

CASH FLOW STATEMENT

Solution 1

- (a) Operating Activities: Items 1 and 5.
 (b) Investing Activities: Items 3,7 and 9
 (c) Financing Activities: Items 4,6,8 and 10
 (d) Cash Equivalent: 2

Solution 2

- (a) Operating Activities: Items (c) and (j)
 (b) Investing Activities: Items (a),(d), (e) and (g)
 (c) Financing Activities: Items (b),(f) and (h)
 (d) Item (i): Not a Cash Equivalent:

Solution 3

X Ltd.

Cash Flow Statement for the year ended 31st March, 2022
(Using direct method)

	₹'000	₹'000
Cash flows from operating activities		
Cash receipts from customers	2,800	
Cash payments to suppliers	(2,000)	
Cash paid to employees	(100)	
Cash payments for overheads	(200)	
Cash generated from operations	500	
Income tax paid	(250)	
Net cash generated from operating activities		250
Cash flows from investing activities		
Payments for purchase of fixed assets	(200)	
Proceeds from sale of fixed assets	100	
Net cash used in investing activities		(100)
Cash flows from financing activities		
Proceeds from issuance of equity shares	300	
Bank loan repaid	(300)	
Dividend paid	(50)	
Net cash used in financing activities		(50)
Net increase in cash		100
Cash at beginning of the period		50
Cash at end of the period		150

Solution 4

Cash Flow Statement for the year ended 31st March, 2022

	₹	₹
Cash flows from operating activities		
Cash received on account of trade receivables	3,50,000	
Cash paid on account of trade payables	(90,000)	
Cash paid to employees (salaries and wages)	(25,000)	
Other cash payments (overheads)	(15,000)	
Cash generated from operations	2,20,000	
Income tax paid	(55,000)	
Net cash generated from operating activities		1,65,000
Cash flows from investing activities		

Payments for purchase of fixed assets	(4,00,000)	
Proceeds from sale of fixed assets	<u>70,000</u>	
Net cash used in investing activities		(3,30,000)
Cash flows from financing activities		
Proceeds from issuance of equity shares	5,00,000	
Bank loan repaid	(2,50,000)	
Debentures redeemed	(50,000)	
Dividend paid	<u>(1,00,000)</u>	
Net cash used in financing activities		<u>1,00,000</u>
Net decrease in cash & cash equivalents		(65,000)
Cash and cash equivalents at the beginning of the year		<u>80,000</u>
Cash and cash equivalents at the end of the year		15,000

Solution 5

Gama Limited
Cash Flow Statement for the Year Ended 31st March 2021

Particulars	Amount (₹'000)	Amount (₹'000)
Cash flow from Operating Activities:		
Cash receipts from customers	74,682	
Cash payments to suppliers	(54,918)	
Cash payments for wages & salaries	(1,863)	
Cash payments of overheads	<u>(3,105)</u>	
Cash Generated from Operations	14,796	
Payment of Taxation	<u>(6,561)</u>	
Net Cash from Operating Activities		8,235
Cash Flow from Investing Activities:		
Proceeds from sale of investments	459	
Proceeds from sale of Property, Plant and Equipment	3,456	
Purchase of Investments	(351)	
Purchase of Property, Plant and Equipment	<u>(6,210)</u>	
Net Cash Used in Investing Activities		(2,646)
Cash Flow from Financing Activities:		
Proceeds from issue of shares	8,100	
Payment of Dividend	(2,160)	
Repayment of Bank Overdraft	(6,750)	
Interest paid on Bank Overdraft	<u>(1,350)</u>	
Net Cash Used in Financing Activities		<u>(2,160)</u>
Net Increase in Cash & Cash Equivalent		3,429
Cash and Cash Equivalent in the Beginning of the year		<u>945</u>
Cash and Cash Equivalent in the end of the year		4374

Solution 6

Harry Ltd.
Cash Flow Statement for the year ended 31st March, 2022

A.	Cash flow from Operating Activities		
	Net profit for the year before taxation	8,000	
	Adjustment for Depreciation (1,000+2,000+5,000)	8,000	
	Profit on sale of Investment	(8,000)	
	Profit on sale of car	<u>(1,400)</u>	
	Operating profit before working capital changes	6,600	

