

6. CASH FLOW STATEMENT (AS - 3)

NO. OF PROBLEMS IN 41e OF CA INTER: CLASSROOM - 12, ASSIGNMENT – 16

NO. OF PROBLEMS IN 42e OF CA INTER: CLASSROOM - 13, ASSIGNMENT - 15

NO. OF PROBLEMS IN 43e OF CA INTER: CLASSROOM - 13, ASSIGNMENT - 14

MODEL WISE ANALYSIS OF PAST EXAM PAPERS OF IPCC & CA INTER

MODEL NO.	N-12	M-13	N-13	M-14	N-14	M-15	N-15	M-16	N-16	M-17	N-17	M-18(O)	M-18(N)	N-18 (O)	N-18 (N)	M-19 (O)	M-19 (N)
Model - 1	-	08	-	-	06	-	08	-	8	-	-	-	-	8	-	-	-
Model - 2	-	-	08	-	-	05	-	-	-	-	12	-	-	-	-	05	08
Model - 3	-	-	-	04	-	-	-	04	-	-	-	5	5	-	-	-	-

Model - 1 : Direct Method

Model - 2 : Indirect Method

Model - 3 : Theory

SIGNIFICANCE OF EACH PROBLEM COVERED IN THIS MATERIAL

PROBLEM No. in this material	PROBLEM No. in NEW SM	PROBLEM No. in OLD SM	PROBLEM No. in OLD PM	RTP	MTP	Previous Exams	Remarks
CR 1	ILL 1	-	-	-	-	-	
CR 2	-	-	-	-	-	-	PDK
CR 3	ILL-4	ILL-3	-	-	-	N18 (O)	
CR 4	ILL-5	-	Q.No.17	-	-	-	
CR 5	ILL-10	ILL-8	-	-	-	-	
CR 6	ILL-12	-	3	-	-	-	
CR 7	P.Q.NO-1	-	Q.No.4	-	-	-	
CR 8	P.Q.NO-4	-	Q.No.7	-	-	-	
CR 9	ILL-8	ILL-6	-	-	-	-	
CR 10	ILL-6	ILL-4	-	-	-	-	
CR 11	P.Q.NO-3	-	Q.No.6	-	-	-	
CR 12	P.Q.NO-2	-	Q.No.5	-	-	-	
CR 13	-	-	EX-2	-	-	-	
AS 1	-	-	-	-	N18 (N&O)	-	PDK
AS 2	ILL- 2&5	-	-	-	-	N19 (N&O)	
AS 3	ILL-9	ILL-7	-	-	-	-	
AS 4	ILL-11	ILL-9	-	M18 (N&O)	-	-	
AS 5	-	-	-	-	-	M-13	
AS 6	-	-	Q.No.14	-	-	-	
AS 7	-	-	-	-	-	-	
AS 8	ILL-7	ILL-5	-	-	-	-	
AS 9	-	-	EX-3	-	-	-	
AS 10	-	-	-	N-17	-	-	
AS 11	-	-	-	-	-	-	
AS 12	-	-	-	-	-	-	
AS 13	-	-	-	M-17	-	-	
AS 14	-	-	-	-	-	-	

AS - 3: CASH FLOW STATEMENT

Introduction:

- Cash flow statement is a summarized cash book. Wherein the receipts and payments are grouped on the bases of activity (nature) for effective understanding.
- It is one of the tools for analyzing financial statements.
- Cash flow statement seeks to explain reasons for change in cash and its equivalents in an accounting period.
- This statement is to be prepared in accordance with Accounting standard - 3. This is a mandatory statement to be included as a part of financial statements in case of level - 1 enterprises and Non - SMCs (Small and medium companies)

Objective:

- a) Cash flow statement is additional information to users of financial statements.
- b) This statement exhibits the flow of incoming and outgoing cash.
- c) This statement assesses the ability of the enterprise to generate cash and to utilize the cash.

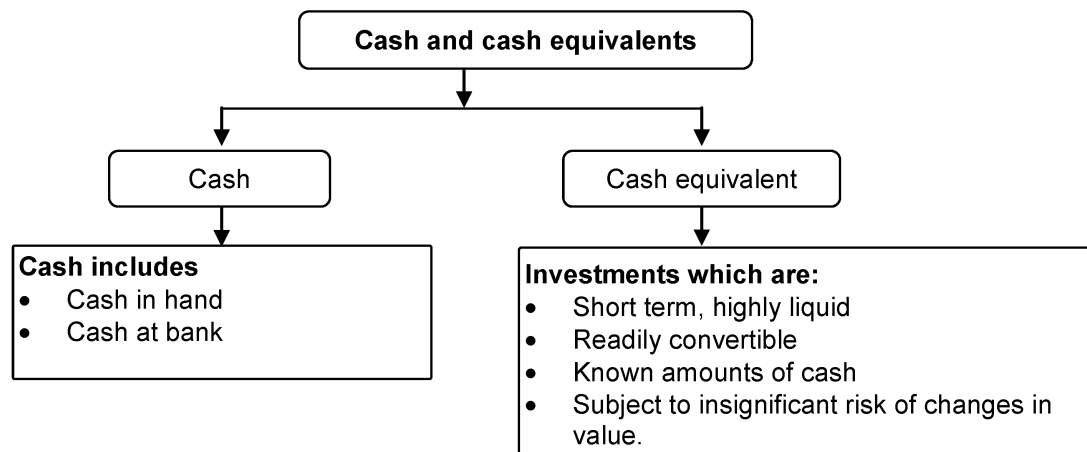
This helps the users of accounts:

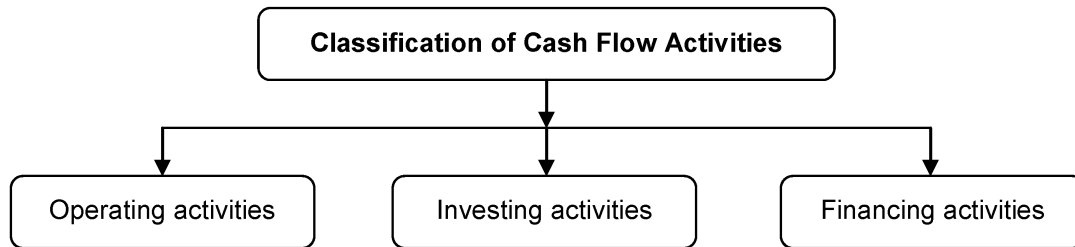
- To identify the historical changes in the flow of cash & cash equivalents
- To determine the future requirement of cash & cash equivalents
- To assess the ability to generate cash & cash equivalents
- To estimate the further requirement of generating cash & cash equivalents
- To compare the operational 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 the relationship between profitability and net cash flow and the impact of changing prices.

Applicability: This standard applies to all companies except One Person Company and Small Companies, Startup Private Ltd Companies and Dormant Companies.

Terms used in cash flow statement:

1. Cash and cash equivalent:



2. Classification of Cash Flow Activities:**(MTP-M18(O))****Operating activities:**

- Operating activities are the principal revenue producing activities of the enterprises other than investing and financing activities.

Examples:

- Cash receipts from the sale of goods and the rendering of service
- Cash receipt from fees, commission and other revenue;
- Cash payments to suppliers for goods; cash payments to employees and so on.

Investing activities:

- Investing activities are the acquisition and disposal of long term assets and other investments not included in cash equivalents.

Examples:

- These activities are related to the acquisition and disposal of long-term assets, non-operating current assets and investments which results in outflow of cash.
- Disposal of the aforesaid assets results in inflow of cash.
- Thus, inflows and outflows related to acquisition and disposal of assets, other than those related to operating activities, are shown under this category

Financing activities:

- Financing activities are activities that result in changes in the size and composition of the owner's capital (including preference share capital in the case of a company) and borrowing (whether short term or long term) of the enterprise.

Examples:

- Sale of share
- Buy back of shares
- Redemption of preference shares
- Issue / redemption of debentures
- Long-term loan / payment thereof
- Dividend / interest paid

Example:**Summary of cashbook**

Net effect (of each block)	Receipts	Amount Rs.	Payments	Amount Rs.
+50 (Operating)	To Balance b/d	5		
	To Cash sales	40	By creditors for purchases	120
	To Cr. Sales - Collections	160	By Expenses	30
-70 (investing)				
	To sale of assets	35	By Purchase of asset	120
	To Income from investment	15		

+30 (Financing)	To share application money	40	By Term loans	17
			By Interest on borrowing	8
	To debenture	20	By dividend	5
			By Balance c/d	15
		315		315

Ascertainment of cash flow statements

1. Cash flow from operating activities:

It can be derived either from direct method or indirect method.

