

NCERT SOLUTIONS

CLASS - 12th



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Class : 12th

Subject : Accountancy

Chapter : 6

Chapter Name : Cash flow statement

Q1 What is a Cash Flow Statement?

Answer. A cash flow is a state which shows the inflow and outflow of cash from various business activities. These activities are majorly divided into three categories - operating, investing and financing activities. It explains the various purposes for which cash has been paid or has been received by the business enterprise in one financial year.

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Q2 How are the various activities classified (as per AS-3 revised) while preparing cash flow statement?

Answer. Cash flow is the statement showing the various purposes for which cash has been paid or received by the business enterprise in one financial year. It is prepared as per the AS-3.

- Cash Flow from Operating Activities
- Cash Flow from Investing Activities
- Cash Flow from Financing Activities

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Q3 State the uses of cash flow statement?

Answer. The uses of cash flow statement are as follows:

- Financial planning - It is useful in planning for the financial resources of the business. It explains the purposes for which the company has used its funds or has received funds, which helps in estimating its future expenses or incomes.
- Maintaining liquidity - The cash flow tells the position of cash in the business and its inflow and outflow. It thereby helps in maintaining cash liquidity in the business.

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Q4 What are the objectives of preparing cash flow statement?

Answer. The important objectives for preparing Cash Flow Statement are as follows:

- The most important objective that is fulfilled by preparing Cash Flow Statement is to ascertain the gross inflows and outflows of cash and cash equivalents from various activities.
- Secondly, Cash Flow Statement helps in analysing various reasons responsible for change in the cash balances during an accounting year.
- This statement helps in analysing and understanding the liquidity and solvency of a company , thereby, depicting the true liquidity position to the creditors and the investors.
- Cash Flow Statement also helps in ascertaining the requirement and availability of cash in near future.

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Q5 State the meaning of the terms: Cash Equivalents, Cash flows.

Answer. Cash equivalents are short term, highly liquid investments that are easily convertible into cash and which are subject to an insignificant risk of change in value. In other words, cash equivalents are held for the purpose of meeting short term cash commitments rather than for investment or any other purpose. An investment held for short-term maturity, say three months can be regarded as cash equivalent. Some examples of cash equivalents are treasury bills, commercial papers, etc. On the other hand, cash flows are inflows and outflows of cash and cash equivalents. A cash inflow results in increase in the total cash balance and a cash outflow results in decrease in the total cash balance.

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Q6 Prepare a format of cash flow from operating activities under_*_ and indirect method.

* Preapre Cash Flow from Operating Activities using both the methods i.e. Direct and Indirect Method.

Answer. The format of cash flow from operating activities is as follows:

Direct Method

Cash Flow from Operating Activities:	
Cash receipts from customers	***
Cash paid to suppliers and employers	(***)
Cash generated from operations	***
Income tax paid	(***)
Cash flow before extraordinary items	***
+/- Extraordinary items	***
Net Cash from operating activities	***

Indirect Method		
Cash Flow from Operating Activities:		
Net Profit before tax and extraordinary items		***
Add: Non-Cash Expenses and Non-Operating Expenses:		
Depreciation	**	
Goodwill	**	
Interest paid	**	
Loss on sale of fixed assets	**	
Foreign exchange	**	**
Less: Non Operating Incomes:		
Dividend received	**	
Profit on sale of fixed assets	**	
Interest received	**	**
Operating profit before working capital changes		***
Add: Decrease in Current Assets	***	
Increase in Current Liabilities	***	***
Less: Increase in Current Assets	***	
Decrease in Current Liabilities	***	***
Cash generated from Operating Activities		***

Income tax paid		***
Cash Flow before Extraordinary Items		***
Add/Less: Extra ordinary Items		***
Net Cash Flow from Operating Activities		***

Note: Preparation of Cash Flow Statement using Direct Method has been excluded from the prescribed syllabus. The format is given since the question has not specified the method explicitly. Students can refer to the direct method for the knowledge purpose.

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Q7 State clearly what would constitute the operating activities for each of the follow in the following of enterprises:

- (i) Hotel
- (ii) Film production house
- (iii) Financial enterprise
- (iv) Media enterprise
- (v) Steel manufacturing unit
- (vi) Software development business unit.

Answer. (i) Hotels

- Receipts from sale of goods to customer.
- Payment of wages and salaries, electricity, food items and other items used in accommodation.

(ii) Film Production House:

- Receipts from selling film rights of a film to the distributors.
- Payment to the staff, actors, actresses, directors, etc.

(ii) Financial Enterprises:

- Receipts from repayment of loans, interest incomes from investments, etc.
- Repayment of loans, recovery expenditure for recover of loans etc, salaries of employees.

(iv) Media Enterprises:

- Receipts from advertisements.
- Payments to staff, reporters, photographers, etc.

(v) Steel Manufacturing Unit:

- Receipts from sale of steel sheets, steel castings, steel rods, etc.
- Payment for iron, coal, salaries to staff, etc.

(vi) Software Development Business Unit:

- Receipts from sale of software and renewal of licenses.
- Payment of salaries to their employees, etc.

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Q8 "The nature/type of enterprise can change altogether the category into which a particular activity may be classified." Do you agree? Illustrate your answer.

Answer. Yes, the nature or type of an enterprise can change the category into which a particular activity may be classified. This can be better understood with the help of an example of two firms. One engaged in financial services and the other engaged in manufacturing services. For the firm that is engaged in financial services, interests received or paid are classified under operating activities whereas for the firm that is engaged in manufacturing business, interests paid are classified under financing activities and interest received as investing activities. Therefore, the classification of activities depends on the nature and type of enterprise.

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Q1 Describe the procedure to prepare Cash Flow Statement.

Answer. The procedure to prepare Cash Flow Statement is described in the following steps in their chronological order.

Step 1: Ascertain the cash flows from operating activities

Step 2: Ascertain the cash flows from investing activities

Step 3: Ascertain the cash flows from financing activities

Step 4: Ascertain net increase or decrease by summing up the amounts of Steps 1, 2, and 3.

