

# Chapter 6 - Cash Flow Statement

## Short Answer Questions

### Question 1:

What is a Cash Flow Statement?

### Answer:

A Cash Flow Statement is a statement showing inflows and outflows of cash and cash equivalents from operating, investing and financing activities of a company during a particular period. It explains the reasons of receipts and payments in cash and change in cash balances during an accounting year in a company.

### Question 2:

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

### Answer:

As per the Revised Accounting Standard 3 (AS-3), preparation of Cash Flow Statement for each period is mandatory. AS-3 also specifies the classification of all inflows and outflows basically under the following heads:

1. Cash Flow from Operating Activities
2. Cash Flow from Investing Activities
3. Cash Flow from Financing Activities

### Question 3:

State the uses of cash flow statement?

### Answer:

The uses of cash flow statement are as follows:

1. It is useful for short term financial planning about inflows and outflow of cash.

2. It helps in analysing the reason for the change in cash and cash equivalent balances of a company
3. It assists in determining and assessing liquidity and solvency positions of a company.
4. It enables to analyse and study the trends of receipts and payments of cash from various activities of a company and thereby helps in drafting various policy measures and short term planning.
5. It enables the segregation of cash flows from operating, investing and financing activities of the business separately.
6. It assists in making decision about distribution of profit with reference to the availability of cash.

**Question 4:**

What are the objectives of preparing cash flow statement?

**Answer:**

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

1. 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.
2. Secondly, Cash Flow Statement helps in analysing various reasons responsible for change in the cash balances during an accounting year.
3. 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.
4. Cash Flow Statement also helps in ascertaining the requirement and availability of cash in near future.

**Question 5:**

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.

**Question 6:**

Prepare a format of cash flow from operating activities under indirect method.

**Answer:**

The format of cash flow from operating activities under Indirect method is as follows:

<b>Indirect Method</b>		
<b>Cash Flow from Operating Activities:</b>		
Net Profit before tax and extraordinary items		***
<i>Add:</i> Non-Cash Expenses and Non-Operating Expenses		
Depreciation	**	
Goodwill	**	
Interest paid	**	
Loss on sale of fixed assets	**	
Foreign exchange	**	**
<i>Less:</i> Non Operating Incomes.		
Dividend received	**	
Profit on sale of fixed assets	**	
Interest received	**	**

Operating profit before working capital changes		***
<i>Add:</i> Decrease in Current Assets	***	
Increase in Current Liabilities	***	***
<i>Less:</i> Increase in Current Assets	***	
Decrease in Current Liabilities	***	***
Cash generated from Operating Activities		***
Income tax paid		***
Cash Flow before Extraordinary Items		***
<i>Add/Less:</i> 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.

**Question 7:**

State clearly what would constitute the operating activities for each of 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*

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

(ii) *Film Production House:*

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

(ii) *Financial Enterprises:*

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

(iv) *Media Enterprises:*

1. Receipts from advertisements.
2. Payments to staff, reporters, photographers, etc.

(v) *Steel Manufacturing Unit:*

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

(vi) *Software Development Business Unit:*

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

**Question 8:**

“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.

### **Long Answer Questions**

#### **Question 1:**

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**

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	Particulars	Amount Rs	Amount Rs
<b>A.</b>	<b>Cash Flow from Operating Activities</b>		
	Cash Sales	**	
	Cash receipt from Debtors	**	
	<i>Less:</i> Cash Purchases	**	
	Cash paid to creditors and other expenses	**	
	Cash Generated from Operating Activities	**	
	<i>Less:</i> Income Tax Paid	**	
	Cash flow before Extraordinary Items	**	
	<i>Add/Less:</i> Extraordinary Items	**	
	<b>Net Cash Flow from (used in) Operating Activities</b>	**	**
<b>B.</b>	<b>Cash Flow from Investing Activities</b>	**	
	Sale of Fixed Assets	**	
	Sale of long-term Investments	**	
	Interest Received	**	