- **Direct method:** In this method, gross receipts and gross payment of cash are disclosed
- **Indirect method:** In this method, profit and loss account is adjusted for the effects of transaction of non-cash nature

CALCULATION OF 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. Operating 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	
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

CALCULATION OF CASH FLOW FROM OPERATING ACTIVITIES (UNDER INDIRECT METHOD)

Net profit before taxes and Extra-ordinary items	xxx
Adjustment for:	
Depreciation and similar non - cash items.	xxx
Foreign Exchange Losses, if any	xxx
Interest / Dividend / Other incomes relating to Investing / Financing Activities.	xxx
Interest paid	xxx
Tax Provision (if PAT is considered initially instead of PBT).	xxx
Operating Profit before working capital changes	xxx
Add / (Less):	
Decrease / (Increase) in Current Assets excluding Cash / Cash equivalents	xxx
Increase / (Decrease) in Current Liabilities excluding Cash / Cash equivalents.	xxx
Less: Cash Payments (Refunds of Income - Taxes, unless they can be specifically identified with Financing and Investing Activities.	xxx
Cash Flows before extra - ordinary items	xxx
Add / Less: Cash Receipts / Payments in relation to extra-ordinary items, eg. Earthquake Disaster Settlement, etc.	xxx
NET CASH FROM OPERATING ACTIVITIES	xxx

2. **Cash flow from Investing activities:** The cash flows are ascertained analyzing non-current assets. This is done by constructing relevant ledger accounts and eliminating transactions not involving cash items. E.g. Purchase and sale of fixed assets is ascertained by preparing fixed asset A/c, Depreciation reserve A/c and sale of fixed assets A/c.

CALCULATION OF CASH FLOW FROM INVESTING ACTIVITIES

Particulars	Rs.
A. Cash inflow from investing activities:	
Sale of Tangible Fixed Assets (e.g. Machinery) for cash	xxx
Sale of intangible Assets (e.g. Goodwill / Patents / Trademarks / Copyright) for cash	xxx
Sale of investments (whether Current or Non - Current) for cash	xxx
Loans & Advanced repayments received (whether short term or Long term)	xxx
Incomes from Investments (Whether Current or Non - Current) (For Example)	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
	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 / Trademarks / Copyright) for cash	(xxx)
Purchase of investments(whether Current or Non - Current) for cash	(xxx)
Loans and Advanced granted (whether short term or long term)	(xxx)
	(xxx)
C. Net Cash inflow from Investing Activities	xxx

3. **Cash flow from financing activities:** The cash flows from financing activities are ascertained by analyzing non-current Liabilities. This is done by comparing opening balances and closing balances and adjusting for items not involving cash.

CALCULATION OF CASH FLOW FROM FINANCING ACTIVITIES

Particulars	Rs.
A. Cash Inflows from Financing Activities	
Issue of Equity Share Capital for cash [including Premium but excl. Discount]	xxx
Issue of Pref. Share Capital for cash [including Premium but excl. Discount]	xxx
Issue of Debentures for cash [including Premium but excl Discount] Loans raised (whether Short term or Long term)	xxx
Loans raised (whether Short term or Long term)	xxx
	xxx
B. Cash used in Financing Activities	
Buy back of Equity Shares [including Premium]	(xxx)
Redemption of Preference Shares for cash [including Premium]	(xxx)
Redemption of Debentures for cash [including Premium]	(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)
	(xxx)
C. Net Cash inflow from Financing Activities	xxx

Presentation of cash flow statements: Cash flow statements are presented in the format prescribed in Accounting Standard - 3.

Particulars	Rs.	Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
Direct / Indirect approach (as discussed above)		xxx
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of asset / investment	(xxx)	
Sale of asset / investment	xxx	
Income from investment	xxx	xxx
C. CASH FLOW FROM FINANCING ACTIVITIES		
Issue of shares / borrowings	xxx	
Redemption of shares / loans	(xxx)	
Interest on long term borrowings	(xxx)	
Payment of dividend	(xxx)	xxx
D. NET INCREASE IN CASH AND CASH EQUIVALENTS		xxx

Special Items:

1. Interest on borrowings:

- Interest on short term borrowings (working capital) are to be shown as a part of operating activities.
- Interest on long-term borrowings is to be shown as a part of financing activities.

2. Cash flow transactions with related parties; i.e. subsidiaries, associates and joint ventures - these cash flows should be shown separately under respective activity.

3. Gross vs. Net reporting:

- Operating activities: Cash flow from operating activities should be presented only in format specified - Direct approach or indirect approach.
- Investing and financing activities: Cash flows from these activities should be reported only on gross basis.

Eg.: Amount borrowed - Rs.10 crores; repaid during the year - Rs. 3 crores. These amounts should be presented separately as follows

Cash flows from financing activities

Amount borrowed - Rs.10 crores

Amount repaid during the year - Rs.(3) crores

Thus, these cash flows should not be netted as 'Amount borrowed during the year - 7 crores'.

However if the volume and frequency of the transaction are too high and such cash flows (inflow / outflow/0 happen at the decision of the third parties and the entity as such has no control over such transactions, reporting should be done on net basis.

Eg.: In case of commercial banks and financial institutions, cash flows these activities are reported on net basis.

4. Income tax:

- If identifiable activity wise, they should be reported as cash flow under respective activity.
E.g., Capital gain tax should be presented as part of "investing activities".
- If not identifiable activity wise, they should be reported as cash flow under operating activities.
E.g. Interest income - 3 crores; Loss from business - 2 crores. Tax paid for net business income of 1 crore. Such tax expense has to be shown as part of operating activities.

5. Classification based on nature of business:

Particulars	Financing Investment Company	Other enterprise
Interest income	Operating activity	Investing activity
Interest expense	Operating activity	Financing activity
Dividend income	Operating activity	Investing activity
Dividend paid	Financing activity	Financing activity

6. Exchange difference on foreign currency translation:

a) If realized, recognize in cash flow statement as a part of respective activity

b) If unrealized, do not recognize in cash flow statement.

Eg.: Export sale on 01.02.2011 - 1000 USD (Exchange rate 1 USD= Rs.45) revenue recognized - Rs.45,000. Amount collected on 01.03.2011 - 400USD (Exchange rate 1USD = 45.50) and balance valued as per AS 11 at closing rate on 31.03.2011 (Exchange rate 1USD = 46). The total exchange gain recognised in Profit & Loss a/c would be Rs. 800 comprising.

Realized gain - Rs.200 [400 USD x (45.50 - 45)]

Unrealized gain - Rs.600 [600 USD x (46 - 45)]

7. Extraordinary Items: The cash flows associated with extraordinary items should be classified as arising from operating, investing or financing activities as appropriate and separately disclosed to enable users to understand their nature and effect on the present and future cash flows of the enterprise.

Example: Winning of a law suit or a lottery and receipt of claim form an insurance company are examples of extraordinary items.

Insurance claims received against loss of stock or loss of profits, are extraordinary operating cash inflows for all enterprises.

Insurance claims received against loss of fixed assets are extraordinary investing cash inflows for all enterprises. According to AS-3 requires separate disclosure of extraordinary cash flows, classifying them as cash flows from operating, investing or financing activities, as may be appropriate.

8. Non-cash Transactions: Transactions which do not involve inflow or outflow of cash or cash equivalents are excluded from a cash flow statement. But significant non - cash investing and financing transactions should be reported in a separate schedule to the cash flow statement. Examples of non-cash transactions are:

a) The acquisition of an enterprise by means of issue of shares

b) The acquisition of a fixed asset, say machinery, on credit.

c) The conversion of convertible debentures into equity shares

Such transactions should be disclosed elsewhere in the financial statements in a way that provides all the relevant information about these investing and financing activities.

Disclosure of cash and cash equivalents:

- An enterprise should disclose the components and cash and cash equivalents and should present a reconciliation of the amount in the cash flow statement in the equivalent items reported in the balance sheet.
- An enterprise should disclose the amount of significant cash and cash equivalent balance held by enterprises that are not available for use by it with explanation of management.

PROBLEMS FOR CLASSROOM DISCUSSION

PROBLEM 1: (PRINTED SOLUTION AVAILABLE) Classify the following activities as (a) Operating Activities, (b) Investing Activities, (c) Financing Activities (d) Cash Equivalents.

- | | |
|---|---|
| <p>a) Purchase of Machinery.</p> <p>b) Proceeds from issuance of equity share capital</p> <p>c) Cash Sales.</p> <p>d) Proceeds from long-term borrowings.</p> <p>e) Proceeds from Trade receivables.</p> <p>f) Cash receipts from Trade receivables.</p> <p>g) Trading Commission received.</p> <p>h) Purchase of investment.</p> <p>i) Redemption of Preference Shares.</p> <p>j) Cash Purchases.</p> <p>k) Proceeds from sale of investment</p> <p>l) Purchase of goodwill.</p> <p>m) Cash paid to suppliers.</p> <p>n) Interim Dividend paid on equity shares.</p> <p>o) Wages and salaries paid.</p> <p>p) Proceed from sale of patents.</p> <p>q) Interest received on debentures held as investment.</p> <p>r) Interest paid on Long-term borrowings.</p> <p>s) Office and Administration Expenses paid</p> <p>t) Manufacturing Overheads paid.</p> | <p>u) Dividend received on shares held as investments.</p> <p>v) Rent Received on property held as investment.</p> <p>w) Selling and distribution expense paid.</p> <p>x) Income tax paid</p> <p>y) Dividend paid on Preference shares.</p> <p>z) Underwritings Commission paid.</p> <p>aa) Rent paid.</p> <p>bb) Brokerage paid on purchase of investments.</p> <p>cc) Bank Overdraft</p> <p>dd) Cash Credit</p> <p>ee) Short-term Deposits</p> <p>ff) Marketable Securities</p> <p>gg) Refund of Income Tax received.</p> <p>hh) Interest paid by financial enterprise</p> <p>ii) Tax deducted at source on interest received from subsidiary company</p> <p>jj) Deposit with Bank for a term of two years</p> <p>kk) Insurance claim received towards loss of machinery by fire</p> <p>ll) Bad debts written off</p> |
|---|---|

(A) (NEW SM) (SOLVE PROBLEM NO 1 OF ASSIGNMENT PROBLEMS AS REWORK)

Note: _____

PROBLEM 2: State how the following Cash Flows should be classified under AS 3:

1. Bhima Ltd had imported special equipment from Germany for 15,780 Euro on 27th February. It had entered into a currency option contract for purchase of foreign exchange to pay for the same, and paid a premium at Rs.36,000.
2. Premium received by Nakula and Co. a stock broker with NSE, in respect of a forward contract entered for purchase of Equity shares.
3. Withdrawal of demand deposits by public from corporation bank.
4. Interest & dividends received by financial institutions.
5. Redemption of preference share capital.
6. Receipt of Trade debtors.
7. Payment for acquisition of Long Term Assets.