Step 5: Write the opening balance of cash and cash equivalents and deduct it from the amount ascertained in Step 4. The resulting figure arrived is the Closing Balance of Cash and Cash Equivalents.

There are two methods viz. Direct Method and Indirect Method for the preparation of Cash Flow Statement.

Direct Method

Cash Flow Statement

	Particulars	Amount Rs	Amount Rs
A.	Cash Flow from Operating Activities		
	Cash Sales	**	
	Cash receipt from Debtors	**	
	Less: Cash Purchases	**	
	Cash paid to creditors and other expenses	**	
	Cash Generated from Operating Activities	**	
	Less: Income Tax Paid	**	
	Cash flow before Extraordinary Items	**	
	Add/Less: Extraordinary Items	**	
	Net Cash Flow from (used in) Operating Activities	**	**
B.	Cash Flow from Investing Activities	**	
	Sale of Fixed Assets	**	
	Sale of long-term Investments	**	
	Interest Received	**	
	Dividend Received	**	
	Rent Received	**	
	Less: Purchase of Fixed Assets	**	
	Less: Purchase of long-term Investment	**	
	Net Cash Flow from Investing Activities	**	**
C.	Cash Flow from Financing Activities		
	Proceeds from Issue of Shares	**	
	Proceeds from Issue of Debentures and Other Long-term Borrowings	**	
	Less: Repayment of Debentures and Other Long-term	**	

Borrowings		
Less: Redemption of Preference Shares	**	
Less: Interest Paid	**	
Less: Dividend Paid	**	
Net Cash flow from Financing Activities	**	**
Net Increase (or Decrease in Cash and Cash Equivalents (A+B+C)		**
Cash and Cash Equivalents at the beginning (Cash in Hand, Cash at Bank, Marketable Securities, Short-term Deposits)		**
Cash and Cash Equivalent at the end		**

Indirect Method

Cash Flow Statement

	Particulars	Amount Rs	Amount Rs
A.	Cash Flow from Operating Activities:		
	Net Profit before tax and extraordinary items		***
	Add: Non-Cash Expenses and non operating expenses.		
	Depreciation	**	
	Goodwill	**	
	Interest paid	**	
	Loss on sale of fixed assets	**	**
	Less Non-Operating Incomes.		
	:		
	Dividend received	**	
	Profit on sale of fixed assets	**	
	Interest received	**	**
	Operating Profit before Working Capital Changes		***
	Add: Decrease in Current Assets	***	
	Increase in Current Liabilities	**	***

	Less: Increase in Current Assets	***	
	Decrease in Current Liabilities	***	***
	Cash generated from Operating Activities		***
	Less: Income tax paid		***
	Cash flow before Extra ordinary items		***
	Add/Less: Extra ordinary items		***
	Net Cash Flow from Operating Activities		***
B.	Cash Flow from Investing Activities	**	
	Sale of Fixed Assets	**	
	Sale of Long-term Investments	**	
	Interest Received	**	
	Dividend Received	**	
	Rent Received	**	
	Less: Purchase of Fixed Assets	**	
	Less: Purchase of long term Investment	**	
	Net Cash Flow from Investing Activities	**	**
C.	Cash Flow from Financing Activities		
	Proceeds from Issue of shares	**	
	Proceeds from Issue of Debentures and other Long-term Borrowings	**	
	Less: Repayment of Debentures and other Long-term Borrowings	**	
	Less: Redemption of preference Share	**	
	Less: Interest paid	**	
	Less: Dividend paid	**	
	Net Cash Flow from Financing Activities	**	**
	Net Increase (or Decrease in Cash and Cash Equivalents (A+B+C))		**
	Cash and Cash Equivalents at the beginning (Cash in Hand, Cash at Bank, Marketable Securities, Short-term Deposits)		**
	Cash and Cash Equivalents at the end		**

Note: Preparation of Cash Flow Statement using Direct Method has been excluded from the prescribed syllabus. The format is given since the question has not specified the method explicitly. Students can refer to the direct method for the knowledge purpose.

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Q2 Describe "Indirect" method of ascertaining Cash Flow from Operating Activities.

Answer. Indirect Method: This method starts with the Net Profit before tax and extraordinary items. For this purpose, the Net Profit as revealed by the Profit and Loss Account cannot be taken into consideration as there exists some items which do not leads to outflow of cash. The following are those items that need to be added back to the Net Profit of the Profit and Loss Account.

- Non-cash items like, depreciation goodwill written off, etc are added to the Net Profit.
- Non-operating expenses like loss on sale of fixed assets, transfers to reserves, loss on sale of fixed assets are added back to the Net Profit.
- Provisions like, provisions for doubtful debts and discount for debtors, proposed dividends etc. should be added back to the Net Profit.
- Decrease in current assets and increase in current liabilities should be added to the operating profit.

The following are those items that need to deduct from the Net Profit of the Profit and Loss Account.

- Non-operating incomes like profit on sale of fixed assets, etc. are deducted from the Net Profit.
- Non-trading Incomes like dividend received, interest received, tax refund, etc. are to be deducted from the Net Profit.
- Increase in current assets and decrease in current liabilities should be deducted from the operating profit.

Indirect Method

Cash Flow Statement

Particulars	Amount	Amount
	Rs	Rs
Cash Flow from Operating Activities:		
Net Profit before tax and extraordinary items		***

Add: Non-Cash Expenses and Non-Operating Expenses.		
Depreciation	**	
Goodwill	**	
Interest paid	**	
Loss on sale of fixed assets	**	**
Less: Non-Operating Incomes.		
Dividend received	**	
Profit on sale of fixed assets	**	
Interest received	**	**
Operating Profit before Working Capital Changes		***
Add: Decrease in Current Assets	***	
Increase in Current Liabilities	**	***
Less: Increase in Current Assets	***	
Decrease in Current Liabilities	***	***
Cash generated from Operating Activities		***
Less: Income tax paid		***
Cash flow before Extra ordinary items		***
Add/Less: Extra ordinary items		***
Net Cash Flow from Operating Activities		***

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Q3 Explain the major Cash Inflow and outflows from investing activities.

