB		60000

Div Payable

	Opn	1000
	By PL	2000
	To ClB (Paid)	3000
ClB		-

Income Tax Payable (Prov for tax)

	Opn	1000
	By PL	1500
To ClB		1000
ClB		1500

PPE

Op	29000	By Depn	3500
To PL (Profit)	700	By ClB sale	1700
To ClB (Purchase)	15000		
		ClB	39500

Current Invest

Op	1000		
To ClB	1000		
		ClB	2000

AS 3

Ques 8 PBT → (?)

A. Cash flow from operations

CS Bal of PL Reserve	35000	
(-) Opn Bal of PL	(25000)	
	10000	
(+) Transfer to other Reserve	-	
(+) Dividend (Declared)	10000	
(+) Tax Accrued in PL (Curr. Year)	8000	
	<u>28000</u>	
	PBT	
(+) Depn	40000	

PBT nahi hai, toh yeh
Sab Kiya.

+/ Changes in WC

(+) ↑ in T-P	90000	
(-) ↑ in Inv	(70000)	
(-) ↑ in T-R	(75000)	
(-) ↑ in other curr. Asset	(32000)	
	<u>(10000)</u>	
(-) Tax paid (Refer ledger)	(5000)	
	<u>(25000)</u>	
	(A)	

B. Cash flow from investing activities

Purchase of PPE (B) (210000)

C. Cash flow from financial activities

Div Paid (10000)

Issue of shares 210000

Issue of Pref 50000

(C) 250000

Opn c/e 90000

(+) Net cash flow during the year (A+B+C) 15000

cb c/e

105000

WN <u>Tax</u> Prov for tax	
C's paid	Opn 5000
To CLB	5000
	By P/L (Tax 8000 Accrued in C.Y.)
CLB	8000

Profit earned in P.Y.
Tax accrued in P.Y (Prov Bonega)
But is paid in Next Yr
↓
If nothing is mentioned, we assume
P.Y. Provision of tax is paid in C.Y.

In this ques Tax paid & Tax Accrued in
C.Y. Both were missing
∴ Take above assumption.

ESC		PPE	
	Opn 200000	Opn 180000	By Depr 40000
	By CLB 210000	To CLB 210000	
CY 410000			CLB 350000

Pref Share Cap	
	Opn 100000
	By CLB 50000
CLB 150000	

Ques 1 (CWR)

A- Cash flow from op. Act -

PBT	36000	
(+) loss on sale	48	
(+) Depn	24000	
(-) Capital Grant (Amortized in P/L)	(10)	why less? Grant income was Booked in P/L But it is non op
(-) Profit on Sale	(120)	∴ Reverse from P/L.
(-) Interest income	(3000)	
(+) Int Exp	12000	
	(67240)	
(-) Income Tax paid	(5100)	
	<u>(3472)</u>	
	(A)	

B. Cash flow from Investing Activity

Sale of PPE	174
Sale of Invest	33438
Interest income	3000
Purchase of PPE	(22092)
exp. on constr	(41688)
	<u>(27168)</u>
	(B)

c) Cash flow from Fin Activity

Div paid	(10202)	
* Capital Grant rec'd	18 18	Booked in P/L was 10 But CB received was 18.
Interest paid (actual)	13000 (13042)	Alternative capital grant can be shown as investing activity as done by ICAI in illus 8 of cash flow chapter.
Long term Borrowing	55866	
	<u>32640</u>	
	(C)	

Opn CCE	6000
(1) Net CF during the yr (A+B+C)	<u>2000</u>
CB CCE	8000

Whenever in such ^{Over} Amt trf to P/L is diff from Amt paid in actual, then Amt trf to P/L if non op will be reversed from op. Activities cash flow.
 & Amt actually paid will be adj in Inv / Fin Activity cash flow

Interest exp & Capital Grant

Income Tax	
Totals	5700
PIL (Prov)	6000

Ques 3 (WQ)

1) Cash flow from Op. Act

'7'

PBT

30,00,000

(+) Deprn

750000

(+) Disc on issue of deb

45000

(+) Int exp on deb

525000

(-) Profit on sale of investment

(30000)

(-) Int rec'd on investments

(90000)

+/- Changes in WC

(-) ↑ in Inventory

(177000)

(+) ↓ in TR

7350

(+) ↑ in T-P

450

(+) ↑ in o/s exp

10200

4041000

Less: Income Tax

(1575000)

C.F from op Act Before extra ordinary items

2466000

(+) Compensation rec'd from law suit (Extra ordinary item)