	Adjustment for working capital changes		
	Increase in trade receivables	(2,000)	
	Increase in Inventory	(6,000)	
	Increase in trade payables	3,000	
	Cash generated from operations	1,600	
	Income tax paid	(2,000)	
	Net Cash generated from operating activities (a)		(400)
B.	Cash flow from Investing Activities		
	Sale of Car	3,400	
	Purchase of Car	(16,000)	
	Sale of Investment	10,000	
	Purchase of Investment	(6,000)	
	Purchase of Furniture & fixtures	(14,000)	
	Net Cash used in investing activities (b)		(22,600)
C.	Cash flow from Financing Activities		
	Issue of shares for cash	20,000	
	Dividend paid	(2,000)	
	Net cash inflow from financing activities (c)		18,000
	Net increase in cash & cash equivalents during the year (a+b+c)		(5,000)
	Cash and cash equivalents at the beginning of the year		17,000
	Cash and cash equivalents at the end of the year		12,000

Working Notes:**Provision for Taxation A/c**

	₹		₹
To Cash (Bal. Fig.)	2,000	By Balance b/d	2,000
To Balance c/d	3,000	By P & L A/c	3,000
	5,000		5,000

Furniture & Fixtures Account

	₹		₹
To Balance b/d	22,000	By Depreciation	2,000
To Bank (Purchase) (Bal. fig.)	14,000	By Balance c/d	34,000
	36,000		36,000

Car Account

	₹		₹
To Balance b/d	16,000	By Bank	3,400
To Profit & Loss A/c (Profit on sale)	1,400	By Depreciation	5,000
To Bank (Purchase) (Bal. fig.)	16,000	By Balance c/d	25,000
	33,400		33,400

Solution 7**Fox Ltd.****Cash Flow Statement for the year ended 31st March, 2021**

Particular	₹	₹
Cash flows from operating activities		
Net Profit (35,000 less 25,000)	10,000	
Add: Dividend	10,000	
Provision for tax	8,000	
Net profit before taxation and extraordinary items	28,000	

Adjustments for:		
Depreciation	<u>40,000</u>	
Operating profit before working capital changes		68,000
Increase in trade receivables	(75,000)	
Increase in inventories	(70,000)	
Increase in other current assets	(33,000)	
Increase in trade payables	<u>90,000</u>	(88,000)
Cash used in operating activities		(20,000)
Less: Tax paid*		<u>(5,000)</u>
Net cash used in operating activities		<u>(25,000)</u>
Cash flows from investing activities		
Purchase of PPE	(2,10,000)	
Net cash used in investing activities		<u>(2,10,000)</u>
Cash flows from financing activities		
Issue of equity shares for cash	2,10,000	
Issue of preference shares	50,000	
Dividends paid	<u>(10,000)</u>	
Net cash generated from financing activities		<u>2,50,000</u>
Net increase in cash and cash equivalents		15,000
Cash and cash equivalents at beginning of period		<u>90,000</u>
Cash and cash equivalents at end of period		<u>1,05,000</u>

*Provision for tax of last year considered to be paid in the current year.

Working Note:

	₹
Property, plant and equipment acquisitions	
W.D.V. at 31.3.2021	3,50,000
Add back:	
Depreciation for the year	40,000
	<u>3,90,000</u>
Less: W.D.V. at 31.12.2020	<u>1,80,000</u>
Acquisitions during 2020-2021	<u>2,10,000</u>

Solution 8

Cash Flow Statement for the year ending on March 31, 2022

		₹	₹
I	Cash flows from Operating Activities		
	Net profit before tax for the year (W.N.1)	67,500	
	Add: Depreciation on Machinery (W.N.2)	27,500	
	Add: Depreciation on Land & Building	<u>10,000</u>	
	Operating profit before change in Working Capital	1,05,000	
	Decrease in inventory	10,000	
	Increase in trade receivables	(10,000)	
	Decrease in trade payables	(50,000)	
	Income-tax paid	<u>(22,500)</u>	
	Net cash from operating activities		32,500
II.	Cash flows from Investing Activities		
	Purchase on Machinery	(62,500)	
	Sale of Investments	<u>30,000</u>	(32,500)
III.	Cash flows from Financing Activities		
	Issue of equity shares (1,25,000-50,000)	75,000	
	Repayment of Long Term Loan from Bank	<u>(50,000)</u>	25,000

	Net increase in cash and cash equivalent		25,000
	Cash and cash equivalents at the beginning of the period		<u>2,50,000</u>
	Cash and cash equivalents at the end of the period		2,75,000