Answer. Investing activities are those activities that are related to sales and purchases of long-term fixed assets like, land and building, plant and machinery, furniture, etc. These fixed assets are not held for resale. The activities like sale and purchase of investments that are not included in the cash equivalents are also included in Investing activities. Any income arising from such investments (assets) are regarded a part of investing activities.

As per the AS3, the major cash inflows and outflows from investing activities are as follows:

- Cash payments to acquire fixed assets (including intangibles like, goodwill). These payments include capitalised cost of research and development and self constructed fixed assets.

- Cash receipts from disposal of fixed assets (including intangible assets).
- Cash payments to acquire shares, warrants, or debt instruments of other enterprises and interest in joint venture (other than payments of those instruments consider as cash equivalents and are held for the trading purposes).
- Cash receipts from disposal of shares, warrants or debt instruments of other enterprises and interest from joint ventures (other than receipts from those held for trading purposes).
- Cash advances and loans made to third parties (other than advances, and loans made by financial enterprises). These will be treated as cash flows from the operating activities.
- Cash receipts from repayment of advances and loans made to third parties (other than advances and loans of financial enterprises). These will be treated as cash flows from operating activities.
- Cash receipts from insurance company for any property involved in accident.
- Any income arising from fixed assets or investments like interest, dividend, rent etc. In case of financial enterprises interest and dividend is treated as operating activities.

Direct Method

Cash Flow Statement

	Particulars	Amount Rs	Amount Rs
	Net Cash Flow from (used in) Operating Activities	**	**
B.	Cash Flow from Investing Activities	**	
	Sale of Fixed Assets	**	
	Sale of long-term Investments	**	
	Interest Received	**	
	Dividend Received	**	
	Rent Received	**	
		Less: Purchase of Fixed Assets	**

		Less: Purchase of long-term Investments	**	
	Net Cash Flow from Investing Activities	**	**	

Indirect Method

Cash Flow Statement

Particulars	Amount	Amount
	Rs	Rs
Net Cash Flow from Operating Activities		***
Cash Flow from Investing Activities	**	
Sale of Fixed Assets	**	
Sale of Long-term Investments	**	
Interest Received	**	
Dividend Received	**	
Rent Received	**	
Less: Purchase of Fixed Assets	**	
Less: Purchase of long term Investment	**	
Net Cash Flow from Investing Activities	**	**

Note: Preparation of Cash Flow Statement using Direct Method has been excluded from the prescribed syllabus. The format is given since the question has not specified the method explicitly. Students can refer to the direct method for the knowledge purpose.

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Q4 Explain the major Cash Inflows and outflows from financing activities.

Answer. Financing activities are those activities that are related to capital or long term funds of an enterprise. These activities results in the change in the capital and borrowed funds.

As per the AS3, the major cash inflows from financing activities are as follows:

→ Cash proceeds from issue of shares and other similar instruments.

- Cash proceeds from issue of debentures, loans, notes, bonds, and other short and long-term borrowings.

As per the AS3, the major cash outflows from financing activities are as follows:

- Cash repayments of the amount borrowed in form of debentures, loans, notes bonds, and other short and long-term borrowings.
- Buy-back of shares and debentures.
- Interest paid on debentures, loans, and advances.
- Dividend paid to the preference shareholders and equity shareholders.

An important point that must be noted is that the purchase and sale of securities, interest paid or received and dividend received is treated as cash flow from operating activities for an investment company. But dividend paid is treated as cash flow from financing activities.

Direct Method

Cash Flow Statement

Particulars	Amount	Amount
	Rs	Rs
Net Cash Flow from Investing Activities	**	**
Cash Flow from Financing Activities		
Proceeds from Issue of Shares	**	
Proceeds from Issue of Debentures and Other Long-term Borrowings	**	
Less: Repayment of Debentures and Other Long-term Borrowings	**	
Less: Redemption of Preference Shares	**	
Less: Interest Paid	**	
Less: Dividend Paid	**	
Net Cash flow from Financing Activities	**	**
Net Increase (or Decrease in Cash and Cash Equivalents (A+B+C))		**
Cash and Cash Equivalents at the beginning (Cash in Hand, Cash at Bank, Marketable Securities, Short-term Deposits)		**
Cash and Cash Equivalent at the end		**

Indirect Method

Cash Flow Statement

Particulars	Amount	Amount
	Rs	Rs
Net Cash Flow from Investing Activities	**	**
Cash Flow from Financing Activities		
Proceeds from Issue of shares	**	
Proceeds from Issue of Debentures and other Long-term Borrowings	**	
Less: Repayment of Debentures and other Long-term Borrowings		**
Less: Redemption of preference Share		**
Less: Interest paid		**
Less: Dividend paid		**
Net Cash Flow from Financing Activities	**	**
Net Increase (or Decrease in Cash and Cash Equivalents (A+B+C))		**
Cash and Cash Equivalents at the beginning		**

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(Cash in Hand, Cash at Bank, Marketable Securities, Short-term Deposits)		
Cash and Cash Equivalents at the end	**	

Note: Preparation of Cash Flow Statement using Direct Method has been excluded from the prescribed syllabus. The format is given since the question has not specified the method explicitly. Students can refer to the direct method for the knowledge purpose.

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Q1 Anand Ltd. arrived at a net income of Rs 5,00,000 for the year ended March 31, 2017. Depreciation for the year was Rs 2,00,000. There was a gain of Rs 50,000 on assets sold which was credited to profit and loss account. Bills Receivables increased during the year Rs 40,000 and Bills Payables also increased by Rs 60,000. Compute the cash flow operating activities by the indirect approach.

Answer.