135000

C.F from op Act after extra ordinary items

①

2601000

b] Cash Flow from investing Activities

Sale of Invt	480000	
Int rec'd on investments	90000	
Purchase of land	(36000)	(300000 (-) ^{shares given} 264000)
	<u>(B) 534000</u>	

c] Cash Flow from Financing Activities

Interest Exp on debentures	(525000)	
Redemption of preference shares	(23,62,500)	(22500 × 100) + 5% ↓ Prem
Issue of shares	600000	75000 $\left\{ \begin{array}{l} 25000 \text{ non cash} \\ (50000 \times 10) + 20\% \end{array} \right.$
Dividend paid on Pref Share	(225000)	(22500 × ^{Face Value} 100 × 10%)
Final Div on eq. shares	(750000)	
Interim	(250000)	
	<u>(C) (3512500)</u>	

Opn CCE	394450
Net CF During the Yr (A + B + C)	<u>(377500)</u>
CLB CCE	<u>16950</u>

* Illus 4 Cash flow statement → Direct method

A. Cash flow from op. Activities

Cash rec'd from Trade reables	350000
less: Payment for Account payables	(90000)
less: Salary	(25000)
less: Payment of overheads	(15000)
	<u>220000</u>
less: Income Tax	(55000)
	<u>(A) 165000</u>

B] C.F. Inv Act.

Sale of PPE	70000
Purchase of PPE	(400000)
	<u>(B) (330000)</u>

c] CF Fin Act

Issue of shares	5,00,000
Deb redeemed	(50000)
Bank loan repaid	(250000)
Div paid	(100000)
	<u>(C) 100000</u>

Opn CCE (10k + 70k)	80000
Net C-F during the year (A+B+C)	(60000)
Cls CCE	<u>15000</u>

Ques 4

Direct method

(Fin'000)

A. CF From Op. Act

Cash rec'd from T.R

2783

(-) Cash paid to T.P

(2041)

(-) EBE

(69)

(-) Overheads (Other Exp)

(115)

552

(-) Tax Paid

(243)

(A)

309

B. CF from Invest Activities

Purchase of PPE

(B) (102)

(C) CF from Fin. Activities

Issue of shares

300

loan repaid

(250)

Dividend paid

(80)

(C)

(30)

Opn CLE

35

Net C.F during the Yr (A+B+C)

177

CLC CLE

212

ESC

loan taken

	Opn	200		Op	250
	By CIB	300		To CIB	250
	(Issue)			(repay)	
Cb	500		Cb	-	

T.P

PPE

	Opn	3047		Opn	128
To CIB	2047			To CIB	102
				(Purch)	
Cb	1000		Cb	230	

T-R

Opn	4783	
	By CIB	2783
	Cb	2000

Q9 ^{LDB}

Part 1] Direct Method

<u>Cost</u>	<u>Sales</u>	<u>Cost</u>	<u>GP</u>
	100		25
	(?)		375000
	(15L)		

a] Cash flow from op. Act.

Cash Sales	15,00,000
less: Payment to Trade payables	(610000)
(-) Wages	(555000)
(-) Office	(35000)
(-) Sell & Exp	(15000)
	<u>285000</u>
(-) Income Tax paid	(55000)
	<u>(A) 230000</u>

b] C-F Inv

Sale of Invst	840000
Purchase of Mach	(350000)
	<u>(B) 490000</u>

c] CF Fin

Div paid	(40000)
Bank loan repaid (including Interest)	(205000)
	<u>(C) (245000)</u>

Opn CCE	225000
(+) Net CF during the yr	<u>475000 (A+B+C)</u>
Cl3 CCE	<u>7,00,000</u>

II] Indirect method

Calc of PBT (Profit Before Tax)

Trading A/c			
Op Inv	xx		
Purch	xx	Sales	xx
Wages	xx		
		Net Inv	xx
To G.P. c/d	375000		

→ Because GP is available ∴ Adj of Trading A/c are not relevant

PIL A/c			
To ofc exp	35000	By GP b/d	375000
To Sales Exp	15000	By profit on sale	20000
To Depr ⁿ Furniture	40000		
To Dep tangible	20000		
* To Int Exp	5000		

Net profit before tax **280000**

Cash Flow from operating Activities (Indirect Method)

PBT	280000	
(+) Depn (40k + 20k)	60000	
(+) Int Exp	5000	
(-) Profit on Sale	(20000)	
<u>± changes in w/c</u>		
(-) ↑ in Inventory	(25000)	Inventory op 25k
(-) ↓ in T.P	(15000)	
	<u>285000</u>	
Just (-) Income Taxes Paid	(55000)	
C.F from op. Act.	<u>230000</u>	

Only this was asked.

Ans should be same in both direct & indirect method.