	Dividend Received	**		
	Rent Received	**		
	<i>Less: Purchase of Fixed Assets</i>	**		
	<i>Less: Purchase of long-term Investment</i>	**		
	<b>Net Cash Flow from Investing Activities</b>	**	**	
<b>C.</b>	<b>Cash Flow from Financing Activities</b>			
	Proceeds from Issue of Shares	**		
	Proceeds from Issue of Debentures and Other Long-term Borrowings	**		
	<i>Less: Repayment of Debentures and Other Long-term Borrowings</i>	**		
	<i>Less: Redemption of Preference Shares</i>	**		
	<i>Less: Interest Paid</i>	**		
	<i>Less: Dividend Paid</i>	**		
	<b>Net Cash flow from Financing Activities</b>	**	**	
	<b>Net Increase (or Decrease in Cash and Cash Equivalents (A+B+C))</b>		**	



	Cash and Cash Equivalents at the beginning (Cash in Hand, Cash at Bank, Marketable Securities, Short-term Deposits)		**
	<b>Cash and Cash Equivalent at the end</b>		**

### Indirect Method

### Cash Flow Statement

	Particulars	Amount Rs	Amount Rs
<b>A.</b>	<b>Cash Flow from Operating Activities:</b>		
	Net Profit before tax and extraordinary items		***
	<i>Add:</i> Non-Cash Expenses and non operating expenses.		
	Depreciation	**	
	Goodwill	**	
	Interest paid	**	
	Loss on sale of fixed assets	**	**

	<i>Less:</i> Non-Operating Incomes.		
	Dividend received	**	
	Profit on sale of fixed assets	**	
	Interest received	**	**
	Operating Profit before Working Capital Changes		***
	<i>Add:</i> Decrease in Current Assets	***	
	Increase in Current Liabilities	**	***
	<i>Less:</i> Increase in Current Assets	***	
	Decrease in Current Liabilities	***	***
	Cash generated from Operating Activities		***
	<i>Less:</i> Income tax paid		***
	Cash flow before Extra ordinary items		***
	<i>Add/Less:</i> Extra ordinary items		***
	<b>Net Cash Flow from Operating Activities</b>		***
<b>B.</b>	<b>Cash Flow from Investing Activities</b>	**	

	Sale of Fixed Assets	**	
	Sale of Long-term Investments	**	
	Interest Received	**	
	Dividend Received	**	
	Rent Received	**	
	<i>Less: Purchase of Fixed Assets</i>	**	
	<i>Less: Purchase of long term Investment</i>	**	
	<b>Net Cash Flow from Investing Activities</b>	<b>**</b>	<b>**</b>
<b>C.</b>	<b>Cash Flow from Financing Activities</b>		
	Proceeds from Issue of shares	**	
	Proceeds from Issue of Debentures and other Long-term Borrowings	**	
	<i>Less: Repayment of Debentures and other Long-term Borrowings</i>	**	
	<i>Less: Redemption of preference Share</i>	**	
	<i>Less: Interest paid</i>	**	
	<i>Less: Dividend paid</i>	**	

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)		**
<b>Cash and Cash Equivalents at the end</b>		**

**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.

### Question 2:

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 lead 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.

d. 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.

a. Non-operating incomes like profit on sale of fixed assets, etc. are deducted from the Net Profit.

b. Non-trading Incomes like dividend received, interest received, tax refund, etc. are to be deducted from the Net Profit.

c. Increase in current assets and decrease in current liabilities should be deducted from the operating profit.

### **Indirect Method**

### **Cash Flow Statement**

<b>Particulars</b>	<b>Amount Rs</b>	<b>Amount Rs</b>
<b>Cash Flow from Operating Activities:</b>		
Net Profit before tax and extraordinary items		***
<i>Add: Non-Cash Expenses and Non-Operating Expenses.</i>		
Depreciation	**	
Goodwill	**	
Interest paid	**	

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

### Question 3:

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:

- a. Cash payments to acquire fixed assets (including intangibles like, goodwill). These payments include capitalised cost of research and development and self constructed fixed assets.
- b. Cash receipts from disposal of fixed assets (including intangible assets).
- c. 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).
- d. 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).
- e. 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.
- f. 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.
- g. Cash receipts from insurance company for any property involved in accident.
- h. 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**

