

CASH FLOW STATEMENT

VERY SHORT ANSWER QUESTIONS

1. What do you mean by Cash Flow statement?
2. What are the various activities classified as per AS-3(revised) related to Cash flow statement?
3. State one objective of Cash flow Statement.
4. What do you mean by cash equivalents?

Ans. Short-term highly liquid investments which are readily convertible into known amount of cash and which are subject to an insignificant risk of change in the value.

5.State the category of the following items for a financial as well as non-financial company

- (a) Dividend received (b) Interest received (c) Interest paid (d) Dividend paid

Ans.

	Financial company	Non-financial company
(a) Dividend received activity	Operating activity	Investing
(b) Interest received activity	Operating activity	Investing
(c) Interest paid activity	Operating activity	financing
(d) Dividend paid activity	Financing activity	financing

6. Calculate the net amount of cash flow if a fixed asset costing Rs. 32,000 (having a book value of Rs. 24,000) is sold at a loss of Rs. 8,000.

Solution: Cash Inflow from Investing activities = Rs. 16,000
(Book value-loss=Amount received from sale)
(Rs. 24,000-Rs.8,000=Rs. 16,000)

7. Calculate Cash Flow from Operating Activities from the following information:

Particulars	Amount (Rs.)
Profit for the year 2013-2014	1,00,000
Transfer to General Reserve during the year	20,000
Depreciation provided during the year	40,000
Profit on sale of furniture	10,000
Loss on sale of Machine	20,000
Preliminary Expenses written off during the year	20,000

Additional Information:

Particulars	March(2013)	March(2014)
Debtors	20,000	30,000
Bills Receivable	14,000	10,000
Stock	30,000	36,000
Prepaid Expenses	4,000	6,000
Creditors	40,000	36,000
Bills Payables	30,000	50,000
Outstanding Expenses	6,000	8,000

(Ans. 1,94,000)

8. Following balances appeared in the Machinery Account and Accumulated Depreciation Account in the books of JB Ltd.

Particulars	March (2013)	March (2014)
Machinery A/c	17,78,985	26,55,450
Accumulated depreciation A/c	3,40,795	4,75,690

Additional Information:

Machinery costing 2,65,000 on which accumulated depreciation was Rs. 1,00,000 was sold for Rs. 75,000. You are required to

Compute the amount of Machinery purchased, depreciation charged for the year and loss on sale of Machinery.

How shall each of the items related to Machinery be shown in Cash Flow Statement.

Hint: Purchase of Machinery= Rs. 11,41,465

Sale of Machinery = Rs. 75,000

Depreciation Provided = Rs. 2,34,895

Loss on sale of machinery = Rs. 90,000

9. From the following information, prepare a Cash Flow Statement:

Balance Sheet as at

Particulars	Note no.	31.03.14 Rs.	31.03.13 Rs.
I. Equity and Liabilities			
(1) Shareholders' Funds			
(a) Share capital	1	1,30,000	90,000
(b) Reserves and Surplus	2	85,000	50,000
(2) Non-Current Liabilities			
(3) Current Liabilities			
Trade Payables			
Total		<u>22,000</u>	<u>17,400</u>
II. ASSETS		<u>2,37,000</u>	<u>1,57,400</u>
(1) Non-Current Assets			
Tangible Fixed Assets			
Intangible Assets(Goodwill)			93,400
(2) Current Assets			1,000
Inventories			
Trade Receivables		21,000	
Cash & Cash Equivalent		39,000	22,000
Short-term Loans & Advances (Adv. Tax)		6,000	36,000
Total		<u>5,000</u>	<u>5,000</u>
		<u>2,37,000</u>	<u>1,57,400</u>

Note 1. SHARE CAPITAL

Particulars	31.03.14	31.03.13
Equity shares of Rs. 10 each	1,30,000	90,000

Note 2. RESERVES AND SURPLUS

General Reserve	55,000	30,000
Profit and loss A/c	30,000	20,000

Additional Information: During the year Depreciation charged on fixed assets was Rs. 20,000 and Income Tax Rs. 5,000 was paid in advance.