8. Payment from Trade Debtors.
9. Payment to employees.
10. Dividend paid to shareholders & Corporate Dividend Tax thereon.
11. Acquisition of Equity or Debt securities.
12. Purchase and sale of securities and Loans for dealing or trading purposes.
13. X Ltd. purchased debentures of Rs.10 Lakhs of Y Ltd., which are traded in Stock Exchange. How will you show the item in the cash flow statement?
14. A Notified Public Financial Institution is mainly engaged in providing Loans and other non-fund based products to various power utilities. Net cash outflows / Inflows from loan disbursements made to, and principal repayments received from the borrowers should be classified as.
15. Loans and advanced given to the following and interest earned to them.
 - a) To suppliers b) To Employees c) To its Subsidiary Companies
16. Investments made in subsidiary Smart Ltd. and Dividend received.
17. TDS on Interest & Income earned on investment made
18. TDS on Interest earned on advance given to suppliers
19. Insurance Claim received against Loss of Fixed asset by fire.

(SOLVE PROBLEM NO 2 OF ASSIGNMENT PROBLEMS AS REWORK)

Note: _____

PROBLEM 3: Direct Method-Basic: The following summary cash account has been extracted from the company's accounting records:

Summary Cash Account

(Rs. In '000)

Particulars	Amount (Rs.)	Amount (Rs.)
Balance at 1.4.2014		35
Receipts from customers		2,783
Issue of shares		300
Sale of fixed assets		128
		3,246
Payments to suppliers	2,047	
Payments for fixed assets	230	
Payments for overheads	115	
Wages and salaries	69	
Taxation	243	
Dividends	80	
Repayments of bank loan	250	
		(3034)
Balance at 31.3.2015		212

Prepare Cash Flow Statement of this company Hills Ltd. for the year ended 31st March, 2015 in accordance with AS-3 (Revised).

The company does not have any cash equivalents.

CONCEPT QUESTION:

What would be the impact on the question,

If tax paid above includes corporate dividend tax of Rs. 20000.

(A) (NEW SM, SIMILAR: N18 (O) - 8M) (ANS.: CASH FLOW FROM OPERATING ACTIVITIES: 309, INVESTING ACTIVITIES: (102), FINANCING ACTIVITIES: (30)) (SOLVE PROBLEM NO 3 OF ASSIGNMENT PROBLEMS AS REWORK)

PROBLEM 4: (PRINTED SOLUTION AVAILABLE) Direct Method-Advanced: Prepare cash flow statement of M/s MNT Ltd. for the year ended 31st March, 2015 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 Rs. 3,82,500.
3. Opening inventory was less than closing inventory by Rs. 35,000.
4. Wages paid during the year Rs. 4,92,500.
5. Office and selling expenses paid during the year Rs. 75,000.
6. Dividend paid during the year Rs. 30,000 (including dividend distribution tax.)
7. Bank loan repaid during the year Rs. 2,15,000 (included interest Rs. 15,000)
8. Trade payables on 31st March, 2014 exceed the balance on 31st March, 2015 by 25,000.
9. Amount paid to trade payables during the year Rs. 4,60,000.
10. Tax paid during the year amounts to Rs. 65,000 (Provision for taxation as on 31.03.2015 Rs. 45,000).
11. Investments of Rs. 7,00,000 sold during the year at a profit of Rs. 20,000.
12. Depreciation on fixed assets amounts to Rs. 85,000.
13. Plant and machinery purchased on 15th November, 2014 for Rs. 2,50,000.
14. Cash and Cash Equivalents on 31st March, 2014 Rs. 2,00,000.
15. Cash and Cash Equivalents on 31st March, 2015 Rs. 6,07,500.

CONCEPT QUESTION:

What would be the impact on the question,

If Plant & machinery acquired for 2,50,000 on credit of 3 months. Delay in payment is charged with 10% interest.

(A) (NEW SM,N-15) (ANS.: CASH FLOW FROM OPERATING ACTIVITIES: 1,82,500; INVESTING ACTIVITIES: 4,70,000, FINANCING ACTIVITIES: (2,45,000) SOLVE PROBLEM NO. 4,5 OF ASSIGNMENT PROBLEMS AS REWORK)

Note: _____

PROBLEM 5: (PRINTED SOLUTION AVAILABLE) In both ways Direct Method & Indirect method-Basic: Given below is the Statement of Profit and Loss of ABC Ltd. and relevant Balance Sheet information:

Statement of Profit and Loss of ABC Ltd. for the year ended 31st March, 2015

Particulars	Rs. in Lakhs
Revenue:	
Sales	4,150
Interest and dividend	100
Stock adjustment	20
Total (A)	4,270
Expenditure:	
Purchases	2,400
Wages and salaries	800
Other expenses	200
Interest	60
Depreciation	100
Total (B)	3,560

Profit before tax (A - B)	710
Tax provision	200
Profit after tax	510
Balance of Profit and Loss account brought forward	50
Profit available for distribution (C)	560
Appropriations:	
Transfer to general reserve	200
Dividend declared (including CDT)	330
Total (D)	530
Balance (C - D)	30

Relevant Balance Sheet information	31.3.2015 Rs.in lakhs	31.3.2014 Rs.in lakhs
Trade receivables	400	250
Inventories	200	180
Trade payables	250	230
Outstanding wages	50	40
Outstanding expenses	20	10
Advance tax	195	180
Tax provision Assessed tax liability	200	180

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

(A) (NEW SM) (ANS: CASH FLOW FROM OPERATING ACTIVITIES RS.445LAKHS)

(SOLVE PROBLEM NO 6 OF ASSIGNMENT PROBLEMS AS REWORK)

CONCEPT QUESTION:

What would be the impact on the question,

If interest & dividend of Rs.100 lakhs includes interest Rs. 10Lakhs on loan given to subsidiaries.

Note: _____

PROBLEM 6: Indirect Method - Adjustment for asset: From the following Balance Sheets of Mr. Zen, prepare a Cash flow statement as per AS-3 for the year ended 31.03.2015:

Balance Sheets of Mr. Zen

(Amount in Rs.)

Liabilities	As on 01.04.2014	As on 01.04.2015
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
	18,40,000	19,76,000
Assets		
Land	6,00,000	8,80,000
Plant and Machinery	6,40,000	4,40,000
Inventories	2,80,000	2,00,000
Trade receivables	2,40,000	4,00,000
Cash	80,000	56,000
	18,40,000	19,76,000

Additional information: A machine costing Rs. 80,000 (accumulated depreciation there on Rs. 24,000) was sold for Rs. 40,000. The provision for depreciation on 01.04.2014 was Rs. 2,00,000 and 31.03.2015 was Rs. 3,20,000. The net profit for the year ended on 31.03.2015 was Rs. 3,60,000. (B) (NEW SM)

(ANS.: CASH FLOWS FROM OPERATING ACTIVITIES 4,72,000. INVESTING ACTIVITIES (2,40,000), FINANCIAL ACTIVITIES (2,56,000))

(SOLVE PROBLEM NO 7 OF ASSIGNMENT PROBLEMS AS REWORK)

CONCEPT QUESTION:

What would be the impact on the question, if machine is sold for Rs. 64000 instead of Rs. 40000.

Note: _____

PROBLEM 7: Indirect Method - Determination of Profit or loss of old machine sold: From the following details relating to Grow More Ltd. prepare Cash Flow Statement:

Name of the Company : Grow More Ltd

Balance Sheet as at : 31.03.15 and 31.03.14

		Particulars	Notes No.	Figures as at the end of current reporting period 31.03.15	Figures as at the end of the previous reporting period 31.03.14
		1	2	3	4
1		Equity and Liabilities:			
		Shareholder's 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			
	a	Long term borrowings (Debentures)		2,00,000	-
3		Current liabilities			
	a	Provision for tax		1,00,000	70,000
		Other current liabilities	2	9,00,000	9,20,000
		TOTAL		25,00,000	20,00,000
1		ASSETS:			
		Non-current assets			
	a	Fixed assets			
	I	Tangible assets	3	13,00,000	9,00,000
2		Current Assets			
	a	Current Investments		1,00,000	-
	b	Inventories (stock)		4,00,000	2,00,000
	c	Trade receivables (debtors)		5,00,000	7,00,000
	d	Cash and cash equivalents		2,00,000	2,00,000
		TOTAL		25,00,000	20,00,000

Notes to accounts:

Particulars	31.03.15	31.03.14
1. Reserves and Surplus:		
General Reserves	2,00,000	1,50,000
Profit and loss A/c	1,00,000	60,000

2. Other current liabilities:		
Trade payables	7,00,000	8,20,000
Dividend payable	2,00,000	1,00,000
3. Tangible assets:		
Plant and machinery	7,00,000	5,00,000
Land/building	6,00,000	4,00,000

1. Depreciation @ 25% was charged on the opening value of Plant and Machinery.
2. During the year one old machine costing 50,000 (WDV 20,000) was sold for Rs.35,000.
3. Rs.50,000 was paid towards Income tax during the year.
4. Building under construction was not subject to any depreciation.