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

### Indirect Method

### Cash Flow Statement

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

**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.

#### Question 4:

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:

- a. Cash proceeds from issue of shares and other similar instruments.
- b. 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:

- a. Cash repayments of the amount borrowed in form of debentures, loans, notes bonds, and other short and long-term borrowings.
- b. Buy-back of shares and debentures.
- c. Interest paid on debentures, loans, and advances.
- d. 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 Rs	Amount 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	**	
<i>Less:</i> Repayment of Debentures and Other Long-term Borrowings	**	
<i>Less:</i> Redemption of Preference Shares	**	
<i>Less:</i> Interest Paid	**	
<i>Less:</i> 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)		
<b>Cash and Cash Equivalent at the end</b>		<b>**</b>

### Indirect Method

### Cash Flow Statement

Particulars	Amount Rs	Amount Rs
<b>Net Cash Flow from Investing Activities</b>	<b>**</b>	<b>**</b>
<b>Cash Flow from Financing Activities</b>		
Proceeds from Issue of shares	**	
Proceeds from Issue of Debentures and other Long-term Borrowings	**	
<i>Less:</i> Repayment of Debentures and other Long-term Borrowings	**	
<i>Less:</i> Redemption of preference Share	**	
<i>Less:</i> Interest paid	**	
<i>Less:</i> 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		**
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**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.

### Numerical Questions

#### Question 1:

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 profit of Rs 50,000 on assets sold which was transferred to Statement of profit and Loss account. Trade Receivables increased during the year Rs 40,000 and Trade 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 (₹)	Amount (₹)
Net Profit during the year		5,00,000
<i>Items to be adjusted:</i>		
<i>Add:</i> Depreciation	2,00,000	
<i>Less:</i> Gain on sale of assets	(50,000)	1,50,000
Operating Profit before Working Capital changes		6,50,000
<i>Add:</i> Increase in Trade Payables	60,000	
<i>Less:</i> Increase in Trade Receivables	(40,000)	20,000
<b>Net Cash from Operations</b>		<b>6,70,000</b>

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### Question 2:

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

Particulars	(Rs)
Inventory in the beginning	40,000
Credit Purchases	1,60,000
Inventory in the end	38,000
Trade payables in the beginning	14,000
Trade payables in the end	14,500

**Answer:**

### Trade Payables Account

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Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
	Cash ( <i>Balancing fig.</i> )		1,59,500		Balance b/d		14,000
	Balance c/d		14,500		Purchases		1,60,000
			1,74,000				1,74,000

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

### Question 3:

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% by cheque 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) 
$$\text{Amount paid for Machinery} = 2,50,000 \times \frac{20}{100} = 50,000$$

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
<b>Net Cash used in Investing Activities</b>	<b>(2,00,000)</b>

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.

**Question 4:**

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 Materials Consumed	1	50,000

	Purchase of Stock-in-trade		5,00,000
	Other Expenses	2	3,00,000
	Total Expenses		<b>8,50,000</b>
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 payables increase by Rs 15,000 during the year.

(iv) Outstanding expenses payable increased by Rs 3,000 during the year.

(v) Other expenses included depreciation of Rs 25,000.

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

**Answer:**

**Cash Flow from Operating Activities of Yamuna Limited as on March 31, 2017**

Particulars	Amount Rs	Amount Rs
Net Profit earned during the year		1,50,000
<i>Items to be added:</i>		
Depreciation		25,000
Operating Profit before Working Capital changes		1,75,000
<i>Add: Increase in Current Liabilities</i>		
Outstanding Expenses	3,000	
<i>Add: Decrease in Current Assets</i>		



	Trade Receivables	30,000	
	Stock	50,000	83,000
<i>Less:</i>	<i>Decrease in Current Liabilities</i>		
	Trade Creditors	(15,000)	
<i>Less:</i>	<i>Increase in Current Assets</i>		
	Prepaid Expenses	(5,000)	(20,000)
<b>Net Cash from Operations</b>			2,38,000

**Note:** As per the solution, the Net Cash from Operating Activities is Rs 2,38,000, however, as per the answer given in the book is Rs 2,18,000.