AS 3 Over end

Illus 11 (WOR) Direct Method

A. Cash Flow from op. Act

(₹ in crore)

Cash Sales	81
(+) Cash Recd from Trade receibls	49
(-) Cash purchases	(11)
(-) Cash paid to F-P	(42)
(-) Admin Exp	(18)
(-) Salary	(22)
	<u>37</u>
(-) Income Tax paid	(8)
	<u>29</u>
	(A)

B. C-F Invest

Sale of Invest	14.4
Purchase of Plant (Cash paid)	(11)
	<u>3.4</u>
	(B)

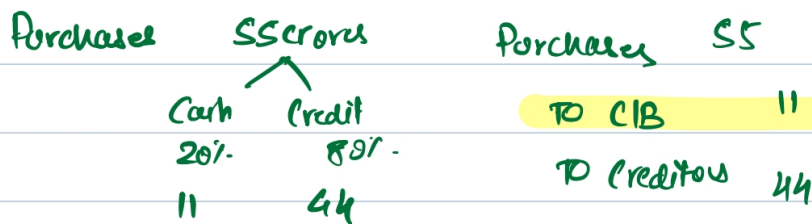
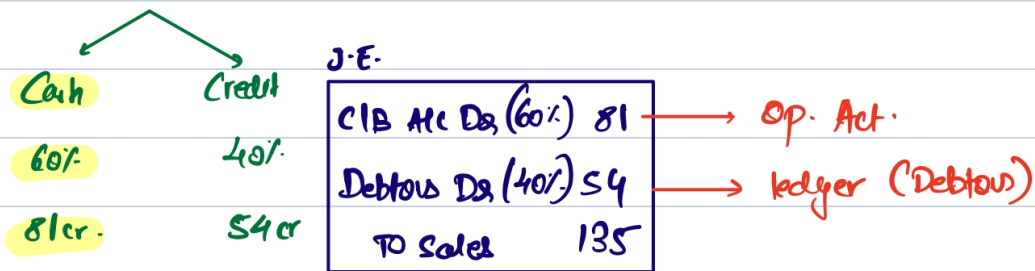
C. C-F Fin

Deb Redempt ⁿ (Cash paid)	(7)
Int paid	(1.5)
Div paid	(11.7)
	<u>20.2</u>
	(C)

Opn CCE

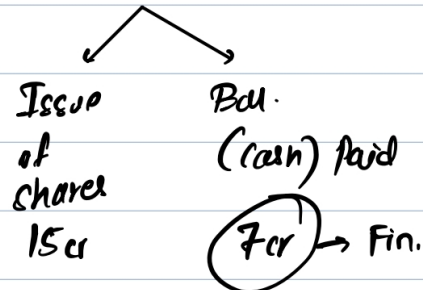
(+) Net CF during the yr	14.2
Clc CCE	<u>18.2</u>

WN ① Sales 135 crores

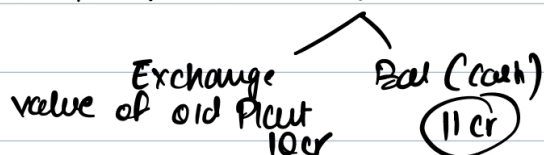


Debtors				Creditors			
Op'n	45					Op'n	21
TO Sales (Credit)	54	By CIB (Cash rec'd from Debtors)	49	TO CIB (Payment)	42	By purchases	44
		Cls	50			Cls	23

WN Debenture redeemed 20 cr + 10% Premium = 22 cr



WN New Plant Purchased 21 cr



Illus 2 (LOR)

A) CF from Op. Activities (Indirect Method)

PIL Bal	40000
(+) Int of Reserve	-
(+) Div declared in C-y.	-
(+) C-y Prov for tax in PIL	-
PBT	40000
(+) Amortization	25000
* (+) Int Exp on Deb	75000
	<u>(A) 140000</u>

B) CF from Inv Act

C) CF from Fin Act

Issue of Debentures	250000
* Int paid on Deb	<u>(70000)</u>
	(C) 180000

Opn CCF missing
 Net CF during the yr 320000
 clc CCF missing.

Res	
Opn	50000
PL	40000
CL	90000

Long term Borr (10% Deb)	
Opn	500000
By CIB	250000
↓ money raised on 1st day of the yr.	
CL	750000

Unpaid Int	
Opn	-
By PL (Int Exp)	75000
By CIB (Int paid)	70000
CL	5000

Intangible Assets (Glu)	
Opn	205000
By Amortization	25000
(Sale of Glu) → NO cash info.	
CL	180000

Int Hidden Adjustment

Interest Exp on Debentures = $750000 \times 10\% = 75000$ → Int Exp (PL) 75000
 Assumed that 250000 was raised on 1st day of the year.
 TO Unpaid Int Acc 75000

OR
 Int Exp (PL) 75000
 To CIB 70000
 TO unpaid Int 5000

when to calculate Int on Deb as hidden adj?

when rate of Deb is given & in ques Int Exp on Deb is missing.