Cash Flow from Operating Activities
as on March 31, 2017

Particulars	Amount Rs	Amount Rs
Net Profit during the year		5,00,000
Items to be adjusted:		
Add: Depreciation	2,00,000	
Less: Gain on sale of assets	(50,000)	1,50,000
Operating Profit before Working Capital changes		6,50,000
Add: Increase in Bills Payable	60,000	

Less: Increase in Bills Receivable	(40,000)	20,000
Net Cash from Operations		6,70,000

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Q2 From the information given below you are required to prepare the cash paid for the inventory:

	Rs
Inventor y in the beginni ng	40,000
Purchas es	1,60,000
Inventor y in the end	38,000
Trade payable s in the beginni ng	14,000
Trade payable s in the end	14,500

Answer.

Trade Payables Account

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Date	Particulars	J.F.	Amount		Particulars	J.F.	Amount	
			Rs	Date			Rs	
	To Cash A/c (Balancing		1,59,50		By Balance b/d		14,000	

fig.)		0			
To Balance c/d		14,500		By Purchases A/c	1,60,000
		1,74,000			1,74,000
		0			

Cash paid for Inventory amounts to Rs 1,59,500

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Q3 For each of the following transactions, calculate the resulting cash flow and state the nature of cash flow viz., operating, investing and financing.

(a) Acquired machinery for Rs 2,50,000 paying 20% down and executing a bond for the balance payable.

(b) Paid Rs 2,50,000 to acquire shares in Informa Tech. and received a dividend of Rs 50,000 after acquisition.

(c) Sold machinery of original cost Rs 2,00,000 with an accumulated depreciation of Rs 1,60,000 for Rs 60,000.

Answer.

(a) Amount paid for machinery = $250000 \times 20/100 = 50000$

Part payment Rs 50,000 for acquiring machinery Rs 2,50,000 is related with Investing Activities

(b)	Rs
Amount paid for acquiring shares	(2,50,000)
Dividend received	50,000
Net Cash used in Investing Activities	(2,00,000)

Amount paid to acquire assets and dividend received is a part of Investing Activities.

(c) Inflow of cash of Rs 60,000 on sale of machinery is a part Investing Activities.

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Q4 The following is the Profit and Loss Account of Yamuna Limited:

Statement of Profit and Loss of Yamuna Ltd.

for the Year ended March 31, 2017

Particulars		Note No.	Amount (Rs)
i)	Revenue from Operations		10,00,000
ii)	Expenses		
	Cost of Material Consumed	1	50,000
	Purchase of Stock-in-trade		5,00,000
	Other Expenses	2	3,00,000
	Total Expenses		8,50,000
iii)	Profit before Tax (I - ii)		1,50,000

Additional information:

- (i) Trade receivables decrease by Rs 30,000 during the year.
- (ii) Prepaid expenses increase by Rs 5,000 during the year.
- (iii) Trade creditors decrease by Rs 15,000 during the year.
- (iv) Outstanding expenses payable increased by Rs 3,000 during the year.
- (v) Operating expenses included depreciation of Rs 25,000.

Compute net cash provided by operations for the year ended March 31, 2017 by the indirect method.

Answer.

In the books of Yamuna Limited
Cash Flow from Operating Activities
as on March 31, 2017

Particulars	Amount	Amount
	Rs	Rs

Net Profit earned during the year		1,50,000
Items to be added:		
Depreciation		25,000
Operating Profit before Working Capital changes		1,75,000
Add Increase in Current Liabilities		
:		
Outstanding Expenses	3,000	
Add Decrease in Current Assets		
:		
Trade Receivables	30,000	
Stock	50,000	83,000
Les Decrease in Current Liabilities		
s:		
Trade Creditors	(15,000)	
Les Increase in Current Assets		
s:		
Prepaid Expenses	(5,000)	(20,000)
Net Cash from Operations		2,38,000

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Q5 Compute cash from operations from the following figures:

(i) Profit for the year 2016-17 is a sum of Rs. 10,000 after providing for depreciation of Rs. 2,000.

(ii) The current assets of the business for the year ended March 31, 2016 and 2017 are as follows:

	March 31, 2016 (Rs.)	March 31, 2017 (Rs.)
Trade Receivables	14,000	15,000
Provision for Doubtful Debts	1,000	1,200

Trade Payables	13,000	15,000
Inventories	5,000	8,000
Short-term Investments	10,000	12,000
Expenses payable	1,000	1,500
Prepaid Expenses	2,000	1,000
Accrued Income	3,000	4,000
Income received in advance	2,000	1,000

Answer.

Cash Flow Statement
for the Year Ending March 31, 2017

Particulars	Details (Rs)	Amount (Rs)
Cash from Operating Activities		
Net Profit		10,000
Items to be added:		
Depreciation	2,000	2,000
Operating Profit before Working Capital Adjustments		12,000
Less: Increase in Current Assets		
Trade Receivables	(1,000)	
Accrued Income	(1,000)	
Short-term Investments	(2,000)	
Inventories	(3,000)	
Add: Increase in Current Liabilities		
Provision for Doubtful Debts	200	
Trade Payables	2,000	
Expense Payable	500	
Add: Decrease in Current Assets		
Prepaid Expenses	(1,000)	
Less: Decrease in Current Liabilities		

Income received in advance	1,000	
Net Cash From Operating Activities		7,700

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Q6 From the following particulars of Bharat Gas Limited, calculate Cash Flows from Investing Activities. Also, show the workings clearly preparing the ledger accounts:

Balance Sheet of Bharat Gas Ltd. as on 31 Mar. 2016 and 31 Mar. 2017

Particulars	Not e No.	Figures as the end of 2017 (Rs)	Figures as at the end of reporting 2016 (Rs)
II) Assets			
1. Non-current Assets			
a) Fixed assets			
i) Tangible assets	1	12,40,000	10,20,000
ii) Intangible assets	2	4,60,000	3,80,000
b) Non-current investments	3	3,60,000	2,60,000

Notes 1 Tangible assets = Machinery

2 Intangible assets = Patents

	Figures of current year	Figures of previous year
1. Tangible Assets		
Machinery	12,40,000	10,20,000
2. Intangible Assets		
Goodwill	3,00,000	1,00,000
Patents	1,60,000	2,80,000

	4,60,000	3,80,000
3. Non-current Investments		
10% long term investments	1,60,000	60,000
Investment in land	1,00,000	1,00,000
Shares of Amartex Ltd.	1,00,000	1,00,000
	3,60,000	2,60,000

Additional Information:

(a) Patents were written-off to the extent of Rs. 40,000 and some Patents were sold at a profit of Rs. 20,000.