#### Question 5:

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 and current liabilities of the business for the year ended March 31, 2016 and 2015 are as follows:

Particular	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
Other Current Assets	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 (₹)	Amount (₹)
<b>Cash from Operating Activities</b>		
Net Profit		10,000
<i>Items to be added:</i>		
Depreciation	2,000	2,000
<b>Operating Profit before Working Capital Adjustments</b>		12,000
<i>Less: Increase in Current Assets</i>		
Trade Receivables	(1,000)	
Accrued Income	(1,000)	
Accrued Income	(2,000)	

Other Current Assets	(3,000)	
Inventories		
<i>Add:</i> Increase in Current Liabilities		
Provision for Doubtful Debts	200	
Trade Payables	2,000	
Expense Payable	500	
<i>Add:</i> Decrease in Current Assets		
Prepaid Expenses	(1,000)	
<i>Less:</i> Decrease in Current Liabilities		
Income received in advance	1,000	
<b>Net Cash From Operating Activities</b>		<b>7,700</b>

**Question 6:**

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**

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Particulars	Note 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

- Note     1     Tangible assets =  
s           Machinery
- 2     Intangible assets = Patents

#### Notes

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

	<b>4,60,000</b>	<b>3,80,000</b>
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
	<b>3,60,000</b>	<b>2,60,000</b>

*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**

	<b>Amount</b>	<b>Amount</b>
<b>Particulars</b>	<b>Rs</b>	<b>Rs</b>

<b>Cash Inflow</b>			
	Proceeds from Sale of Patents	1,00,000	
	Proceeds from Sale of Machinery	50,000	
	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
<b>Cash Outflow</b>			
	Purchase of Goodwill	(2,00,000)	
	Purchase of Machinery	(4,40,000)	
	Purchase of 10% Long-term Investment	(1,80,000)	(8,20,000)
<b>Net Cash used in Investing Activities</b>			(5,24,000)

### Patents Account

**Dr.****Cr.**

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

**Machinery Account****Dr.****Cr.**

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

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

### 10% Long-term Investment Account

**Dr.**

**Cr.**

Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
	Balance b/d		60,000		Bank ( <i>Balancing figure</i> )		1,00,000
	Bank		1,80,000				



	Profit and Loss (Profit on sale)		20,000		Balance c/d		1,60,000
			2,60,000				2,60,000

#### Question 7:

From the following Balance Sheet of Mohan Ltd., prepare cash flow Statement:

Particulars	Note No.	March 31, 2017 (Rs)	March 31, 2016 (Rs)
<b>I) Equity and Liabilities</b>			
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
<b>Total</b>		<b>7,70,000</b>	<b>6,60,000</b>
<b>II) Assets</b>			
1. Non-current assets			
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
<b>Total</b>		<b>7,70,000</b>	<b>6,60,000</b>

Notes to accounts:

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

	<b>90,000</b>	<b>1,20,000</b>
5. Cash and cash equivalents		
Bank	<b>30,000</b>	<b>90,000</b>

*Additional Information:*

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

**Answer:**

**Cash Flow Statement of Mohan Ltd.**

	<b>Particulars</b>	<b>Amount Rs</b>	<b>Amount Rs</b>
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
	<i>Adjustments:</i>		
	Depreciation	70,000	
	Loss on Sale of Machine	10,000	80,000
	Operating Profit before Working Capital changes		1,90,000
	<i>Add: Decrease in Current Assets</i>		
	Debtors	40,000	40,000

				2,30,000
		<i>Less: Increase in Current Assets</i>		
		Inventories	(20,000)	
		Bills Receivable	(10,000)	
		<i>Less: Decrease in Current Liabilities</i>		
		Trade Payables	(20,000)	(50,000)
	<b>Net Cash from Operations</b>			1,80,000
B.	Cash Flow from Investing Activities			
	Proceeds from Sale of Fixed Assets			20,000
	Purchases of Fixed Assets			(2,80,000)
	<b>Net Cash outflow from Investing activity</b>			(2,60,000)
C.	Cash Flow from Financing Activities			
	Issue of Shares			1,00,000
	Bank Loan Paid			(20,000)
	Dividend Paid			(60,000)
	<b>Net Cash from Financing Activities</b>			20,000