Illus 10 (WOR)

T] Cash Flow from operating Activities (Direct method)

Cash rec'd from T-R	4000
(-) Cash paid to T-P	(2380)
(-) EBE paid	(790)
(-) Other Exp paid	(190)
	<u>640</u>
(-) Income Tax paid	(195)
C.F from op. Activities	<u>445</u>

Trade payables		Prov for Tax & Adv Tax (combined ledger)	
	Opn 230		
To c/b	2380	Opn (Adv tax) 180	Opn (Prov for tax) 180
	By purchases 2400		By P/L (Current Tax) 200
cu	250	To c/b (Tax paid) 195	
		cu (Prov for tax) 200	cu (Adv tax) 195

o/c wages (EBE)		o/c Exp	
	Opn 40		Opn 10
To c/b	790	To c/b	190
	By P/L (EBE) 800		By P/L (Other exp) 200
cu	50	cu	20

Inventory			T.R		
Opn	180		Opn	250	By CB
PL	(20)		To sales	4150	
		CB			400
		200			

II] 1) Cash flow from operating activities (Indirect method)

PBT	710
(-) Other income (Non-op)	(100)
(+) Deprn	100
(+) Fin. cost	60
<u>+/- Change in WC</u>	
+ ↑ in T.P	20
+ ↑ in o/s wages	10
+ ↑ in o/s exp	10
- ↓ in Inventory	(20)
- ↑ in T.R	(150)
	<u>640</u>
(-) Income Tax paid	(195)
C.F. from op. Activities	<u>445</u>

Hint: In single ques where calculation is asked as per both methods, Don't try to interlink both methods. Solve them separately as 2 diff questions

Illus 12 Mr. Zen → Sole proprietor

Extra understanding	Profit earned	Co. Add to Ret	Sole Proprietor Trf to Capital Ac
		Dividends	Drawings

Cash Flow Statement (Indirect Method)

A] Cash flow from operating activities

PBT	360000
+ loss on sale	10000
+ Deprn	144000

+/ changes in WC

↑ in TP	32000
(+) ↓ in In	80000
↑ in TR	(100000)
(A)	<u>472000</u>

B] C.F from Investing Activities

Sale of Machine	40,000
Purchase of land	(280000)
(B)	<u>(240000)</u>

c) CF from Financing Activities

* Drawings by Zen (136000) → it is just like div paid.

loan repaid (100000)

loan taken 80000

(C) (256000)

Opn CCE

80000

Net CF during the Year (A+B+C) (24000)

Cls CCE

56000

Jump

Zen's Cap

To CIB
(Drawings)

136000

Opn

10,00,000

By Net Profit 360000
bid

Cls 12,24,000

Mrs. Zen's loan

To CIB 100000

Opn

200000

Cls -

loan from Bank

Opn

320000

By CIB

80000

Cls

400000

Land

Opn

60000

To CIB

280000

(Purchase)

Cls

880000

P&M (Net Block)

Opn	640000	C/B	40000	J-E Sale of machine (WDV 56k loss 16k. S.P 40k)
		By loss on Sale	16000	C/B A/c 40000
		By Depn C/B	440000	PL (loss) 16000
				TO P&M 56000

Illus 16 (LOR)

Hidden Adj

(1) 10% Deb → Int will be calculated on Rs 1,10,000 as redemption of debentures happened @ the end of the year.

$$\text{Int Exp (C.Y)} = 110000 \times 10\% = 11,000$$

(2) 10% Investments = $350000 \times 10\% = 35000$ (Int Income C.Y)

A] C.F from Op. Act

PBT	xxx
(+) Prem on Deb redemptn	1650
(+) Int Exp	11000
(-) Int Income	(35000)
	→

B] C.F from Invest Act

Int rec'd on Investment	24500
-------------------------	-------

C] C.F from Fin Act

Deb. redeemed	(33000)
Premium paid on Deb $(33000 \times 5\%)$	(1650)
Int paid	(10100)

10% Deb		Unpaid Int (Unab)		By Int Exp
				To Unpaid Int
To ClB	32000	To ClB	10100	
ClB	77000	ClB	1175	
	Opn 110000		Opn 275	
			By Pl (Int Exp)	11000

Accrued Int (Asset)		Acc Int	35000
		To Int Inc (Pl)	
Opn	-	By ClB	24500
To Int Inc (Pl)	35000	ClB	10500

GR	
2L	1.5
Pl	50k

PA	
1L	60k
Pl	40k

Provider tax	
To ClB	50k
ClB	1L
	Opn 70
	80k

DIN	
To ClB	1L
1L	-
	Opn 1L

Illus 17 Indirect Method (PBT & Div ledger) is Jump

A) C-F from Op. Activities

D/L (Revenues) C.J.	40,000
+) Trf to Reserves C.J. (G-R)	50,000
(+) Div	1,00,000
(+) C.J. Prov for Tax (in PII)	80,000
PBT	<u>170,000</u>
(+) Depn	125,000
(-) Profit on sale of machine	(15,000)
<u>+- changes in WC</u>	
(-) ↓ in T-P	(120,000)
(-) ↑ in Inventory	(200,000)
(+) ↓ in T-R	200,000
	<u>160,000</u>
(-) Income Tax (Paid)	(50,000)
(A)	<u><u>110,000</u></u>