(b) A Machine costing Rs. 1,40,000 (Depreciation provided thereon Rs. 60,000) was sold for Rs. 50,000. Depreciation charged during the year was Rs. 1,40,000.

(c) On March 31, 2016, 10% Investments were purchased for Rs. 1,80,000 and some Investments were sold at a profit of Rs. 20,000. Interest on Investment was received on March 31, 2017.

(d) Amartax Ltd. paid Dividend @ 10% on its shares.

(e) A plot of Land had been purchased for investment purposes and let out for commercial use and rent received Rs. 30,000.

Answer.

Cash Flow from Investing Activities

Particulars	Amount Rs	Amount Rs
Cash Inflow		
Proceeds from Sale of Patents	1,00,000	
Proceeds from Sale of	50,000	

	Machinery		
	Proceeds from Sale of 10% Long-term Investment	1,00,000	
	Interest received on 10% Long-term Investment	6,000	
	Dividend Received from Amartax Ltd.	10,000	
	Rent Received	30,000	2,96,000
Cash Outflow	Purchase of Goodwill	(2,00,000)	
	Purchase of Machinery	(4,40,000)	
	Purchase of 10% Long-	(1,80,000)	(8,20,000)

Net Cash used in Investing Activities	term Investment	
		(5,24,000)

Patents Account

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Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
	To Balance b/d		2,80,000		By Profit and Loss A/c (written off)		40,000
	To Profit and Loss A/c (Profit on sale)		20,000		By Bank A/c (sale- Balancing figure)		1,00,000
			3,00,000		By Balance c/d		1,60,000
							3,00,000

Machinery Account

Dr.

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Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
	To Balance b/d		10,20,000		By Depreciation		1,40,000

	To Bank A/c (Purchases- Balancing figure)	4,40,00 0	A/c By Bank A/c	50,000
			By Profit and Loss A/c	30,000
			By Balance c/d	12,40,0 00
		14,60,0 00		14,60,0 00

10% Long-term Investment Account

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Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
	Balance b/d		60,000		Bank (Balancing figure)		1,00,0 00
	Bank		1,80,0 00				
	Profit and Loss (Profit on sale)		20,000		Balance c/d		1,60,0 00
			2,60,0 00				2,60,0 00

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Q7 From the following Balance Sheet of

Mohan Ltd. Prepare cash flow Statement:
 Balance Sheet of Mohan Ltd.
 as at 31 Mar. 2016 and 31 Mar. 2017

Particulars	Not e No.	March 31, 2017 (Rs)	March 31, 2016 (Rs)
I) Equity and Liabilities			
1. Shareholders' Funds			
a) Equity share capital		3,00,000	2,00,000
b) Reserves and surplus		2,00,000	1,60,000
2. Non-current liabilities			
a) Long-term borrowings	1	80,000	1,00,000
3. Current liabilities			
Trade payables		1,20,000	1,40,000
Short-term provisions	2	70,000	60,000
Total		7,70,000	6,60,000
II) Assets			
1. Non-current assets			
a) Fixed assets	3	5,00,000	3,20,000
2. Current assets			
a) Inventories		1,50,000	1,30,000
b) Trade receivables		4,90,000	1,20,000
c) Cash and cash equivalents		5,30,000	90,000

Total	7,70,000	6,60,000

Notes

	2017	2016
1. Long-term borrowings		
Bank Loan	80,000	1,00,000
2. Short-term provision		
Proposed dividend	70,000	60,000
3. Fixed assets	6,00,000	4,00,000
Less: Accumulated Depreciation	1,00,000	80,000
(Net) Fixed Assets	5,00,000	3,20,000
4. Trade receivables		
Debtors	60,000	1,00,000
Bills receivables	30,000	20,000
	90,000	1,20,000
5. Cash and cash equivalents		
Bank	30,000	90,000

Additional Information:

Machine Costing Rs. 80,000 on which accumulated depreciation was Rs. 50,000 was sold for Rs. 20,000.

Answer.

In the books of Mohan Ltd.

Cash Flow Statement

	Particulars	Amount	Amount
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		Rs	Rs
A.	Cash Flow from Operating Activities		
	Profit as per the Balance Sheet (2,00,000 - 1,60,000)	40,000	
	Proposed Dividend	70,000	
	Net Profit before Taxation and Extraordinary items		1,10,000
	Adjustments:		
	Depreciation	70,000	
	Loss on Sale of Machine	10,000	80,000
	Operating Profit before Working Capital changes		1,90,000
	A d d : Debtors	40,000	40,000
			2,30,000
	L e s s: Inventories	(20,000)	
	Bills Receivable	(10,000)	
	L e s s: Trade Payables	(20,000)	(50,000)
	Net Cash from Operations		1,80,000
B.	Cash Flow from Investing Activities		
	Proceeds from Sale of		20,000

	Fixed Assets	
	Purchases of Fixed Assets	(2,80,000)
	Net Cash outflow from Investing activity	(2,60,000)
C.	Cash Flow from Financing Activities	
	Issue of Shares	1,00,000
	Bank Loan Paid	(20,000)
	Dividend Paid	(60,000)
	Net Cash from Financing Activities	20,000
D.	Net Decrease in Cash and Cash Equivalents (A+B+C)	(60,000)
	A Cash and Cash Equivalents in the beginning :	90,000
E.	Cash and Cash equivalents at the end	30,000

Fixed Assets Account

Dr.