Working Notes:(i) **Net Profit made during the year ended 31.3.2022**

	₹
Increase in P & L (Cr.) Balance	40,000
Add: Provision for taxation made during the year	27,500
	67,500

(ii) **Machinery Account**

	₹		₹
To Balance b/d	3,75,000	By Depreciation (Bal. Fig.)	27,500
To Bank	62,500	By Balance c/d	4,60,000
To Equity share capital	50,000		
	4,87,500		4,87,500

(iii) **Provision for Taxation Account**

	₹		₹
To Cash (Bal. Fig.)	22,500	By Balance b/d	25,000
To Balance c/d	30,000	By P & L A/c	27,500
	52,500		52,500

(iv) **Investment Account**

	₹		₹
To Balance b/d	50,000	By Bank A/c	30,000
To Capital Reserve A/c (Profit on sale of investment)	5,000	(Bal. fig. for investment sold)	
		By Balance c/d	25,000
	55,000		55,000

Solution 9**Cash Flow Statement for the year ending on March 31, 2022**

		₹	₹
I	Cash flows from Operating Activities		
	Net profit made during the year (W.N.1)	2,60,000	
	Adjustment for depreciation on Machinery (W.N.2)	55,000	
	Adjustment for depreciation on Land & Building	<u>20,000</u>	
	Operating profit before change in Working Capital	3,35,000	
	Decrease in inventory	20,000	
	Increase in trade receivables	(20,000)	
	Decrease in trade payables	(1,00,000)	
	Income-tax paid	<u>(45,000)</u>	
	Net cash from operating activities		1,90,000
II.	Cash flows from Investing Activities		
	Purchase on Machinery	(1,25,000)	
	Sale of Investments	<u>60,000</u>	(65,000)
III.	Cash flows from Financing Activities		
	Issue of equity shares (2,50,000-1,00,000 Non Cash)	1,50,000	
	Repayment of Long Term Loan from Bank (5,00,000-4,00,000)	(1,00,000)	
	Dividend paid	<u>(1,00,000)</u>	(50,000)
	Net increase in cash and cash equivalent		75,000
	Cash and cash equivalents at the beginning of the period		<u>5,00,000</u>
	Cash and cash equivalents at the end of the period		5,75,000

Working Notes:**(i) Net Profit made during the year ended 31.3.2022**

	₹
Increase in P & L (Cr.) Balance	30,000
Add: Transfer to general reserve	50,000
Add: Provision for taxation made during the year	55,000
Add: Dividend payable during the year	1,25,000
	2,60,000

(ii) Machinery Account

	₹		₹
To Balance b/d	7,50,000	By Depreciation (Bal. Fig.)	55,000
To Bank	1,25,000	By Balance c/d	9,20,000
To Equity share capital	1,00,000		
	9,75,000		9,75,000

(iii) Provision for Taxation Account

	₹		₹
To Cash (Bal. Fig.)	45,000	By Balance b/d	50,000
To Balance c/d	60,000	By P & L A/cd	55,000
	1,05,000		1,05,000

(iv) Dividend Payable Account

	₹		₹
To Bank	1,00,000	By Balance b/d	1,00,000
To Balance c/d	1,25,000	By P & L A/c (Bal. Fig.)	1,25,000
	2,25,000		2,25,000

(v) Investment Account

	₹		₹
To Balance b/d	1,00,000	By Bank A/c	60,000
To Capital Reserve A/c (Profit on sale of investment)	10,000	(Bal. fig. for investment sold)	
		By Balance c/d	50,000
	1,10,000		1,10,000

Solution 10**Cash Flow Statement of Mr. Zen as per AS 3
for the year ended 31.3.2022**

i.	Cash flow from operating activities		
	Net Profit (given)		3,60,000
	<i>Adjustments for</i>		
	Depreciation on Plant & Machinery	1,44,000	
	Loss on Sale of Machinery	<u>16,000</u>	<u>1,60,000</u>
	Operating Profit before working capital changes		5,20,000
	Decrease in inventories	80,000	
	Increase in trade receivables	(1,60,000)	
	Increase in trade payables	<u>32,000</u>	<u>(48,000)</u>
	Net cash generated from operating activities		4,72,000
ii.	Cash flow from investing activities		
	Sale of Machinery	40,000	
	Purchase of Land (8,80,000 – 6,00,000)	<u>(2,80,000)</u>	
	Net cash used in investing activities		(2,40,000)

iii.	Cash flow from financing activities		
	Repayment of Mrs. Zen's Loan	(2,00,000)	
	Drawings	(1,36,000)	
	Loan from Bank	<u>80,000</u>	
	Net cash used in financing activities		(2,56,000)
	Net decrease in cash		(24,000)
	Opening balance as on 1.4.2021		<u>80,000</u>
	Cash balance as on 31.3.2022		56,000