(long cut format mein, jo Div C.J. mein declare hua, woh aata hai, in this case C.J. mein no div was declared. only P & Div was paid)

B) C-F from Invest Act

Sale of Machine	35,000
Construction Exp on Bldg	(2,00,000)
Purchase of Machine	(345,000)
Purchase of Invest	(100,000)
(B)	<u><u>(610,000)</u></u>

CF from fin. Act

Issue of shares 2,00,000

Deb Issue 2,00,000

Div paid (1,00,000)

(C) 300000

Opn CCE 2,00,000

Net CF During the Yr (2,00,000) (A + B + C)

ClB CCE -

WN

ESC ✓

Opn 300000

By ClB (Issue) 200000

ClB 1000000

G.R ✓

Opn 150000

By PIL 50000

ClB 200000

PIL ✓

Opn 60000

By PIL 40000

ClB 100000

L.T.B (Deb) ✓

Opn -

By ClB 200000 (Deb issued)

ClB 200000

Div Payable ★★

Opn 100000

To ClB 100000 (Py. Opn Div paid)

ClB -

Prov for tax ✓

Opn 70000

To ClB 50000 (Invnt)

By PIL 80000

ClB 100000

Plant ✓

Opn 500000

(SL x 25%)
By Depn 125000
By ClB 35000

To PIL (Profit) 15000

To ClB 345000

ClB 700000

Land & Bldg

Opn 400000

To ClB 200000

(construction exp)

ClB 600000

Invst

Opn -

To ClB 100000

ClB 100000

Ques 6 (Sec. Prem is Imp 2 Div Recd)

1) Cash flow from op. Activities

PBT	8,00,000
(-) Dividend rec'd (Non op Inc)	(50,000)
+/- ch. in w/c	-
(-) Income Tax paid	-
	<u>(A) 7,50,000</u>

2) Cash flow from Investing Activities

Dividend rec'd	(B) 50,000
----------------	------------

3) C-F from financing Activities

Issue of shares (for cash)	10,00,000
Redempt ⁿ of pref shares	(1,00,000)
Prem rec'd on issue of shares	50,000
	<u>(C) 9,50,000</u>

Opn CCE	xv
Net during the year (A+B+C)	<u>17,50,000</u>
cls CCE	xxxv

ESC		PSC		^{7 July} Sec. Prem	
	Opn 25,00,000		Opn 700000		Opn 500000
	By Machine 60000	To CIB 1000000			By CIB 500000
	By CIB (Issued) 10000000				(From on issue of shares)
CU 25,60,000		CU 600000	=	CU 550000	

PLC	
	Opn 20,00,000
	PL 800000
CU 28,00,000	

Illus 18 (W8) Indirect Method

1] Cash Flow from operating Activities

PLC Reserve	50,000	
(+) Trf from Gen. Reserves	-	
(+) Div C-g declare	90000	C-g declare kiya woh ussala div
(+) Provi for tax C-g-tax P/L)	135000	C-g mein jo P/L mein Tax arrive hua woh reverse hoga.
PBT	275000	
(-) Profit on sale of land	(30000)	
(-) Profit on sale of plant	(40000)	
(-) ——— Invest	(20000)	
(+) Depn on plant	135000	
(+) Interest Exp (Hidden Adj)	18000	

+/- Changes in WC

↑ in T-P	5000
↑ in Liab for exp	10000
(-) ↑ in Inv	(5000)
(-) ↑ in T-R	(25000)
(-) ↑ in other Assets	(35000)
	<u>28000</u>

(-) Income Tax Paid	(1,00,000)
(A)	<u>188000</u>

B] C-F from Invest Activities

Sale of land	150000
Sale of Plant	90000
Purchase of Plant (for cash)	(350000)
Sale of Invest	70000
Pre-Acq ⁿ dividend	5000
Purchase of Invest	(25000)
	(60000)

Ⓐ

C] C-F from Financing Activities

Div paid	(150000)
Interest Exp on Debentures	(18000)
Issue of shares	1,00,000
Redemption of Pref shares	(2,00,000)
Issue of Debentures	1,00,000
	(168000)

Ⓒ

Opn CCE	90000
(+) Net CF during the year (A + B + C)	(40000)
Cl ₃ CCE	50,000

WN

ESC		PSC		CRR	
	Opn 500000		Opn 200000		Opn -
	By CIB 100000				By G-R 100000
		To CIB 200000 (redemp)			
Ce 600000		Ce -		Ce 100000	

Cap. Reserve		Gen. Reserve		Profit & Loss	
	Opn -		Opn 250000		Opn 50000
	By land 70000 TO CRR 100000				PL 50,000
Ce 70000		Ce 150000		Ce 100000	

9% Deb		Div Payable		Prov for tax	
	Opn -		Opn 60000		Opn 60000
	By Plant 1,00,000	To CIB 150000	By PL (Interest 90000 div)	To CIB 100000	By PL 135000
	By CIB 100000				
Ce 2,00,000		Ce -		Ce 95000	