Prepare Cash flow Statement.

CONCEPT QUESTION:

What would be the impact on the question,

If in point(3) it is given that tax provided during the year was Rs.50,000 instead of tax paid.

(A) (NEW SM) (ANS.: CASH FLOW FROM OPERATING ACTIVITIES 3,10,000. INVESTING ACTIVITIES (6,10,000), FINANCIAL ACTIVITIES 3,00,000) (SOLVE PROBLEM NO 8 OF ASSIGNMENT PROBLEMS AS REWORK)

Note: _____

PROBLEM 8: (PRINTED SOLUTION AVAILABLE) Indirect Method-Bad Debts and Prov. for Bad debts: ABC Ltd. gives you the following information. You are required to prepare Cash Flow Statement by using indirect methods as per AS-3 for the year ended 31.03.2015

Name of the Company : ABC Ltd

Balance Sheet as at : 31.03.2015 and 31.03.2014

		Particulars	Notes No.	Figures as at the end of Current Reporting period 31-03-15	Figures as at the end of the previous reporting period 31.03.14
		1	2	3	4
1		EQUITY AND LIABILITIES:			
		Shareholder's funds			
	A	Share capital		50,00,000	50,00,000
	B	Reserves and Surplus	1	36,90,000	26,50,000
2		Non-current liabilities:			
	A	Long term borrowings (Debentures)		9,00,000	-
3		Current liabilities			
	A	Short term -Borrowings (Bank loan)		3,00,000	1,50,000
	B	Trade payables(creditors)		8,20,000	8,80,000
	C	Short term provisions (Provision for B. D)		1,90,000	1,50,000
	D	Other current liabilities	2	5,70,000	4,80,000
		TOTAL		1,14,70,000	93,10,000

1		Assets:			
		Non-current assets			
	A	Fixed assets			
	I	Tangible assets	3	32,80,000	21,20,000
2		Current Assets:			
	A	Current Investments (Marketable securities)		15,00,000	11,80,000
	B	Inventories (Stock)		19,20,000	20,10,000
	C	Trade receivables (Debtors)		28,30,000	23,90,000
	D	Cash and cash equivalents (Cash)		18,20,000	15,20,000
	E	Other current assets (Prepaid expenses)		1,20,000	90,000
		TOTAL		1,14,70,000	93,10,000

Notes to Accounts:

Particulars	31.03.15	31.03.14
1. Reserves and Surplus:		
Retained earnings	36,90,000	26,50,000
2. Other current liabilities:		
Liability for expenses	2,70,000	3,30,000
Dividend payable	3,00,000	1,50,000
3. Tangible assets:		
Plant and machinery	40,70,000	27,30,000
Less: depreciations	(7,90,000)	(6,10,000)

Additional Information:

- Net profit for the year ended 31.3.15, after charging depreciation Rs.1,80,000 is Rs.22,40,000.
- Debtors of Rs.2,30,000 were determined to be worthless and were written off against the provisions for doubtful debts account during the year.
- ABC Ltd. declared dividend of Rs.12,00,000 for the year 2014-2015.

CONCEPT QUESTION:

What would be the impact on the question,

If debentures were issued at the beginning of the year. Interest rate on debentures is Rs. 10%.

(A) (NEW SM) (ANS.: CASH FLOW FROM OPERATING ACTIVITIES 19,60,000. INVESTING ACTIVITIES (13,40,000), FINANCIAL ACTIVITIES -NIL) (SOLVE PROBLEM NO 9 OF ASSIGNMENT PROBLEMS AS REWORK)

Note: _____

PROBLEM 9: Indirect Method-Advanced: Ms. Jyoti of Star Oils Limited has collected the following information for the preparation of cash flow statement for the year ended 31st March, 2015:

Particulars	Rs.
Net Profit after tax	25,000
Dividend (including dividend tax) paid	8,535
Provision for Income tax	5,000
Income tax paid during the year	4,248
Loss on sale of assets (net)	40
Book value of the assets sold	185
Depreciation charged to Profit & Loss Account	20,000

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

Required: Prepare the Cash Flow Statement for the year 2015 in accordance with AS-3. (Make necessary assumptions)
(A) (NEW SM)

CONCEPT QUESTION:

What would be the impact on the question,

If Profit on sale of Investments was credited to Capital Reserve.

If fixed assets were purchased by issue of 8% debentures.

(ANS.: CASH FLOW FROM OPERATING ACTIVITIES (2,895), INVESTING ACTIVITIES (22,634), FINANCIAL ACTIVITIES 27,514)
(SOLVE PROBLEM NO. 10 OF ASSIGNMENT PROBLEMS AS REWORK)

PROBLEM 10: (PRINTED SOLUTION AVAILABLE) Indirect Method-Adjustment for assets & Dividends: The following data were provided by the accounting records of Ryan Ltd. at year-end, March 31, 2015:

Income Statement

Particulars	Amount (Rs.)	Amount (Rs.)
Sales		6,98,000
Cost of Goods Sold		(5,20,000)
Gross Margin		1,78,000
Operating Expenses (including Depreciation Expense of Rs. 37,000)		(1,47,000)
		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

Comparative Balance Sheets:

Particulars	31 st March 2015	31 st March 2014
Assets:		
Plant Assets	7,15,000	5,05,000

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

Analysis of selected accounts and transactions during 2014 - 15

1. Purchased investments for Rs. 78,000.
2. Sold investments for Rs. 1,02,000. These investments cost Rs. 90,000.
3. Purchased plant assets for Rs. 1,20,000.
4. Sold plant assets that cost Rs. 10,000 with accumulated depreciation of Rs. 2,000 for Rs. 5,000.
5. Issued Rs. 1,00,000 of bonds at face value in an exchange for plant assets on 31st March, 2015.
6. Repaid Rs. 50,000 of bonds at face value at maturity.
7. Issued 15,000 shares of Rs. 10 each.
8. Paid cash dividends Rs. 8,000.

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

CONCEPT QUESTION:

What would be the impact on the question,

If closing provision for tax is Rs. 2000 instead of Rs.3000.

(A) (NEW SM) (ANS.: NET CASH FROM OPERATING ACTIVITIES RS.47,000, INVESTING ACTIVITIES RS. (85,000), FINANCING ACTIVITIES RS.69,000) (SOLVE PROBLEM NO. 11 OF ASSIGNMENT PROBLEMS AS REWORK)

Note: _____

PROBLEM 11: The Balance sheet of New Light Ltd. for the years ended 31st March 20X0 and 20X1 are as follows:

Liabilities	31-03-20X0 (Rs.)	31-03-20X1 (Rs.)	Assets	31-03-20X0 (Rs.)	31-03-20X1 (Rs.)
Equity share capital	12,00,000	16,00,000	Fixed Assets	32,00,000	38,00,000
10% Preference share capital	4,00,000	2,80,000	Less: Depreciation	9,20,000	11,60,000
Capital reserve	-	40,000		22,80,000	26,40,000
General reserve	6,00,000	7,60,000	Investment	4,00,000	3,20,000
Profit and Loss A/c	2,40,000	3,00,000	Cash	10,000	10,000

9% Debentures	4,00,000	2,80,000	Other current assets	11,10,000	13,10,000
Current liabilities	4,80,000	5,20,000			
Dividend payable	1,20,000	1,60,000			
Provision for tax	3,60,000	3,40,000			
	38,00,000	42,80,000		38,00,000	42,80,000

Additional Information:

- The company sold one fixed asset for Rs.1,00,000, the cost of which was 2,00,000 and the depreciation provided on it was Rs.80,000.
- The company also decided to write off another fixed asset costing Rs.56,000 on which depreciation amounting to Rs.40,000 has been provided.
- Depreciation on fixed assets provided Rs.3,60,000.
- Company sold some investment at a profit of Rs.40,000, which was credited to capital reserve.
- Debentures and preference share capital redeemed at 5% premium.
- Company decided to value stock at cost, whereas previously the practice was to value stock at cost less 10%. The stock according to books on 31-3-2014 was Rs.2,16,000. The stock on 31-3-2015 was correctly valued at Rs.3,00,000.

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

CONCEPT QUESTION:

What would be the impact on the question

If interim dividend of Rs. 50000 has been paid in 2010-11.

If income tax Rs. 100000 was paid during the year.

(A) (NEW SM) (ANS.: CASH FROM OPERATING ACTIVITIES RS.6,08,000, INVESTING ACTIVITIES RS. (6,36,000), FINANCING ACTIVITIES RS.28,000) (SOLVE PROBLEM NO. 12 OF ASSIGNMENT PROBLEMS AS REWORK)

Note: _____

PROBLEM 12: Indirect Method-Voluntary separation cost and Pre-acquisition dividend:

From the following Balance Sheet and information, prepare Cash Flow Statement of Ryan Ltd. for the year ended 31st March, 2015.