Cr.

Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
	To Balance b/d		4,00,000		By Bank A/c		20,000
	To Bank A/c (Purchases-Balancing fig.)		2,80,000		By Profit and Loss A/c		10,000

			By Accumulated Depreciation A/c	50,000
			By Balance c/d	6,00,000
		6,80,000		6,80,000

Accumulated Depreciation Account

Dr.

Cr.

Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
	To Fixed Assets A/c		50,000		By Balance b/d		80,000
	To Balance c/d		1,00,000		By Profit and Loss A/c (Balance fig.)		70,000
			1,50,000				1,50,000

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Q8 From the following Balance Sheets of Tiger Super Steel Ltd., prepare Cash Flow Statement:

Balance Sheet of Tiger Super Steel Ltd. as on 31 Mar. 2016 and 31 Mar. 2017

Particulars	Note No.	March 31, 2017 (Rs)	March 31, 2016 (Rs)

I) Equity and Liabilities			
1. Shareholders' Funds			
a) Share capital	1	1,30,000	2,00,000
b) Reserves and surplus	2	22,800	15,200
2. Current Liabilities			
a) Trade payables	3	21,200	14,000
b) Other current liabilities	4	2,400	3,200
c) Short-term provisions	5	38,400	22,400
Total		2,14,800	1,74,800
II) Assets			
1. Non-Current Assets			
a) Fixed assets			
i) Tangible assets	6	96,400	76,000
ii) Intangible assets		18,800	24,000
b) Non-current investments		14,000	4,000
2. Current assets			
a) Inventories		31,200	34,000
b) Trade receivables		43,200	30,000
c) Cash and cash equivalents		11,200	6,800
Total		2,14,800	1,74,800

Notes to accounts:

	2017	2016
1. Share Capital		
Equity share capital	1,20,000	80,000
10% Preference share capital	20,000	40,000
	1,40,000	1,20,000
2. Reserves and surplus		

General reserve	12,000	8,000
Balance in statement of profit and loss	10,800	7,200
	22,800	15,200
3. Trade payables		
Bills payable	21,200	14,000
4. Other current liabilities		
Outstanding expenses	2,400	3,200
5. Short-term provisions		
Provision for taxation	12,800	11,200
Proposed dividend	15,600	11,200
	28,400	22,400
6. Tangible assets		
Land and building	20,000	40,000
Plant	76,400	36,000
	96,400	76,000

Answer.

In the books of Tiger Super Steels Ltd

Cash Flow Statement

	Particulars	Amount Rs	Amount Rs
A.	Cash Flow from Operating Activities		

Profit as per the Balance Sheet (10,800 - 7,200)	3,600	
General Reserve	4,000	
Proposed Dividend	15,600	
Provision for Taxation	12,800	
Net Profit before Taxation and Extraordinary	36,000	
Items to be added:		
Depreciation on Land and Building	20,000	
Depreciation on Plant	10,000	

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	Goodwill written off	5,200		
			35,200	
Operating Profit before Working Capital changes		71,200		
Add:	Increase in Current Liabilities			
	Bills Payable	7,200		
Add:	Decrease in Current Assets			
	Inventories	2,800		10,000
				81,200
Less:	Increase in Current Assets			
	Trade Receivables	(13,200)		
Less:	Decrease in			

		Current Liabilities		
		Outstanding Expenses	(800)	(14,000)
	Cash Generated from Operating Activities	67,200		
	Less: Income Tax paid			(11,200)
	Net Cash from Operating Activities	56,000		
B.	Cash Flow from Investing Activities			
	Purchases of Plant		(40,400)	
	Purchases of Investment		(20,000)	
	Net	(60,400)		

	Cash used in Investing Activities		
C.	Cash Flow from Financing Activities		
	Issue of Equity Shares	40,000	
	Dividend paid	(11,200)	
	Redemption of 10% Preference Shares	(20,000)	
	Net Cash from Financing Activities	8,800	
D.	Net Increase in Cash and Cash	4,400	

	Equiva lent			
		Add:	Cash and Cash Equiva lent in the beginn ing	6,800
E.	Cash and Cash Equiva lents at the end			11,200

Working Notes:

Plant Account

Dr.

Cr.

Date	Particulars	J.F.	Amou nt Rs	Date	Particulars	J.F.	Amou nt Rs
	To Balance b/d		36,00 0		By Depreciation A/c		10,00 0
	To Bank A/c (Purchases- Balancing figure)		50,40 0		By Balance c/d		76,40 0
			86,40 0				86,40 0

2.

Net Profit before Tax	3,600
Profit and Loss Account	12,800

Less: Provision for Tax	16,400
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Q9 From the following information, prepare cash flow statement:

Particulars	Note No.	31st March 2015 (Rs)	31st March 2014 (Rs)
I) Equity and Liabilities			
1. Shareholders' Funds			
a) Share capital		7,00,000	5,00,000
b) Reserves and surplus		4,70,000	2,50,000
2. Non-current Liabilities			
(8% Debentures)		4,00,000	6,00,000
3. Current Liabilities			
a) Trade payables		9,00,000	6,00,000
Total		24,70,000	19,50,000
II) Assets			
1. Non-current assets			
a) Fixed assets			
i) Tangible		7,00,000	5,00,000
ii) Intangible-Goodwill		1,70,000	2,50,000
2. Current assets			

a) Inventories	6,00,000	5,00,000
b) Trade Receivables	6,00,000	4,00,000
c) Cash and cash equivalents	4,00,000	3,00,000
Total	24,70,000	19,50,000

Additional Information:

Depreciation Charge on Plant amount to Rs. 80,000.

Answer.