Plant & Mach		Land & Bldg		Non Current Invest	
Opn 500000	By CIB 90000	Opn 200000	By CIB 150000	Opn 80000	By CIB 70000
To Profit 40000	By Depn 135000	To PL 30000		To Profit 20000	By CIB 5000 (Pre Acq div)
To 9% Deb 100000		To CIB 70000		To CIB 20000	
To CIB 350000					
Ce 765000		Ce 150000		Ce 50,000	

Non cash
(no effect in cash flow)

Hidden Adj $\rightarrow$ Int^{Exp} on Debtors $\rightarrow 9\% \times 200,000 = 18,000$ $\rightarrow$ PBT Reverse
 $\rightarrow$ Financing Activity.

J.F. Plant Acc Dr 4.5L

TO 9% Deb 1L

TO ClB 3.5L

* Pre-Acq div J.F. ClB 5000 $\rightarrow$ Invest'd activity

TO Invest 5000

also please note that it will not be reversed in PBT as it was not recorded in P/L.

* Interim div (C.Y.) $\rightarrow \frac{FSC}{61} \times 15\% = 90,000 \rightarrow$ P/L Acc Dr Div Payable
 $\uparrow$ Fin. Act. TO Div Payable TO ClB

* Depr'n on Plant is not calculated @ 15% as we don't know the date of sale/purchase of plant to calculate depr'n $\therefore$ we take Depr'n as B/f.

CRR $\rightarrow$ Bal in CRR was trf from GR $\rightarrow$ in C.Y. $\rightarrow$ no effect on cash

Imp points in illus 18

- 1) Land Revalue & Cap. Reserve
- 2) Pre-Acq div sent
- 3) CRR & GR
- 4) Div ledger & Tax ledger
- 5) Plant ledger (B/f) $\rightarrow$ Depr'n
- 6) Hidden Adj $\rightarrow$ Int on Deb.

Illus 19 (WR) Indirect method

A] C.F. from op. Activities

PL Reserve (C.Y.)	76000
G.R. " (C.Y.)	160000
(+) Div declared in C.Y.	- → 12000 → No div declared in C.Y.
(+) C.Y. Prov for tax in PL	340000
PBT	576000

(+) Loss on sale of Plant	20000
(+) Loss on plant wloff	16000
(+) Deprn on plant	360000
(-) Profit on sale of Invest	(40000)

(+) Premium on redemption of Pref Shares	6000	→ it is assumed that 6000 premium paid is considered while calculation of PBT ∴ reverse it from PBT as it is non-operating expense.
(+) _____ of Deb	6000	
(+) Int on Deb (Hidden Adj)	36000	

+/- Changes in WC

(+) ↑ in Curr. Liab	40000
(-) ↑ in Curr. Asset	(16000)
	<u>11,34,000</u>
	<u>10,04,000</u>

(-) Income Tax paid	(360000)
---------------------	----------

⑨ 644000

B] C.F from Investing activities

Sale of Plant	1,00,000
— Invest	120000
Purch of Plant	(856000)
	<u>B (636000)</u>

c] C.F from Fin. Act

Redemption of Pref Shares	(120000)
Premium paid on Redempt ⁿ @ 5%.	(6000)
Redemption of Deb	(120000)
Premium paid on Redempt ⁿ @ 5%.	(6000)
Issue of shares	4,00,000
Div paid	(120000)
Int on Deb	(36000)
	<u>(C) (8000)</u>

Opn CCE	10000
Net CF during the year (A+B+C)	<u>NIL</u>
Cls CCE	<u>10,000</u>

WN

ESC		PSC		G-R	
	Opn 1200000		Opn 400000		Opn 600000
	By CIB 400000	To CIB (BIP) 120000			PL 160000
Cb 1600000		Cb 280000		Cb 760000	
=	=	=	=	=	=
PL		9% Deb		Div Payable	
	Opn 240000 + 24000		Opn 400000		Opn 120000
	PL 70000	To CIB 120000		To CIB 120000	
Cb 340000		Cb 280000		Cb -	
=	=	=	=	=	=
Prov for tax		PPE		Invst	
	Opn 360000	Opn 2280000	By CIB 100000	Opn 400000	By CIB 120000 (BIP)
To CIB 360000	By PL 340000	To CIB 856000	By loss 20000	To profit 40000 (given)	
Cb 340000		Cb 2640000	By wloff (loss) 16000		Cb 320000
=	=	=	=	=	=

i] Hidden Adj

9% Deb $\rightarrow$ Int Exp $\rightarrow 9\% \times 400000 = 36000$ } $\rightarrow$ Profit Revenue
 $\rightarrow$ Financing Activity.