Name of the Company: Ryan Ltd

Balance Sheet as at : 31st March, 2015 and 31st March, 2014

		Particulars	Notes No.	Figures as at the end of current reporting period 31-03-15	Figures as at the end of the previous reporting period 31.03.14
		1	2	3	4
1		EQUITY AND LIABILITIES:			
		Shareholder's funds			
	A	Share capital	1	6,00,000	7,00,000
	B	Reserves and Surplus	2	3,70,000	3,00,000
2		Non-current liabilities:			
	A	Long term borrowings (9 % debentures)		2,00,000	-
3		Current liabilities:			
	A	Trade Payables	3	1,15,000	1,10,000
	B	Dividend payable		90,000	60,000

	C	Provision for taxation		95,000	60,000
	D	Other current liabilities	4	30,000	20,000
		TOTAL		15,00,000	12,50,000
1		ASSETS:			
		Non-current assets			
	A	Fixed assets			
	I	Tangible assets	5	9,15,000	7,00,000
		Current Assets			
	A	Current Investments		50,000	80,000
	B	Inventories (stock)		95,000	90,000
2	C	Trade receivables		2,50,000	2,25,000
	D	Cash and cash equivalents		65,000	90,000
	E	Other current assets	6	1,25,000	65,000
		TOTAL		15,00,000	12,50,000

Notes to accounts:

Particulars	31.03.15	31.03.14
1. Share capital:		
Equity Share capital	6,00,000	5,00,000
10% redeemable preference share capital	-	2,00,000
2. Reserves and Surplus:		
Capital red. Reserve	1,00,000	-
Capital reserve	1,00,000	-
General reserve	1,00,000	2,50,000
Profit and loss A/c	70,000	50,000
3. Trade Payable:		
Creditor	95,000	80,000
Bill payables	20,000	30,000
4. Other current liabilities:		
Liability for expenses	30,000	20,000
5. Tangible assets:		
Land and buildings	1,50,000	2,00,000
Plant and machinery	7,65,000	5,00,000
6. Other current assets:		
Voluntary separation payments	1,25,000	65,000

Additional Information:

1. A piece of land has been sold out for Rs.1,50,000 (Cost Rs.1,20,000) and the balance land was revalued. Capital Reserve consisted of Profit on sale and profit on revaluation.
2. On 1st April, 2014 a plant was sold for Rs.90,000 (Original Cost Rs.70,000 and W.D.V. Rs.50,000) and Debentures worth Rs.1 lakh was issued at par as part consideration for Plant of Rs.4.5 lakh acquired.
3. Part of the investments (Cost Rs.50,000) was sold for Rs.70,000.
4. Pre-acquisition dividend Rs.5,000 was adjusted against cost of Investment.
5. Directors have proposed 15% dividend for the current year.

6. Voluntary separation cost of Rs.50,000 was adjusted against General Reserve.
7. Income-tax liability for the current year was estimated at Rs.1,35,000.
8. Depreciation @ 15% has been written off from plant account but no depreciation has been charged on Land and Building.

(A) (NEW SM) (ANS.: CASH FROM OPERATING ACTIVITIES RS.1,13,000, INVESTING ACTIVITIES RS. (60,000), FINANCING ACTIVITIES RS. (78,000)) (SOLVE PROBLEM NO 13 OF ASSIGNMENT PROBLEMS AS REWORK)

Note: _____

PROBLEM 13: Indirect Method-Changes in Assets and Liabilities: The following are the changes in the account balances taken from the Balance Sheets of PQ Ltd. as at the beginning and end of the year:

Changes in Rupees	Debit or [Credit]
Equity share capital 30,000 shares of Rs.10 each issued and fully paid	0
Capital reserve	[49,200]
8% debentures	[50,000]
Debenture discount	1,000
Freehold property at cost/revaluation	43,000
Plant and machinery at cost	60,000
Depreciation on plant and machinery	[14,400]
Debtors	50,000
Stock and work-in-progress	38,500
Creditors	[11,800]
Net profit for the year	[76,500]
Dividend paid in respect of earlier year	30,000
Provision for doubtful debts	[3,300]
Trade investments at cost	47,000
Bank	[64,300]
	0

1. Capital reserve as at the end of the year represented realised profits on sale of one freehold property together with surplus arising on the revaluation of balance of freehold properties.
2. During the year plant costing Rs.18,000 against which depreciation provision of Rs.13,500 was lying, was sold for Rs.7,000.
3. During the middle of the year Rs.50,000 debentures were issued for cash at a discount of Rs.1,000.
4. The net profit for the year was after crediting the profit on sale of plant and charging debenture interest.

You are required to prepare a statement which will explain why bank borrowing has increased by Rs.64,300 during the year end. Ignore taxation.

(B) (OLD PM)

(ANS.: CASH FLOW FROM OPERATING ACTIVITIES 30,500. INVESTING ACTIVITIES (1,11,800), FINANCIAL ACTIVITIES 17,000)

(SOLVE PROBLEM NO 14 OF ASSIGNMENT PROBLEMS AS REWORK)

Note: _____

PRINTED SOLUTIONS FOR SOME SELECTIVE PROBLEMS

PROBLEM NUMBERS TO WHICH SOLUTIONS ARE PROVIDED: 1, 4, 5, 8, 10

PROBLEM NO: 1

- a) **Operating Activities:** c, e, f, g, j, m, o, s, t, w, x, aa, gg & hh
 b) **Investing Activities:** a, h, k, l, p, q, u, v, bb, ee, ii, jj & kk(Extra – ordinary item)
 c) **Financing Activities:** b, d, i, n, r, y, z, cc & dd.
 d) **Cash Equivalent:** ff.
 e) **Non Cash Activity :** ll

PROBLEM NO: 4

M/s MNT Ltd.

Cash Flow Statement for the year ended 31st March, 2015 (Using direct method)

Particulars	Rs.	Rs.
Cash flows from operating activities		
Cash Sales (3,82,500/0.30)		12,75,000
Less: Cash payment 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 taxes paid		(65,000)
Net cash from operating activities (A)		1,82,500
Cash flows from investing activities		
Sale of Investments	7,20,000	
Purchase of plant and 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(including DDT)	(30,000)	
Net cash used in financing activities(C)		(2,45,000)
Net increase in cash and cash equivalents(A+B+C)		4,07,500
Cash and cash equivalents at beginning of period		2,00,000
Cash and cash equivalents at end of period		6,07,500

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

PROBLEM NO: 5

Computation of cash flow from operations (Using direct method)

Particulars	Rs. in lakhs	Rs. in lakhs
Cash Receipts:		
Cash Sales and collection from trade receivables		
Sales + Opening trade receivables – Closing trade receivables (A)	4,150+250-400	4,000

Cash payments:		
Cash purchases & payment to trade payables		
Purchases + Opening trade payables – Closing trade payables	2,400+230-250	(2,380)
Wages and salaries paid	800+40-50	(790)
Cash expenses	200+10-20	(190)
Taxes paid – advance tax		(195)
Net cash from operating activities (A)		445

Computation of cash flow from operations (Using indirect method)

Particulars	Rs. in lakhs	Rs. in lakhs
Profit before tax		710
Add: Non – cash items : Depreciation		100
Add: Interest: Financing cash outflow		60
Less: Interest and dividend : Investment cash inflow		(100)
Less: Tax paid		(195)
Working capital adjustments		
Trade receivables	250-400= (150)	
Inventories	180-200 = (20)	
Trade payables	250-230 = 20	
Outstanding wages	50-40 = 10	
Outstanding expenses	20-10= 10	(130)
Net cash from operating activities (A)		445

PROBLEM NO: 8

Cash Flow Statement of ABC Ltd. for year ended 31.03.2015 (Indirect Method)

Particulars	Rs.	Rs.
Cash flow from operating activities:		
Net Profit before taxation and extraordinary items (WN-1)	22,40,000	
Adjustments:		
Add: Depreciation (7,90,000-6,10,000)	1,80,000	
Cash Flow before working capital changes	24,20,000	
Add: Decrease in inventories (Rs.20,10,000 – Rs.19,20,000)	90,000	
Increase in provision for doubtful debts (Rs.4,20,000-Rs.1,50,000)	2,70,000	
	27,80,000	
Less: increase in current assets:		
Trade receivables (Rs.30,60,000 – Rs.23,90,000)	6,70,000	
prepaid expenses (Rs.1,20,000 – Rs.90,000)	30,000	
Decrease in current liabilities:		
Trade payables (Rs.8,80,000 – Rs.8,20,000)	60,000	
Expenses outstanding (Rs.3,30,000 – Rs.2,70,000)	60,000	
Cash generated from operations before income tax	19,60,000	
Less: Income tax paid during the year	-	
Cash flow before extraordinary items	19,60,000	
Add / Less: extraordinary items	-	
Net cash flow from operating activities		19,60,000

Cash flow from investing activities:		
Additions to Pant & Machinery (40,70,000 – 27,30,000)	13,40,000	
Net cash flow from investing activities		(13,40,000)
Cash flow from financing activities:		
Proceeds from issue of debentures	9,00,000	
Increase in bank loan	1,50,000	
Dividend paid(WN2)	(10,50,000)	
Net Cash flow from financing activities		-
Net Increase in cash and equivalents		6,20,000
Cash & Cash equivalents at the beginning (15,20,000+11,80,000)		27,00,000
Cash & Cash equivalents at the end (18,20,000+15,00,000)		33,20,000

Note: Bad debts amounting Rs.2,30,000 were written off against provision for doubtful debts account during the year. In the above solution, bad debts have been added back in the balances of provision for doubtful debts and trade receivables as on 31.03.2015. Alternatively, the adjustment of writing off bad debts may be ignored and the solution can be given on the basis of figures of trade receivables and provision for doubtful debts as appearing in the balance sheet on 31.03.2015.