Cash Flow Statement
for the year ending March 31, 2015

	Particulars	Details (Rs)	Amount (Rs)
A.	Cash from Operating Activities		
	Net Profit		2,20,000
	Items to be Added:		
	Interest on Debentures	48,000	
	Depreciation on Fixed Assets	80,000	
	Goodwill Written-off	80,000	2,08,000
	Operating Profit before Working Capital Adjustments		4,28,000
	Add: Increase in Current Liabilities		
	Creditors	3,00,000	
	Less: Increase in Current Assets		
	Inventories	(1,00,000)	
	Trade Receivables	(2,00,000)	-
	Cash Generated from Operations		4,28,000

	Less: Tax Paid		-
	Net Cash From Operating Activities		4,28,000
B.	Cash From Investing Activities		
	Purchase of Fixed Assets (WN)	(2,80,000)	
	Net Cash From Investing Activities		(2,80,000)
C.	Cash From Financing Activities		
	Issue of Share Capital	2,00,000	
	Redemption of Debentures	(2,00,000)	
	Interest Paid on Debentures	(48,000)	(48,000)
	Net Cash From Financing Activities (C)		(48,000)
	Net Increase in Cash (A + B + C)		1,00,000
	Add: Opening Cash and Cash Equivalents		3,00,000
	Closing Cash and Cash Equivalents		4,00,000

Working Note:

Fixed Assets Account

Dr.

Particulars	J.F.	Amount (Rs)	Particulars	J.F.	Amount (Rs)
To Balance b/d		5,00,000	By Depreciation A/c		80,000
To Purchases A/c (Balancing Figure)		2,80,000	By Balance c/d		7,00,000
		· _____			· _____
		<u>7,80,000</u>			<u>7,80,000</u>

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Q10 From the following Balance Sheet of Yogeta Ltd., prepare cash flow statement:

Particulars	Not e No.	31st March 2017 (Rs)	31st March 2016 (Rs)
I) Equity and Liabilities			
1. Shareholders' Funds			
a) Share capital	1	4,00,000	2,00,000
b) Reserves and surplus-Surplus		2,00,000	1,00,000
2. Non-current Liabilities			
a) Long-term borrowings	2	1,50,000	2,20,000
3. Current Liabilities			
a) Short-term borrowings (Bank overdraft)		1,00,000	-
b) Trade payables		70,000	50,000
c) Short-term provision (Provision for taxation)		50,000	30,000
Total		9,70,000	6,00,000
II) Assets			
1. Non-current assets			

a) Fixed assets		
i) Tangible	7,00,000	4,00,000
2. Current assets		
a) Inventories	1,70,000	1,00,000
b) Trade Receivables	1,00,000	50,000
c) Cash and cash equivalents	-	50,000
Total	9,70,000	6,00,000

Notes to Accounts

Particulars	31st March 2017 (Rs)	31st March 2016 (Rs)
1. Share capital		
a) Equity share capital	3,00,000	2,00,000
b) Preference share capital	1,00,000	-
	4,00,000	2,00,000
2. Long term borrowings		
Long-term loan	-	2,00,000
Long-term Rahul	1,50,000	20,000
	1,50,000	2,20,000

Additional Information:

Net Profit for the year after charging Rs. 50,000 as Depreciation was Rs. 1,50,000.

Dividend paid on Share was Rs. 50,000, Tax Provision created during the year amounted to Rs. 60,000.

Answer.

In the books of Yogeta Ltd.

Cash Flow Statement

	Particulars	Amount Rs	Amount Rs
A.	Cash Flow from Operating Activities		
	Profit as per Balance Sheet (2,00,000 -1,00,000)	1,00,000	
	Proposed Dividend	50,000	
	Provision for Taxation	60,000	
	Net Profit before Taxation and Extraordinary items		2,10,000
	Items to be added:		
	Depreciation	50,000	50,000
	Operating Profit before Working Capital changes		2,60,000
	Add: Increase in Current liabilities		
	Trade Payable	20,000	20,000
			2,80,000
	Less: Increase in Current Assets		
	Inventories	(70,000)	
	Trade Receivable	(50,000)	(1,20,000)
	Cash Generated from Operating Activities		1,60,000
	Less: Income Tax paid		(40,000)
	Net Cash from Operations		1,20,000
B.	Cash Flow from Investing Activities		
	Purchases of Fixed Assets		(3,50,000)
	Net Cash used in Investing Activities		(3,50,000)
C.	Cash Flow from Financing Activities		

	Issue of Equity Shares	1,00,000
	Issue of Preference Shares	1,00,000
	Loan from Rahul	1,30,000
	Less: Repayment of Loan	(2,00,000)
	Dividend Paid	(50,000)
	Net Cash from Financing Activities	80,000
D.	Net decrease in Cash and Cash Equivalent (A+B+C)	(1,50,000)
	Add: Cash and Cash Equivalents in the beginning	50,000
E.	Cash and Cash Equivalents at the end (Bank Overdraft)	(1,00,000)

Working Notes:

1.Provision for Taxation Account

Dr.

Cr.

Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
	To Bank A/c (Balancing figure)		40,000		By Balance b/d		30,000
	To Balance c/d		50,000		By Profit and Loss A/c		60,000
			90,000				90,000

2.Fixed Assets Account

Dr.

Cr.

Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
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To Balance b/d	4,00,000	By Depreciation A/c	50,000
To Bank A/c	3,50,000	By Balance c/d	7,00,000
	7,50,000		7,50,000

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Q11 Following is the Financial Statement of Garima Ltd., prepare cash flow statement.

Particulars	Note No.	31st March 2017 (Rs)	31st March 2016 (Rs)
I) Equity and Liabilities			
1. Shareholders' Funds			
a) Share capital	1	4,40,000	2,80,000
b) Reserve and surplus-Surplus	2	40,000	28,000
2. Current Liabilities			
a) Trade payables		1,56,000	56,000
c) Short-term provisions (Provision for taxation)		12,000	4,000
Total		6,48,000	3,68,000
II) Assets			
1. Non-current assets			
a) Fixed assets			
i) Tangible		3,64,000	2,00,000

2. Current assets			
a) Inventories		1,60,000	60,000
b) Trade receivables		80,000	20,000
c) Cash and cash equivalents		28,000	80,000
d) Other current assets		16,000	8,000
Total		6,48,000	3,68,000

Notes to Accounts

Particulars	31st March 2017 (Rs)	31st March 2016 (Rs)
1. Share capital		
a) Equity share capital	3,00,000	2,00,000
b) Preference share capital	1,40,000	80,000
	4,40,000	2,80,000
2. Reserve and surplus		
Surplus in statement of profit and loss at the beginning of the year	28,000	
Add: Profit of the year	16,000	
Less: Dividend	4,000	
Profit at the end of the year	40,000	

Additional Information:

Interest paid on Debenture Rs 600

Dividend paid during the year Rs 4,000

Depreciation charged during the year Rs 32,000

Answer.