2] Undervalued Inventory of P.Y. $\frac{216000}{240000} \rightarrow 90\% \text{ (cost } \frac{100}{100} - 10\% = 90\%)$

Opn
↑ in Inventory 24000

I.E. Opn Inventory Acc Dr 24000
To Opn P/L Reserve 24000

B/Ls	P.Y. (Opn)	C.Y.	
P/L Reserve	240000 + 24000		
Inventory (Other Current Assets)	11,10,000 + 24000 1134000	1150000	↑ in other Curr Asset 40000 (16000)

3] Tax → Nothing mentioned ∴ Jo Opn that usko pay kardo
Jo C.Y. hai usko P/L men book kardo.

Illus 18 & Illus 19, covers almost all adj of indirect method.

Que 9 (LOR) Indirect Method

1] Cash flow from op. Activities

PL Reserve (C.Y)	20000
Gr.R (C.Y)	41000
(+) Div declared in C.Y	5000
(+) Prov for tax (C.Y - PL)	16000
PBT	92000
(+) Depn on Vehicles	2200
(+) loss on sale of vehicles	800
(-) Profit on sale of land	(25000)
(+) Depn on Furniture	5000
(+) Int Exp on Deb	12000
(-) Profit on sale of Invest	(8000)
(-) Int Income on Invest	(6500)
(+) Glev Amortization	13000
<u>+/- Changes in WC</u>	
(-) ↑ in Inventory	(8000)
(-) ↑ in B.R	(2650)
(+) ↓ in T-R	6000
(-) ↓ in B.P	(2000)
(+) ↑ in T.P	4000
(+) ↑ in o/s exp	1500
	<u>83350</u>
(-) Income Tax Paid	(9000)
(A)	<u>74350</u>

B) CF from investing activities

Sale of vehicle	3000
—— land	125000
Sale of Invest	58000
Interest Income on Invest	6500
Purchase of equip (for cash)	(10500)
—— Furniture	(9000)
	<u>173000</u>

(B)

C) CF from Fin. Activities

Div paid	(5000)
Int exp on deb	(12000)
Issue of shares	180000
Redempt ⁿ of Deb	(200000)
loan repaid	(15000)
	<u>(152000)</u>

(C)

Opn CCF	34500
(+) Net CF during the yr (A+B+C)	<u>95350</u>
CCs CCF	<u>129850</u>

In this ques only operating CF were asked, but we did Invest & Fin also for practice purpose.

WN		Geo		Land		Furniture		
Op ⁿ	28000	By Amortization ⁿ		Op ⁿ 600000	By ClB 125000	Op ⁿ 44000	By Dep ⁿ 5000	
		13000		To Profit 25000		To ClB 9000		
				To Cap R ^e 75000				
		ClB	15000		ClB	575000	ClB	48000

Vehicles		Ofc Equipment		Invest	
Op ⁿ	28000	By ClB 3000	Op ⁿ -	Op ⁿ 110000	By ClB
		By Dep ⁿ 2200	To Creditors for Eq 10500	To Profit 8000	58000
		By loss (Bt) 800	To ClB 10500		
		on Sale	(Bt)		
		ClB	22000	ClB	21000

ESC		G-R		PLC	
Op ⁿ	500000	Op ⁿ	60000	Op ⁿ	52000
By ClB	180000	PLC	20000	PLC	41000
ClB	680000	ClB	90000	ClB	93000

Cap. Reserve		8% Deb		loan taken	
Op ⁿ	-	Op ⁿ	30000	Op ⁿ	15000
By land	75000	To ClB 30000		To ClB	15000
		(Redemp)			
ClB	75000	ClB	-	ClB	-

Creditors for Eq		Prov for tax	
Op ⁿ	-	Op ⁿ	11000
By Equip	10500	To ClB 9000	By PLC 16000
ClB	10500	ClB	18000

No impact on cash flow

Hidden Adj

1] Int on Debenture $\rightarrow 300000 \times 8\% \times \frac{6m}{12m} = 12000$

Adj (v) $\swarrow$
P&L reverse $\searrow$
Fin. Act

Imp

2] Credit on for Eq $\rightarrow 10500$
Eq Purchased $\rightarrow 21000$

J.E. Equip Alc Dr 21000
TO Creditus 10500
TO CLB (B/M) 10500

Q10 Direct Method

A] Cash flow from op. Act

Cash Sales	₹ 524
Cash received from T.R (customers)	268
(-) Cash purchases (440 x 20%)	(88)
(-) Cash paid to Trade payables	(336)
(-) Payment to suppliers for consumables	(38)
(-) Payment to employees	(40)

Less: Income Tax paid

(A)

(52)
238

Debtors ledger not required as we already have these 2 Amounts. Also op'n Bal of Debtors is not given $\therefore$ cannot prepare the ledger.