Working Note: 1 – Calculation of Net profit before tax and extraordinary items:

Current year net profit after appropriation (36,90,000 – 26,50,000) 10,40,000

Add: dividend declared during the year (WN - 2) 12,00,000

22,40,000

Working Note: 2

Dr.	Dividend Payable		Cr.
Particulars	Rs.	Particulars	Rs.
To Cash	10,50,000	By Balance b/d	1,50,000
To Balance c/d	3,00,000	By P & L Appropriation (dividend declared)	12,00,000
	13,50,000		13,50,000

PROBLEM NO: 10

Cash Flow Statement of Ryan Ltd. for the year ending 31st March, 2015

Particulars	Amount	Amount
Cash flows from operating activities		
Net profit before taxation	23,000	
Adjustments for:		
Depreciation	37,000	
Gain on sale of investments	(12,000)	
Loss on sale of plant assets	3,000	
Interest expense	23,000	
Interest income	(6,000)	
Operating profit before working capital changes	68,000	
Decrease in accounts receivable	8,000	
Increase in inventory	(34,000)	
Decrease in prepaid expenses	4,000	
Increase in accounts payable	7,000	
Increase in accrued liabilities	3,000	

Cash generated from operations	56,000	
Income taxes paid (WN)	(9,000)	
Net cash generated from operating activities		47,000
Cash flows from investing activities		
Purchase of plant assets	(1,20,000)	
Sale of plant assets	5,000	
Purchase of investments	(78,000)	
Sale of investments	1,02,000	
Interest received	6,000	
Net cash used in investing activities		(85,000)
Cash flows from financing activities		
Proceeds from issuance of share capital	1,50,000	
Repayment of bonds	(50,000)	
Interest paid	(23,000)	
Dividends paid	(8,000)	
Net cash from financing activities		69,000
Net increase in cash and cash equivalents		31,000
Cash and cash equivalents at the beginning of the period		15,000
Cash and cash equivalents at the end of the period		46,000

Working Note:

Particulars	Amount
Income taxes paid:	
Income tax expense for the year	7,000
Add: Income tax liability at the beginning of the year	5,000
	12,000
Less: Income tax liability at the end of the year	(3,000)
	9,000

ASSIGNMENT PROBLEMS

PROBLEM 1: Classify the following activities as (i) Operating Activities, (ii) Investing Activities, (iii) Financing Activities:

- Purchase of Machinery.
- Proceeds from issuance of equity share capital
- Cash Sales.
- Proceeds from long-term borrowings.
- Proceeds from Trade receivables.
- Cash receipts from Trade receivables.
- Trading Commission received.
- Purchase of investment.
- Redemption of Preference Shares.
- Cash Purchases.

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(B) (MTP2 N18 (N&O))

PROBLEM 2: Answer the following questions:

- a) X Ltd. purchased debentures of Rs. 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 the year ended on 31st March, 2017?
- b) Prepare Cash Flow from Investing Activities of M/s. Creative Furnishings Limited for the year ended 31-3-2017.

Particulars	Rs.
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	68,000
(TDS of Rs. 8,200 was deducted on the above interest)	
Book value of plant sold (loss incurred Rs. 9,600)	84,000

(NEW SM) (N19(N&O))
(ANS: NET CASH USED IN INVESTING ACTIVITIES: (1,48,100))

PROBLEM 3: Direct Method-Basic: From the following Summary Cash Account of .prepare Cash Flow Statement for the year ended 31st March, 2015 in accordance with AS 3 (Revised) using the direct method. The company does not have any cash equivalents.

Summary Cash Account for the year ended 31.3.2015

Particulars	Rs.'000	Particulars	Rs.'000
Balance on 01.04.2014	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 31.3.2015	150
	3,250		3,250

(A) (NEW SM) (ANS.: CASH FLOW FROM OPERATING ACTIVITIES 2,50,000. INVESTING ACTIVITIES (1,00,000), FINANCIAL ACTIVITIES (50,000))

PROBLEM 4: Direct Method-Moderate: Prepare Cash flow for Gamma Ltd., for the year ending 31.03.2014 from the following information:

- Sales for the year amounted to Rs. 135 crores out of which 60% was cash sales.
- Purchases for the year amounted to Rs. 55 crores out of which credit purchase was 80%.
- Administrative and selling expenses amounted to Rs. 18 crores and salary paid amounted to Rs. 22 crores.
- The Company redeemed debentures of Rs. 20 crores at a premium of 10%. Debenture holders were issued equity shares of Rs. 15 crores towards redemption and the balance was paid in cash. Debenture interest paid during the year was Rs.1.5 crores.
- Dividend paid during the year amounted to Rs. 11.7 crores (including Dividend distribution tax) was also paid.

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

Particulars	01.04.2013	31.03.2014
Debtors	45	50
Creditors	21	23
Bank	6	-

(NEW SM, SIMILAR AS RTP-M18(N)(O))

(ANS.: CASH FLOW FROM OPERATING ACTIVITIES: 29, INVESTING ACTIVITIES: 3.4, FINANCING ACTIVITIES: (20.2))

PROBLEM 5: Direct Method - Advanced: On the basis of the following information prepare a Cash Flow Statement for the year ended 31st March, 2015:

1. Total sales for the year were Rs. 199 crore out of which cash sales amounted to Rs.131 crore.
2. Cash collections from credit customers during the year, totalled Rs. 67 crore.
3. Cash paid to suppliers of goods and services and to the employees of the enterprise amounted to Rs. 159 crore.
4. Fully paid preference shares of the face value of Rs. 16 crore were redeemed and equity shares of the face value of Rs. 16 crore were allotted as fully paid up at a premium of 25%.
5. Rs. 13 crore were paid by way of income tax.
6. Machine of the book value of Rs. 21 crore was sold at a loss of Rs. 30 lakhs and a new machine was installed at a total cost of Rs. 40 crore.
7. Debenture interest amounting Rs. 1 crore was paid.
8. Dividends totalling Rs. 11.7 crore (including CDT) was paid on equity and preference shares.
9. On 31st March, 2012 balance with bank and cash on hand totalled Rs. 9 crore.

(A) (OLD PM, M13) (ANS.: CASH FLOW FROM OPERATING ACTIVITIES 26 CRORES. INVESTING ACTIVITIES (19.30CRORES), FINANCIAL ACTIVITIES (8.70CRORES))

PROBLEM 6: Profit and Loss Statement for the year ended 31st March, 2015

(Rs. in lakhs)

	Particulars	Note No.	As at 31 st March, 2015	As at 31 st March, 2014
I	Revenue from Operation		4,150	
II	Other Income		100	
III	TOTAL REVENUE(I+II)		4,250	
IV	EXPENSES:			
	(a) Cost of material consumed			
	(b) Purchase of products for sale		2,400	
	(C) changes in inventories of finished goods, work-in-progress and products for sale		(20)	
	(d) Employees cost/ benefits expenses		800	
	(e) Finance cost		60	
	(f) Depreciation and amortization expenses		100	
	(g) Product development expenses/Engineering expenses			

	(h) Other expenses		200	
	(i) Expenditure transfer to capital and other account			
	TOTAL EXPENSES		3,540	
V	PROFIT BEFORE EXCEPTIONAL AND EXTRAORDINARY ITEMS AND TAX (III-IV)		710	
VI	EXCEPTIONAL ITEMS		-	
VII	PROFIT BEFORE EXTRAORDINARY ITEMS AND TAX (V-VI)		710	
VIII	EXTRAORDINARY ITEMS		-	
IX	PROFIT BEFORE TAX FROM CONTINUING OPERATIONS (VII-VIII)		710	
X	TAX EXPENSES:			
	(1) Current Tax		200	
	(2) deferred tax		-	
XI	PROFIT AFTER TAX FOR THE YEAR FROM CONTINUING OPERATION(IX-X)		510	
XII	PROFIT (LOSS) FROM DISCONTINUING OPERATIONS			
XIII	TAX EXPENSES FROM DISCONTINUING OPERATIONS			
XIV	PROFIT(LOSS) FROM DISCONTINUING OPERATIONS (AFTER TAX) (XII-XIII)			
XV	PROFIT (LOSS) FOR THE PERIOD (XI+XIV)			
	Balance brought forward from previous year		50	
	Profit available for appropriation		560	
	Appropriation:			
	Proposed dividend		300	
	Transfer to General Reserve		200	
	Distribution Tax		30	
	Total		530	
	Balance carried forward		30	
XVI	Earning per equity share:			
	(1) Basic			
	(2) Diluted			

Notes on Accounts

(Rs. in lakhs)

1. Revenue from operation	As at 31 st March, 2015	As at 31 st March, 2014
Sales (net of Excise Duty)	4,150	
Total	4,150	

2. Other Income	As at 31 st March, 2015	As at 31 st March, 2014
Interest and Dividend	100	
Total	100	

3. Employees Cost/ Benefits Expenses	As at 31 st March,2015	As at 31 st March,2014
Wages and Salaries	800	
Total	800	

4. Finance Expenses	As at 31 st March,2015	As at 31 st March,2014
Interest	60	
Total	60	

Relevant Balance Sheet information	31-03-2015 (Rs. in lakhs)	31-03-2014 (Rs. in lakhs)
Debtors	400	250
Inventories	200	180
Creditors	250	230
Outstanding wages	50	40
Outstanding expenses	20	10
Advance tax	195	180
Tax provision	200	180
Assessed tax liability		180

Compute cash flow from Operating Activities under both Direct and Indirect method.