D.	Net Decrease in Cash and Cash Equivalents (A+B+C)		(60,000)
	<i>Add:</i> Cash and Cash Equivalents in the beginning		90,000
E.	<b>Cash and Cash equivalents at the end</b>		30,000

### Fixed Assets Account

Dr.				Cr.			
Date	Particulars	J. F.	Amount Rs	Date	Particulars	J. F.	Amount Rs
	Balance b/d		4,00,000		Bank		20,000
	Bank (Purchases- <i>Balancing fig.</i> )		2,80,000		Profit and Loss		10,000
					Accumulated Depreciation		50,000
					Balance c/d		6,00,000
			<b>6,80,000</b>				<b>6,80,000</b>

### Accumulated Depreciation Account

**Dr.****Cr.**

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

**Question 8:**

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

Particulars	Note No.	March 31, 2017 (Rs)	March 31, 2016 (Rs)
<b>I) Equity and Liabilities</b>			
1. Shareholders' Funds			
a) Share capital	1	1,40,000	1,20,000
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	28,400	22,400
<b>Total</b>		<b>2,14,800</b>	<b>1,74,800</b>
<b>II) Assets</b>			
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
<b>Total</b>		<b>2,14,800</b>	<b>1,74,800</b>

Notes to accounts:

	<b>2017</b>	<b>2016</b>
1. Share Capital		
Equity share capital	1,20,000	80,000
10% Preference share capital	20,000	40,000
	<b>1,40,000</b>	<b>1,20,000</b>
2. Reserves and surplus		
General reserve	12,000	8,000
Balance in statement of profit and loss	10,800	7,200
	<b>22,800</b>	<b>15,200</b>
3. Trade payables		
Bills payable	21,200	14,000

4. Other current liabilities		
Outstanding expenses	<b>2,400</b>	<b>3,200</b>
5. Short-term provisions		
Provision for taxation	12,800	11,200
Proposed dividend	15,600	11,200
	<b>28,400</b>	<b>22,400</b>
6. Tangible assets		
Land and building	20,000	40,000
Plant	76,400	36,000
	<b>96,400</b>	<b>76,000</b>

*Additional Information:*

Depreciation Charge on Land & Building Rs 20,000, and Plant Rs 10,000 during the year.

**Answer:**

**Cash Flow Statement of Tiger Super Steels Ltd**

	<b>Particulars</b>	<b>Amount Rs</b>	<b>Amount Rs</b>
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
<i>Items to be added:</i>		
Depreciation on Land and Building	20,000	
Depreciation on Plant	10,000	
Goodwill written off	5,200	35,200
Operating Profit before Working Capital changes		71,200
<i>Add: Increase in Current Liabilities</i>		
Bills Payable	7,200	
<i>Add: Decrease in Current Assets</i>		
Inventories	2,800	10,000
		81,200
<i>Less: Increase in Current Assets</i>		
Trade Receivables	(13,200)	
<i>Less: Decrease in Current Liabilities</i>		
Outstanding Expenses	(800)	(14,000)

	Cash Generated from Operating Activities		67,200
	<i>Less:</i> Income Tax paid		(11,200)
	<b>Net Cash from Operating Activities</b>		56,000
B.	Cash Flow from Investing Activities		
	Purchases of Plant		(40,400)
	Purchases of Investment		(20,000)
	<b>Net Cash used in Investing Activities</b>		(60,400)
C.	Cash Flow from Financing Activities		
	Issue of Equity Shares		40,000
	Dividend paid		(11,200)
	Redemption of 10% Preference Shares		(20,000)
	<b>Net Cash from Financing Activities</b>		8,800
D.	Net Increase in Cash and Cash Equivalent		4,400
	<i>Add:</i> Cash and Cash Equivalent in the beginning		6,800
E.	<b>Cash and Cash Equivalents at the end</b>		11,200

**Working Notes:**

1.