(Ans. Purchase of fixed Asset = 92,600)

10. From the following information prepare Cash Flow statement:

Particulars	31.03.14	31.03.13
I. EQUITY AND LIABILITIES		
(1) Shareholders' funds		
Share capital	1,00,000	1,00,000
Reserves & Surplus (P&L A/c)	60,000	30,000
	80,000	60,000
(2) Non-Current Liabilities (6% Debentures)		
(3) Current Liabilities	35,000	30,000
Trade Payables	65,000	70,000
Other Current Liabilities		
Total	3,30,000	2,90,000
II. ASSETS		
(1) Non-Current Assets		
Tangible Fixed Assets	1,90,000	1,50,000
Non-Current Investments	30,000	40,000

	55,000	40,000
(2) Current Assets	45,000	40,000
Inventories	10,000	20,000
Trade Receivables		
Cash & Cash Equivalents	3,30,000	2,90,000
Total		

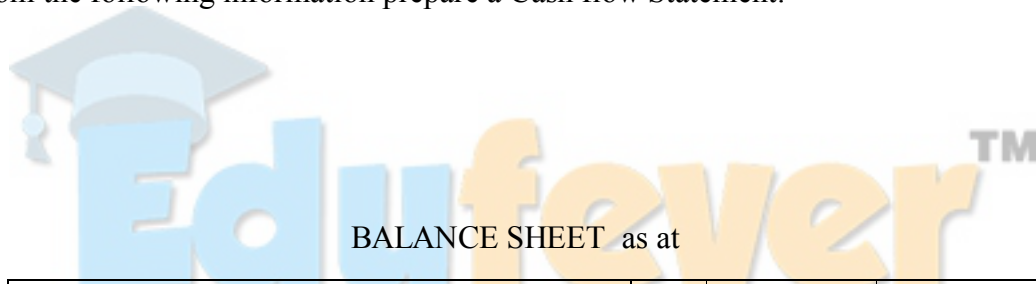
Additional Information:

(i) A piece of Machinery costing Rs. 5,000 on which depreciation of Rs. 2,000 had been charged was sold for Rs. 1,000. Depreciation charged during the year was Rs. 17,000.

(ii) During the Current year New Debentures have been issued on 1st Aug.

(Ans. Operating Activities = 23,400, Investing Activities = (49,000), Financing Activities = 15,600)

11. From the following information prepare a Cash flow Statement:



BALANCE SHEET as at

Particulars	No te no.	31.03.14	31.03.13
I. EQUITY AND LIABILITIES			
(1) Shareholders' Funds			
(a) Share Capital	1	1,00,000	1,00,000
(b) Reserves and Surplus	2	31,000	30,000
(2) Current Liabilities			
Trade Payables		6,200	9,200
Short-term Provisions(for Taxation)		18,000	16,000
Total		1,55,200	1,55,200
II. ASSETS			
(1) Non-current Assets			
Tangible fixed Assets		72,000	77,000
Intangible Assets (goodwill)		12,000	12,000
Non-current Investments (10% Investments)		11,000	10,000

(2) Current Assets		
Inventories	23,400	30,000
Trade Receivables	22,200	20,000
Provision for Doubtful Debt	(600)	(400)
Cash & Cash Equivalents	15,200	6,600
Total	1,55,200	1,55,200

Note No. 1

Share Capital

Equity shares of Rs. 10 each 1,00,000	1,00,000
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Note NO. 2

Reserves and Surplus

General Reserve	18,000	14,000
Profit & Loss A/c	13,000	16,000

Additional Information: Depreciation charges Rs. 8,000. Provision for taxation of Rs. 19,000 made during the year.