(ANS.: CASH FLOW FROM OPERATING ACTIVITIES:DIRECT- 445 LAKHS, INDIRECT-445 LAKHS)

PROBLEM 7: From the following Balance Sheets of Mr. Shyam, prepare a Cash Flow Statement as per AS 3 for the year ended 31st March, 2010.

Balance Sheets of Mr. Shyam

Liabilities	As on 01-04-2009	As on 31-03-2010
Shyam's Capital Account	5,00,000	6,12,000
Sundry Creditors	1,60,000	1,76,000
Mrs. Shyam's loan	1,00,000	-
Long term loan from bank	1,60,000	2,00,000
	9,20,000	9,88,000
Assets	As on 01-04-2009	As on 31-03-2010
Land	3,00,000	4,40,000
Plant and Machinery	3,20,000	2,20,000
Stock	1,40,000	1,00,000
Debtors	1,20,000	2,00,000
Cash	40,000	28,000
	9,20,000	9,88,000

Additional information:

A machine costing Rs. 40,000 (accumulated depreciation there on Rs. 12,000) was sold for Rs. 20,000. The provision for depreciation on 01-04-2009 was Rs. 1,00,000 and on 31-03-2010 was Rs. 1,60,000. The net profit for the year ended on 31-03-2010 was Rs. 1,80,000.

(ANS.: CASH FLOW FROM OPERATING ACTIVITIES -2,36,000, INVESTING ACTIVITIES (1,20,00), FINANCIAL ACTIVITIES (1,28,000))

PROBLEM 8: The balance sheets of Sun Ltd. for the years ended 31st March 20X1 and 20X0 were summarised as:

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

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

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

Further information is available

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

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

(A) (NEW SM) (ANS.: NET CASH FROM OPERATING ACTIVITIES RS.2,800; INVESTING ACTIVITIES RS.(13,300), FINANCING ACTIVITIES RS.9,000)

PROBLEM 9: Indirect Method-Assets & Reserves: The following are the summarized Balance Sheets of Lotus Ltd. as on 31st March 2014 and 2015:

Liabilities	As on 31.03.2014 Rs.	As on 31.03.2015 Rs.
Equity share capital (Rs. 10 each)	10,00,000	12,50,000
Capital reserve		10,000
Profit and loss A/c	4,00,000	4,80,000
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
	24,50,000	26,00,000
Assets	Rs.	Rs.
Land and building	4,00,000	3,80,000
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	1,40,000
Cash at bank	3,00,000	4,10,000
	24,50,000	26,00,000

Additional information:

1. Depreciation written off on land and building Rs. 20,000.
2. The company sold some investment at a profit of Rs. 10,000, which was credited to Capital Reserve.
3. Income-tax provided during the year Rs. 55,000.
4. During the year, the company purchased a machinery for Rs.2,25,000. They paid Rs.1,25,000 in cash and issued 10,000 equity shares of Rs. 10 each at par.

You are required to prepare a cash flow statement for the year ended 31st March 2015 as per AS 3 by using indirect method.

(A) (OLD PM)
(ANS.: NET CASH FLOW FROM OPERATING ACTIVITIES RS. 65,000; INVESTING ACTIVITIES (RS. 65,000); FINANCING ACTIVITIES RS. 50,000)

PROBLEM 10: Indirect Method-Advanced Preet Ltd. presents you the following information for the year ended 31st March, 2017:

Particulars	Rs. In lakhs
Net Profit before tax provision	72,000
Dividend paid	20,404
Income tax paid	10,200
Book value of the assets sold	444
Loss on sale of assets	96
Depreciation debited in Profit & Loss Account	48,000
Capital grant received-Amortised in P&L a/c	20
Book value of investments sold	66,636
Profit on sale of Investments	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 & 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 01.04.2006	12,000
Cash and Bank balance on 31.03.2007	16,000

You are required to prepare a cash flow statement as per AS-3.

(A) (RTP-N17)

(ANS.: CASH FLOW FROM OPERATING ACTIVITIES (6,944). INVESTING ACTIVITIES (54,336), FINANCIAL ACTIVITIES 65,280)

PROBLEM 11: From the information contained in Income Statement and Balance Sheet of 'A' Ltd., prepare Cash Flow Statement:

Income statement for the year ended march 31,2015

Net Sales	(A)	2,52,00,000
Less:		
Cash Cost of Sales		1,98,00,000
Depreciation		6,00,000
Salaries and Wages		24,00,000
Operating Expenses		8,00,000
Provision for Taxation		8,80,000
	(B)	2,44,80,000
Net Operating Profit (A – B)		7,20,000
Non-recurring Income – Profits on sale of equipment		1,20,000
		8,40,000
Retained earnings and profits brought forward		15,18,000
		23,58,000
Dividends declared and paid during the year		7,20,000
Profit and Loss Account balance as on March 31, 2015		16,38,000

Name of the company: A Ltd.

Balance Sheet as at : 31.03.2015

(Rs. in Cores)

Ref No.	Particulars	Note No.	As at 31.03.15	As at 31.03.14
I	EQUITY AND LIABILITIES			
1	Shareholders' fund			
	(a) Share capital		44,40,000	36,00,000
	(b) Reserves and surplus-		16,38,000	15,18,000
2	Share application money pending allotment		NIL	
3	Non-current liabilities		NIL	
4	Current Liabilities			
	(a) Trade payables		23,40,000	24,00,000
	(b) Other current liabilities		4,80,000	2,40,000
	(c) Short-term provisions		1,32,000	1,20,000
	Total		90,30,000	78,78,000
II	ASSETS			
1	Non-current assets			

		(a) Fixed assets			
		(i) Tangible assets		54,00,000	28,80,000
	2	Current assets			
		(a) Inventories		9,60,000	26,40,000
		(b) Trade receivables		18,60,000	16,80,000
		(c) Cash and cash equivalents		7,20,000	6,00,000
		(d) Short-term loans and advances		90,000	78,000
		Total		90,30,000	78,78,000

Note - Relevant items of Assets/ Liabilities are reflected in Balance Sheet and Schedule III. Hence sub-item not having any value for the given illustration is not shown/ represented in Balance Sheet.

Note on Accounts

1. Tangible Assets		31.03.15		31.03.14	
Land			9,60,000		4,80,000
Building and Equipments	57,60,000			36,00,000	
Less: Depreciation	13,20,000	44,40,000		12,00,000	24,00,000
Total		54,00,000			28,80,000

2. Short Term Provisions		31.03.15	31.03.14
Income Tax Payable		1,32,000	1,20,000
Total		1,32,000	1,20,000

3. Other Current Liabilities		31.03.15	31.03.14
Outstanding Expenses		4,80,000	2,40,000
Total		4,80,000	2,40,000

4. Short Term Loans and Advances		31.03.15	31.03.14
Advances		90,000	78,000
Total		90,000	78,000

The original cost of equipment sold during the year 2014-15 was Rs. 7,20,000. Prepare Cash flow Statement as per AS 3.

(ANS.: CASH FLOW FROM OPERATING ACTIVITIES 30,00,000. INVESTING ACTIVITIES (30,00,000), FINANCIAL ACTIVITIES 1,20,000)

PROBLEM 12: From the following information prepare a cash flow statement of AA Ltd., for the year ended 31-03-2010.

Balance Sheet

(Figures are in Rs. Lacs)

Liabilities	2008 – 09	2009 – 10	Assets	2008 – 09	2009 – 10
Share capital			Sundry fixed assets		
Equity shares of Rs. 10 each	1,000	1,200	Gross block	1,600	2,000
General reserve	700	750	Less: Depreciation	320	720
Profit & Loss A/c	200	220	Net block	1,280	1,280
Share premium	20	40	Investment	600	700

14% Debentures	400	450	Inventories	500	700
Cash credit	90	120	Sundry debtors	320	450
Sundry Creditors	180	220	Cash and Bank	50	130
Provision for taxation	10	20			
Dividend payable	150	240			
	2,750	3,260		2,750	3,260

Other information:

- 1) Discarded fixed assets costing Rs. 2 lacs, accumulated depreciation Rs. 40,000 at Rs. 20,000 only.
- 2) Paid advance tax Rs. 70 Lacs for 2009 - 10, apart from payment of balance tax liability of Rs. 8 Lac for 2008 – 2009.
- 3) Transferred excess tax provision for 2008 – 2009 to general reserve

(ANS.: CASH FLOW FROM OPERATING ACTIVITIES 524.8 LAKHS, INVESTING ACTIVITIES (501.8 LAKHS), FINANCIAL ACTIVITIES 57 LAKHS)

PROBLEM 13: From the following information, prepare a Cash Flow Statement for the year ended 31st March, 2016.

Balance Sheets as on.....