**Plant Account**

**Dr.****Cr.**

Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
	To Balance b/d		36,000		By Depreciation		10,000
	To Bank A/c (Purchases- <i>Balancing figure</i> )		50,400		By Balance c/d		76,400
			86,400				86,400

2.

Net Profit before Tax	3,600
Profit and Loss Account	12,800
<i>Less: Provision for Tax</i>	16,400

**Note:** As per the solution, the Net Cash from Operating Activities, net Cash from Investing Activities and Net Cash from Financing Activities are Rs 56,000, Rs (60400) and Rs 8,800 respectively. However, as per the answer given in the book, the Net Cash from Operating Activities, net Cash from Investing Activities and Net Cash from Financing Activities are Rs 34,800, Rs (50,400) and Rs 20,000 respectively.

**Question 9:**

From the following information, prepare cash flow statement:

Particulars	Note No.	31st March 2015 (Rs)	31st March 2014 (Rs)
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<b>I) Equity and Liabilities</b>			
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
<b>Total</b>		<b>24,70,000</b>	<b>19,50,000</b>
<b>II) Assets</b>			
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
<b>Total</b>		<b>24,70,000</b>	<b>19,50,000</b>

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

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

**Working Note:**

**Fixed Assets Account**

**Dr.**

**Cr.**

<b>Particulars</b>	<b>J.F.</b>	<b>Amount (Rs)</b>	<b>Particulars</b>	<b>J.F.</b>	<b>Amount (Rs)</b>
Balance b/d		5,00,000	Depreciation		80,000
Purchases ( <i>Balancing Figure</i> )		2,80,000	Balance c/d		7,00,000
		<b>7,80,000</b>			<b>7,80,000</b>

**Question 10:**

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

<b>Particulars</b>	<b>Note No.</b>	<b>31st March 2017 (Rs)</b>	<b>31st March 2016 (Rs)</b>
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<b>I) Equity and Liabilities</b>			
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		1,00,000	-
(Bank overdraft)			
b) Trade payables		70,000	50,000
c) Short-term provision		50,000	30,000
(Provision for taxation)			
<b>Total</b>		<b>9,70,000</b>	<b>6,00,000</b>
<b>II) Assets</b>			
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
<b>Total</b>		<b>9,70,000</b>	<b>6,00,000</b>



## Notes to Accounts

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

### *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:**

### **Cash Flow Statement of Yogeta Ltd.**

	<b>Particulars</b>	<b>Amount Rs</b>	<b>Amount Rs</b>
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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	
	<i>Net Profit before Taxation and Extraordinary items</i>		2,10,000
	<i>Items to be added:</i>		
	Depreciation	50,000	50,000
	Operating Profit before Working Capital changes		2,60,000
	<i>Add: Increase in Current liabilities</i>		
	Trade Payable	20,000	20,000
			2,80,000
	<i>Less: Increase in Current Assets</i>		
	Inventories	(70,000)	
	Trade Receivable	(50,000)	(1,20,000)
	Cash Generated from Operating Activities		1,60,000

		<i>Less:</i> Income Tax paid	(40,000)
		<b>Net Cash from Operations</b>	1,20,000
B.	Cash Flow from Investing Activities		
	Purchases of Fixed Assets		(3,50,000)
	<b>Net Cash used in Investing Activities</b>		(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
	<i>Less:</i> Repayment of Loan		(2,00,000)
	Dividend Paid		(50,000)
	<b>Net Cash from Financing Activities</b>		80,000

D.	Net decrease in Cash and Cash Equivalent (A+B+C)	(1,50,000)
	<i>Add:</i> Cash and Cash Equivalents in the beginning	50,000
E.	<b>Cash and Cash Equivalents at the end (Bank Overdraft)</b>	(1,00,000)

### Working Notes:

1.

### Provision for Taxation Account

**Dr.**

**Cr.**

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

2.