B] CF from Invest Activities

Purchase of machine for cash	(20 cr)
Sale of Investment	32 cr

(B)

12 cr

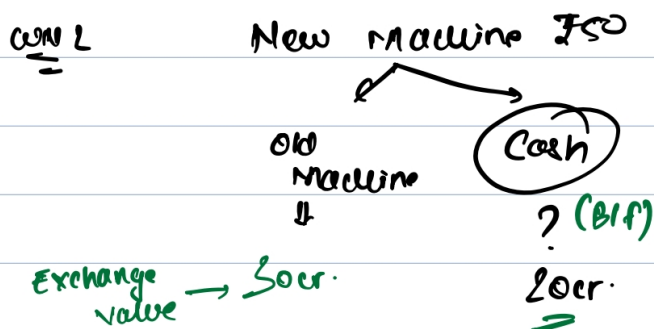
c) CF from Fin. Act

Redemption of Pref shares	(64)
Issue of equity shares (40cr + 20% Prem)	48
Dividend paid	(30)
Int paid on Deb.	(4)
	<u>(50)</u>
	(c)

Opn CCE	4cr
Net CF during the yr (A+B+C)	<u>200cr</u>
CLB CCE	<u>204 cr.</u>

<u>WN</u>	<u>Trade Payables</u>	
	Opn 168	
To CLB	By credit 352	
	Purch.	
CLB	184	

Purchased	440
TO CLB	88
TP (credit)	352



Ques 11

1) C.F from operating Activities (Indirect method)

Retained Earnings (PBT)	17000
(+) Prov for tax (C.Y P/L)	6000 (net off refund)
(+) Div declared in C.Y (10000 + 8000)	18000
PBT	41000
(+) Deprn	4000
(+) loss on sale of machinery	3000
(+) Premium paid on Pict	2000
(-) Profit on sale	(10000)
<u>+/- Changes in wc</u>	
(-) ↑ in I.R	(2000)
(+) ↑ in T.P	8000
(+) ↓ in Prepaid Exp	1000
(-) ↓ in o/s exp	(400)
(-) Income Tax Paid	(3000) → net off refund.

(A) 43600

Imp points

* Refund of Tax

* Div paid in C.Y → 8000 (Assumed declared in C.Y & paid in C.Y)

QND

Prov for tax		Refund of income tax	
	Opn	4000	
To clb (4000)	By PIL	7000	
4000 - 1000 = 3000	7000 - 1000 = 6000	clb	1000
clb	7000	TO PIL (Tax)	1000

* Foreing currency held in Cash Bal

Eg: Ak sir had \$1000 in Bank. on 01/04/11. There were no withdrawals / deposits in c.g. $\therefore$ clb Bal on Y end is \$1000.

Exchange Rate on 01/04/11 $\rightarrow$ ₹ 70
31/3/12 $\rightarrow$ ₹ 75.

	01/04/11	31/3/12
Bls	\$	\$
clb	1000	1000
	01/04/11	31/3/12
	₹	₹
clb	70,000	75,000
	(\$1000 $\times$ ₹ 70/\$)	(\$1000 $\times$ ₹ 75/\$)

Ex Gain = 5000 $\rightarrow$ non cash.

Cash flow from op. Activities (Indirect Method)

	₹
PBT	5000
(-) Non cash C/E Gain	<u>(5000)</u>
CF from op. Act. ①	-

② Inv Act	②	-
③ Fin Act	③	-

Opn CCE	70,000	
(+) Net C.F during the year	-	(A+B+C)
(+) Ex Gain on CCE	<u>5000</u>	→ As per AS 3
Cls CCE	70000	
	75000	

As per AS 3, whenever any exchange gain/loss arises only CCE, then we reverse from PBT in op. Activities,

But to reconcile our cash/Bank Bal, we will add the exchange gain in opening CCE to reconcile with cls CCE.

Illus 11 (WR)

Opn Bal in Bank € 100000 @ ₹82/€ = ₹82,00,000

Clk Bal in Bank € 105000 @ ₹85/€ = ₹89,25,000

Gain. 725000

Interest rec'd
on yr end

€ 5000 × ₹85/€
= 425000

Exch. Gain
(CBIF)

= 300000

(OR)

€100000
× (₹85 - ₹82)

= 3,00,000

CF Statement (Indirect method)

PBT	725000
(-) Non op Income (Int Inc)	(425000)
(-) Non cash Income (Ex Gain)	<u>(300000)</u>
CF op. Act	-

ⓑ CF from Invest Act

Int rec'd

ⓑ 425000

ⓒ CF from Fin. Act

ⓒ -

Opn CCE

8200000

(+) Net CF during the yr (A+B+C) 425000

(+) Ex Gain on CCE 3,00,000

Clk CCE

89,25,000

CF Direct Method

ⓐ CF from op. Act -

ⓑ CF from Invest Act

Int Income

425000

ⓒ CF from Fin Act -

Opn CCE

82,00,000

Net

425000

(+) Ex Gain

300000

Clk CCE

89,25,000

method Direct ho ya indirect,
reco mein for exchange gain Add korenge.

Blank lined paper with horizontal ruling lines.