Cash Flow Statement (Indirect Method)

	Particulars	Amount Rs	Amount Rs
A.	Cash Flow from Operating Activities		
	Profit as per Balance Sheet (40,000 - 28,000)	12,000	
	Proposed Dividend	4,000	
	Provision for Taxation	12,000	
	Net Profit before Taxation and Extraordinary items		28,000
	Items to be added:		
	Interest paid on Debentures	600	
	Depreciation	32,000	32,600
	Operating Profit before Working Capital changes		60,600
	Add: Increase in Current liabilities		
	Trade Payables	1,00,000	
	Less: Increase in Current Assets		
	Other Current Assets	(8,000)	
	Inventories	(1,00,000)	
	Trade Receivables	(60,000)	(68,000)
	Cash generated from Operating Activities		(7,400)
	Less: Income Tax paid		(4,000)
	Net Cash used in Operating Activities		(11,400)

B.	Cash Flow from Investing Activities	
	Purchase of Fixed Assets	(1,96,000)
	Net Cash used in Investing Activities	(1,96,000)
C.	Cash Flow from Investing Activities	
	Issue of Equity Shares	1,00,000
	Issue of Preference Shares	60,000
	Less: Interest Paid on Debentures	(600)
	Less: Dividend Paid	(4,000)
	Net Cash from Financing Activities	1,55,400
D.	Net decrease in cash and cash equivalent (A+B+C)	(52,000)
	Add: Cash and Cash Equivalents in the beginning	80,000
E.	Cash and Cash Equivalents at the end	28,000

Working Notes:

Plant and Machinery Account

Dr.

Cr.

Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
	To Balance b/d		2,00,000		By Depreciation		32,000

	To Bank A/c (Purchases- Balancing fig.)	1,96,0 00	A/c By Balance c/d	3,64,0 00
		3,96,0 00		3,96,0 00

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Q12 From the following Balance Sheet of Computer India Ltd., prepare cash flow statement.

(Rs in '000)

Particulars	Note No.	31st March 2017 (Rs)	31st March 2016 (Rs)
I) Equity and Liabilities			
1. Shareholders' Funds			
a) Share capital		50,000	40,000
b) Reserves and surplus-Surplus	1	3,700	3,000
2. Non-Current Liabilities			
10% Debentures		6,500	6,000
3. Current Liabilities			
a) Short-term borrowings	2	6,800	12,500
b) Trade payables		11,000	12,000
c) Short-term provisions	3	10,000	8,000
Total		88,000	81,500

II) Assets			
1. Non-current assets			
a) Fixed assets	4	25,000	30,000
2. Current assets			
a) Inventories		35,000	30,000
b) Trade receivables		24,000	20,000
c) Cash and cash equivalents-cash		3,500	1,200
d) Other current assets-prepaid exp.		500	300
Total		88,000	81,500

Notes to Accounts

	Particulars	31st March 2017 (Rs)	31st March 2016 (Rs)
1.	Reserve and surplus		
	(i) Balance in statement of profit and loss	1,200	1,000
	(ii) General reserve	2,500	2,000
		3,700	3,000
2.	Short-term borrowings		
	Bank Overdraft	6,800	12,500
3.	Short-term provisions		
	(i) Provision for taxation	4,200	3,000
	(ii) Proposed dividend	5,800	5,000
		10,000	8,000
4.	Fixed Assets:		

	Fixed Assets	40,000	41,000
	Less: Accumulated Depreciation	(15,000)	(11,000)
		25,000	30,000

Additional Information:

Interest paid on Debenture Rs. 600

Answer.

In the books of Computer India Ltd.

Cash Flow Statement

('00,000)

	Particulars	Amount Rs	Amount Rs
A.	Cash Flow from Operating Activities		
	Profit as per Balance Sheet (1,200 - 1,000)	200	
	Proposed Dividend	5,800	
	General Reserve	500	
	Provision for Taxation	4,200	
	Net Profit before Tax and Extraordinary items		10,700
	Items to be added		
	Provision for Depreciation	4,000	
	Interest paid on Debentures	600	4,600
	Operating Profit before Working Capital changes		15,300
	Adjustments		
	Less Increase in Current Assets		
	:		
	Trade Receivables	(4,000)	
	Inventories	(5,000)	
	Prepaid Expenses	(200)	(9,200)
	Less Decrease in Current Liabilities		6,100

	:		
	Trade Creditors	(1,000)	(1,000)
	Cash generated from Operating Activities		5,100
	Less Income Tax Paid		(3,000)
	:		
	Net Cash from Operation		2,100
B.	Cash Flow from Investing Activities		
	Sale of Fixed Assets		1,000
	Net Cash from Investing Activities		1,000
C.	Cash Flow from Financing Activities		
	Issue of Equity Shares		10,000
	Issue of 10% Debentures		500
	Less Dividend paid		(5,000)
	:		
	Less Interest paid		(600)
	:		
	Net Cash from Financing Activities		4,900
D.	Net Increase in Cash and Cash Equivalent (A+B+C)		8,000
	Add: Cash and Cash Equivalent in the beginning		
	Cash	1,200	
	Bank overdraft	(12,500)	(11,300)
E.	Cash and Cash Equivalents at the end		
	Cash	3,500	
	Bank overdraft	(6,800)	(3,300)