### Fixed Assets Account

**Dr.**

**Cr.**

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

#### Question 11:

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

Particulars	Note No.	31st March 2017 (Rs)	31st March 2016 (Rs)
<b>I) Equity and Liabilities</b>			
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
<b>Total</b>		<b>6,48,000</b>	<b>3,68,000</b>
<b>II) Assets</b>			
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
<b>Total</b>		<b>6,48,000</b>	<b>3,68,000</b>

#### Notes to Accounts

<b>Particulars</b>	<b>31st March 2017 (Rs)</b>	<b>31st March 2016 (Rs)</b>
1. Share capital		
a) Equity share capital	3,00,000	2,00,000
b) Preference share capital	1,40,000	80,000
	<b>4,40,000</b>	<b>2,80,000</b>

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	<b>40,000</b>	

**Additional Information:**

1. Interest paid on Debenture Rs 600
2. Dividend paid during the year Rs 4,000
3. 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
<i>Items to be added:</i>		
Interest paid on Debentures	600	
Depreciation	32,000	32,600
Operating Profit before Working Capital changes		60,600
<i>Add: Increase in Current liabilities</i>		
Trade Payables	1,00,000	
<i>Less: Increase in Current Assets</i>		
Other Current Assets	(8,000)	
Inventories	(1,00,000)	
Trade Receivables	(60,000)	(68,000)
Cash generated from Operating Activities		(7,400)



	<i>Less: Income Tax paid</i>	(4,000)
	<b>Net Cash used in Operating Activities</b>	(11,400)
B.	Cash Flow from Investing Activities	
	Purchase of Fixed Assets	(1,96,000 )
	<b>Net Cash used in Investing Activities</b>	(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)
	<i>Less: Dividend Paid</i>	(4,000)
	<b>Net Cash from Financing Activities</b>	1,55,400

D.	Net decrease in cash and cash equivalent (A+B+C)		(52,000)
	<i>Add:</i> Cash and Cash Equivalents in the beginning		80,000
E.	<b>Cash and Cash Equivalents at the end</b>		28,000

**Working Notes:**

**Plant and Machinery Account**

**Dr.**

**Cr.**

Date	Particulars	J.F.	Amount Rs	Date	Particulars	J.F.	Amount Rs
	Balance b/d		2,00,000		Depreciation		32,000
	Bank (Purchases- <i>Balancing fig.</i> )		1,96,000		Balance c/d		3,64,000
			3,96,000				3,96,000

**Question 12:**

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

Particulars	Note No.	31st March 2017 (Rs)	31st March 2016 (Rs)
<b>I) Equity and Liabilities</b>			
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
<b>Total</b>		<b>88,000</b>	<b>81,500</b>
<b>II) Assets</b>			
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
<b>Total</b>		<b>88,000</b>	<b>81,500</b>

#### Notes to Accounts

	<b>Particulars</b>	<b>31<sup>st</sup> March 2017  (Rs)</b>	<b>31<sup>st</sup> March 2016  (Rs)</b>
1	Reserve and surplus		
	(i) Balance in statement of profit and loss	1,200	1,000
	(ii) General reserve	2,500	2,000
		<b>3,700</b>	<b>3,000</b>
2	Short-term borrowings		

3	Bank Overdraft	6,800	12,500
	Short-term provisions		
	(i) Provision for taxation	4,200	3,000
	(ii) Proposed dividend	5,800	5,000
		<b>10,000</b>	<b>8,000</b>
4	Fixed Assets:		
	Fixed Assets	40,000	41,000
	Less: Accumulated Depreciation	(15,000)	(11,000)
		<b>25,000</b>	<b>30,000</b>

*Additional Information:*

Interest paid on Debenture Rs. 600

**Answer:**

### Cash Flow Statement of Computer India Ltd.

('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
	<i>Items to be added</i>		
	Provision for Depreciation	4,000	
	Interest paid on Debentures	600	4,600
	Operating Profit before Working Capital changes		15,300
	Adjustments		
	<i>Less: Increase in Current Assets</i>		
	Trade Receivables	(4,000)	
	Inventories	(5,000)	
	Prepaid Expenses	(200)	(9,200)
			6,100
	<i>Less: Decrease in Current Liabilities</i>		
	Trade Creditors	(1,000)	(1,000)
	Cash generated from Operating Activities		5,100
	<i>Less: Income Tax Paid</i>		(3,000)

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