(Ans. Operating activities = 11,600; Investing Activities = (3,000))

12. From the following information, prepare a Cash Flow Statement:

Balance Sheets as at

Particulars	Note no.	31.03.14	31.03.13
I. EQUITY AND LIABILITIES			
(1) Shareholders' Funds			
(a) Share Capital	1	50,000	45,000
(b) Reserves and Surplus	2	29,950	28,275
(2) Non-Current Liabilities (10% Loan on Mortgage)		40,000	

(3) Current Liabilities		
Trade Payables		
Other current liabilities	15,000	18,000
Total	10,000	7,500
(c) ASSETS		
(3) Non-current Assets	1,44,950	1,38,775
Tangible fixed Assets		
Accumulated Depreciation		
Non-current Investments (10% Sinking fund Investments)	78,000	77,000
	(15,200)	(11,400)
(4) Current Assets		
Inventories	16,000	12,000
Trade Receivables		
Provision for Doubtful Debt		
Cash & Cash Equivalents	35,000	30,600
Total	21,300	23,500
	(1,350)	(1,425)
	11,200	8,500
	1,44,950	1,38,775



Note No. 1

Equity shares of Rs. 10 each	50,000	45,000
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Note No. 2

Sinking fund	16,000	12,000
Retained Earnings	13,950	16,275

Additional Information:

Dividend amounting to Rs. 5,000 was paid during the year.

(Ans. Operating Activities = 10,500; Investing Activities = (3,800); Financing Activities = (4,000))

Statement of changes in financial position
HIGH ORDER THINKING SKILLS QUESTIONS

::: CASH FLOW STATEMENT:::

1. Arvind, an industrialist purchased a machinery worth Rs.5 crores on hire purchase basis. Categories the (i) payment of installment and (ii) interest into operating/investing or financing activity as per cash flow statement.

Ans.: (i) The purchase of machinery is categorized as on investing activity and
(ii) Interest payable on installments is a financing activity.

2. Give two examples of movements of cash and cash equivalents, which are not recorded in the Cash Flow Statement.

Ans.: Certain transactions as per Accounting Standards – 3 (revised) though involve movement of cash or cash equivalent are not recorded in cash flow statement as they just involve cash management of cash of an enterprise.

Examples (any two) of such transactions are –

- (a) Cash deposited into bank out of cash in hand.
- (b) Cash withdrawn from bank from business purposes.
- (c) Sale/purchase of cash equivalents, like marketable securities.

3. Give one example each of an extra ordinary item under operating, investing and financing activity.

Examples of extraordinary items under:-

- (a) Operating activity – claim received from insurance company against loss of stock.
- (b) Investing activity – amount of compensation received against acquisition of land belonging to the enterprise.
- (c) Financing activity – payment for buy-back of equity shares of the company.

4. M/s.Lakshmi Electrical Appliances furnish the following information -

Calculate net cash flow from financing activities:-

<i>Particulars</i>	<i>31.12.2007</i>	<i>31.12.2008</i>
Equity share capital	2,00,000	4,50,000
10% debentures	1,00,000	-
6% preference shares	-	3,00,000

Additional information –

- (a) Interest paid on debentures Rs.5,000/-.
- (b) Dividend paid on equity shares Rs.40,000/-.
- (c) Bonus shares were issued to existing shareholders in the ratio of 4:1 during the year.

Ans.: CALCULATION OF NET CASH FLOW FROM FINANCING ACTIVITIES

<u>Particulars</u>	<u>Rs.</u>
Cash proceeds from issue of	3,00,000
Pref. Shares + equity shares	2,50,000
Redemption of 10% debentures	(1,00,000)
Interest paid	(5,000)
Dividend paid on equity shares	(40,000)
Net cash flow from financing activity	4,05,000

Bonus share is not shown in cash flow statement, as there is no cash flow.

5. P.Ltd. purchased a business premises for Rs.6,60,000 from Z.Ltd. Half the payment was made in cash and the remaining half by issue of equity shares of Rs.100 each at a premium of 10% in favour of Z.Ltd. How will this transaction be shown in the cash flow statement.