	Particulars	Note	31.03.2016	31.03.2015
I	EQUITY AND LIABILITIES			
	1. Shareholder's Funds			
	a) Share Capital	1	3,50,000	3,00,000
	b) Reserves and Surplus	2	82,000	38,000
	2. Non-Current Liabilities			
	3. Current Liabilities			
	a) Trade Payables		65,000	44,000
	b) Other Current Liabilities	3	37,000	27,000
	c) Short term Provisions (provision for tax)		32,000	28,000
	Total		5,66,000	4,37,000
	ASSETS			
	1. Non current Assets			
	a) Tangible Fixed Assets	4	2,66,000	1,90,000
	b) Intangible Assets (Goodwill)		47,000	60,000
	c) Non-Current Investments		35,000	10,000
	2. Current Assets			
	a) Inventories		78,000	85,000
	b) Trade Receivables		1,08,000	75,000
	c) Cash & Cash Equivalents		32,000	17,000
	Total		5,66,000	4,37,000

Note 1: Share Capital

Particulars	31.03.2016	31.03.2015
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: Reserves and Surplus

Particulars	31.03.2016	31.03.2015
General Reserve	30,000	20,000
Profit and Loss A/c	27,000	18,000
Capital Reserve	25,000	
Total	82,000	38,000

Note 3: Current Liabilities

Particulars	31.03.2016	31.03.2015
Dividend declared	37,000	27,000

Note 4: Tangible Fixed Assets

Particulars	31.03.2016	31.03.2015
Land & Building	75,000	1,00,000
Machinery	1,91,000	90,000
Total	2,66,000	1,90,000

Additional Information:

- i) Rs.18,000 depreciation for the year has been written off on Plant and Machinery and no depreciation has been charged on land and building.
- ii) A piece of land has been sold out for Rs.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.
- iii) A plant was sold for Rs.12,000 (WDV being Rs.15,000).
- iv) Dividend received amounted to Rs.2,100 which included share acquisition dividend of Rs. 600.
- v) An interim dividend of Rs. 10,000 has been paid.
- vi) Non-current investments given in the balance sheet represents investment in shares of other companies.

(A) (RTP M17) (ANS.:NET CASH FROM OPERATING ACTIVITIES RS.97,500, INVESTING ACTIVITIES RS.(95,500), FINANCING ACTIVITIES RS.13,000)

PROBLEM 14: Indirect Method-Changes in Assets and Liabilities: The following are the changes in the account balances taken from the Balance Sheets of PQ Ltd. as at the beginning and end of the year:

Changes in Rupees	Debit or [Credit]
Equity share capital 50,000 shares of Rs.10 each issued and fully paid	0
Capital reserve	[90,000]
12% debentures	[1,00,000]
Freehold property at cost/revaluation	83,000
Plant and machinery at cost	1,10,000
Depreciation on plant and machinery	[30,000]
Debtors	90,000
Stock and work-in-progress	77,000
Creditors	[25,000]
Net profit for the year	[1,50,000]
Dividend paid in respect of earlier year	50,000
Provision for doubtful debts	[7,000]
Trade investments at cost	90,000
Bank	[98,000]

- Capital reserve as at the end of the year represented realised profits on sale of one freehold property together with surplus arising on the revaluation of balance of freehold properties.
- During the year plant costing Rs.25,000 against which depreciation provision of Rs.15,000 was lying, was sold for Rs.7,000.

3. At the beginning of the year Rs.1,00,000 debentures were issued for cash.
4. The net profit for the year was after adjusting the loss on sale of plant and charging debenture interest. You are required to prepare a statement which will explain why bank borrowing has increased by Rs.98,000 during the year end. Ignore taxation.

(ANS.: CASH FLOW FROM OPERATING ACTIVITIES 75,000. INVESTING ACTIVITIES (2,11,000), FINANCIAL ACTIVITIES 38,000)

PROBLEMS FOR SELF PRACTICE

PROBLEM 1: Following are the extracts of Balance Sheet of Ajay Ltd.:

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

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

(B) (NEW SM) (ANS.: NET CASH FROM OPERATING ACTIVITIES RS.1,50,000, FINANCING ACTIVITIES RS.1,45,000)

PROBLEM 2: The information of cash flow generated by two companies A Ltd. and B Ltd. belonging to same industry is as follows:

Financial year 2009 - 2010 Cash flow statement

Particulars	A Ltd	B Ltd
Opening balance	18,000	20,000
Cash flow from operating activities		
Receipt from sale of goods	5,000	30,000
Cash from investing activities		
Sale of fixed assets	20,000	3,000
Cash flow from financing activities		
Amount borrowed	20,000	3,000
Closing balance	63,000	55,000

Company A claims that its cash generating ability is better than that of B Ltd. do u agree?

Comment on the cash generating ability of both companies.

(C) (ANS.: NO, B COMPANY'S CASH GENERATING CAPACITY IS BETTER)

PROBLEM 3: Direct Method - Moderate: The following particulars relate to Bee Ltd. for the year ended 31st March, 2010:

1. Furniture of book value of Rs.15,500 was disposed off for Rs.12,000.
2. Machinery costing Rs.3,10,000 was purchased and Rs.20,000 were spent on its erection.
3. Fully paid 8% Preference shares of the face value of Rs.10,00,000 were redeemed at a premium of 3%. In this connection 60,000 equity shares of Rs.10 each were issued at a premium of Rs.2 per share. The entire money being received with applications.
4. Dividend was paid as follows:

On 8% preference shares	Rs. 40,000
On equity shares for the year 2009-10	Rs.1,10,000
5. Total sales were Rs.32,00,000 out of which cash sales were Rs.11,50,000.

6. Total purchases were Rs.8,00,000 including cash purchases of Rs.60,000.
7. Total expenses were Rs.12,40,000
8. Taxes paid including dividend tax of Rs.22,500 were Rs.3,30,000
9. Cash and Cash equivalents as on 31st March, 2010 were Rs.1,25,000

You are requested to prepare cash flow statement as per AS-3 for the year ended 31st March, 2010 after taking into consideration the following also:

	On 31 st March, 2009 (Rs.)	On 31 st March, 2010 (Rs.)
Sundry Debtors	1,50,000	1,47,000
Sundry Creditors	78,000	83,000
Unpaid Expenses	63,000	55,000

(A) (M10) (ANS.: CASH FLOW FROM OPERATING ACTIVITIES 8,52,500. INVESTING ACTIVITIES (3,18,000), FINANCIAL ACTIVITIES (4,82,500))

PROBLEM 4: From the following information of XYZ Limited, calculate cash and cash equivalent as on 31-03-2019, as per AS – 3.

Particulars	Amount (Rs.)
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 01-11-2018 and maturing on 15-04-2019	75,000
Short Term investment in highly liquid Sovereign Debt Mutual Fund on 01-03-2019.	1,00,000
Bank Balance in a Foreign Currency Account in India	\$ 1,000
(Conversion Rate: On the day of deposit – Rs. 69 / USD As on 31-03-2019 – Rs. 70 / USD)	

(N19(O)) (ANS: CASH AND CASH EQUIVALENTS: 2,10,000)

PROBLEM 5: Indirect Method - Basic: 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, 2015

Particulars	Rs.	Particulars	Rs.
To Depreciation	86,700	By Operating Profit before Depreciation	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 payable	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:

Particulars	31.03.2014	31.03.2015
Inventory	1,20,000	1,60,000
Trade Receivables	7,500	75,000
Trade Payables	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

(A) (OLD PM, N13) (ANS.: CASH FLOW FROM OPERATING ACTIVITIES: 10,44,965)

PROBLEM 6: Indirect Method-Retained Earnings: From the following information, prepare cash flow statement of A (P) Ltd. as at 31st March, 2015 by using indirect method:

Balance Sheet of A (P) Ltd as at 31st March 2015

Particulars	2014 (Rs.)	2015 (Rs.)
Liabilities:		
Share capital	12,00,000	12,00,000
Retained Earnings	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, 2015

Particulars	Amount (Rs.)
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

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

(B) (OLD PM, SIMILAR: RTP N18 (N&O))

(ANS.: CASH FLOW FROM OPERATING ACTIVITIES 7,40,000, INVESTING ACTIVITIES (4,70,000), FINANCIAL ACTIVITIES (2,60,000))

PROBLEM 7: The Balance Sheet of Harry Ltd. for the year ending 31st March, 2018 and 31st March, 2017 were summarised as follows:

	2018 (Rs.)	2017 (Rs.)
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
Declared Dividends	4,000	2,000
	1,44,000	1,17,000
Fixed Assets (at W.D.V) :		
Building	19,000	20,000
Furniture & Fixture	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
Cash & Bank	12,000	17,000
	1,44,000	1,17,000

The Profit and Loss account for the year ended 31st March, 2018 disclosed:

	Rs.
Profit before tax	8,000
Income Tax	<u>(3,000)</u>
Profit after tax	5,000
Declared Dividends	(4,000)
Retained Profit	1,000

Further Information is available:

1. Depreciation on Building Rs. 1,000.
2. Depreciation on Furniture & Fixtures for the year Rs. 2,000.
3. Depreciation on Cars for the year Rs. 5,000. One car was disposed during the year for Rs. 3,400 whose written down value was Rs. 2,000.
4. Purchase investments for Rs. 6,000.
5. Sold investments for Rs. 10,000, these investments cost Rs. 2,000.

You are required to prepare Cash Flow Statement as per AS-3 (revised) using indirect method.

Preparation of Cash flow statement

(RTP-N18)

(ANS.: CASH FLOW FROM OPERATING ACTIVITIES (400), INVESTING ACTIVITIES (22,600), FINANCIAL ACTIVITIES 18,000)

THE END

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