Cash payment of Rs.6,60,000 X $\frac{1}{2}$ = Rs.3,30,000 will be shown under investing activities as an outflow.

Issue of equity shares is not depicted in cash flow statement as there is no flow of cash.

6. The Board of Directors of M/s.Elite Industries require your advice regarding categorization of payment of various taxes in a cash flow statement – advice him based on information given below:-

- (i) Income tax on capital gains which have arisen out of sale of land – Rs.40,00,000.
- (ii) Income tax – 70,00,000.
- (iii) Dividend tax - 10,00,000.

- (a) Income tax on capital gains – investing activities.
- (b) Income tax – operating activity
- (c) Dividend tax – financing activity.

7. From the following information, calculate cash flow from investing and financing activities:-

<u>Particulars</u>	<u>Opening</u>	<u>Closing</u>
Furniture (cost)	2,00,000	2,80,000

Accumulated depreciation on furniture	60,000	90,000
Capital	10,00,000	4,00,000
Loan from bank	2,50,000	1,50,000

During the year, furniture costing Rs.40,000 was sold at a profit of Rs.30,000. Depreciation charged on furniture amounted to Rs.50,000.

Cash Flow from investing activities -

<u>Particulars</u>	<u>Rs.</u>
Inflow from fresh issue of capital	4,00,000
Outflow from repayment of bank loan	(50,000)
Net cash flow financing activities	3,50,000

Cash Flow from investing activities -

<u>Particulars</u>	<u>Rs.</u>
Inflow from sale of furniture	50,000
Outflow from purchased of furniture	(1,20,000)
Net cash flow from investing activities (outflow)	(70,000)

Furniture Account

To balance b/d	2,00,000	By Bank	50,000
To profit on sale	30,000	By Accum. Dept.	20,000
To Bank (balancing figure being furniture purchased)	1,20,000	By balance c/d.	2,80,000
	3,50,000		3,50,000

Accumulated Depreciation

To Furniture A/c. (Balancing figure being accumulated dep. on furniture sold)	20,000	By balance b/d.	60,000
To balance c/d.	90,000	By depreciation	50,000
	1,10,000		1,10,000

Sale price = cost – accumulated dep. + Profit on sale

$$40,000 - 20,000 + 30,000 = 50,000$$

8. A company had the following balance -

<u>Particulars</u>	<u>Rs.</u>
Investment at the beginning of the period	3,40,000
Investment at the end of the period	2,80,000

During the year, the company sold 40% of investments at the beginning at a profit of 84,000. Calculate cash flow from investing activities –

<u>Particulars</u>	<u>Rs.</u>
Inflow from sale of investment	
Cost of investment Gold (40% of Rs.340000) = 136000	
Add profit on sale = 84000	2,20,000
Out flow on purchase of investment	(76,000)
Net cash flow from investing activities	1,44,000

Investment A/c.

To balance b/d.	3,40,000	By Cash sale of investment	2,20,000
To profit on sale	84,000		
To bank a/c. (purchase)	76,000	By balance c/d.	2,80,000
	5,00,000		5,00,000

9. Apoorv Ltd. incurred a loss of Rs.7000 during the year 2008-09.

The following is the position of current assets and current liabilities of the firm:-

<u>Particulars</u>	<u>2008</u>	<u>2009</u>
Pre-paid insurance	5,000	8,000
Commission received in advance	2,000	3,000
Stock	10,000	15,000
B/P	15,000	18,000

- (a) Calculate cash flow from operating activities.
 (b) Prepare cash flow statement from following information.

Opening cash balance Rs.15,000, closing cash balance Rs.19,000. Increase in creditors Rs.13,000, decrease in debtors Rs.17,000. Fixed assets purchased Rs.30,000. Redemption of 12% debentures Rs.14,000. Profit during the year 18,000.

10. M/s.Sukriti traders suffered a loss of their buildings to the tune of Rs.50 lacs due to an earthquake. However, only Rs.25,00,000 was received as insurance claim. How will you depict it in a cash flow statement.