Working Notes:**Plant & Machinery A/c**

	₹		₹
To Balance b/d (6,40,000 + 2,00,000)	8,40,000	By Cash (Sales)	40,000
		By Provision for Depreciation A/c	24,000
		By Profit & Loss A/c – Loss on Sale (80,000 – 64,000)	16,000
		By Balance c/d (4,40,000+3,20,000)	7,60,000
	8,40,000		8,40,000

Provision for depreciation on Plant and Machinery A/c

	₹		₹
To Plant and Machinery A/c	24,000	By Balance b/d	2,00,000
To Balance c/d	3,20,000	By Profit & Loss A/c (Bal. fig.)	1,44,000
	3,44,000		3,44,000

To find out Mr. Zen's drawings:

	₹
Opening Capital	10,00,000
Add: Net Profit	<u>3,60,000</u>
	13,60,000
Less: Closing Capital	<u>(12,24,000)</u>
Drawings	1,36,000

Solution 11**Cash Flow from Operating Activities**

	₹
Difference between Profit and Loss Account ₹ (37,800 + 5,400)	43,200
Add: Transfer to General Reserve (81,000-54,000)	27,000
Add: Adjustment for Provision for taxation	<u>1,62,000</u>
Profit Before tax	2,32,200
Add: Adjustment for Depreciation (₹ 1,62,000 – ₹ 1,29,600)	32,400
Add: Adjustment for provision for doubtful debt (₹ 54,000 – ₹ 27,000)	27,000
Add: Debenture Interest Paid ₹ (1,18,800 × 12%)	14,256
Less: Income from Investments (54,000 × 8%)	<u>(4,320)</u>
Operating Profit before Working Capital changes	3,01,536
Decrease in Inventories ₹ (1,35,000-81,000)	54,000
Increase in Trade receivables ₹ (2,61,360-81,000)	(1,80,360)
Decrease in Trade payables ₹ (1,29,600-1,18,800)	<u>(10,800)</u>
Cash generated from operations	1,64,376
Income tax paid	<u>(2,48,400)</u>
Net Cash generated from Operating Activities	(84,024)

Working Note:**Provision for taxation account**

	₹		₹
To Cash (Paid) (Balancing figure)	2,48,400	By Balance b/d	2,21,400
To Balance c/d	1,35,000	By Profit and Loss A/c	1,62,000
	3,83,400		3,83,400

Solution 12**Cash Flow from Operating Activities for the Year Ended 31 March 2024**

Particulars	₹
Cash Flow from Operating Activities	
Retained earnings (1,10,000-60,000)	50,000
Adjustments for non-cash items	
Goodwill Amortisation	30,000
Interest expenses	25,000
	1,05,000
Changes in Working Capital	
Decrease in Trade Receivables	30,000
Increase in Inventory	(25,000)
Decrease in Trade Payables	(15,000)
Cash Flow from Operating Activities	95,000

Cash Flow from Financing Activities for the Year Ended 31 March 2024

Particulars	₹
Increase in Share Capital	1,00,000
Increase in Bank Loan	50,000
Issue of 10% Debentures	1,00,000
Dividend Paid	(50,000)
Interest Paid	(20,000)
Cash Flow from Financing Activities	1,80,000

Solution 13**Cash Flow Statement as per AS 3**

<u>Cash flows from operating activities:</u>		₹ in lacs
Net profit before tax provision		72,000
<i>Add:</i> Non cash expenditures:		
Depreciation	48,000	
Loss on sale of assets	96	
Interest expenditure (non-operating activity)	<u>24,000</u>	<u>72,096</u>
		1,44,096
<i>Less:</i> Non cash income		
Amortisation of capital grant received	(20)	
Profit on sale of investments (non-operating income)	(240)	
Interest income from investments (non-operating income)	<u>(6,000)</u>	<u>6,260</u>
Operating profit		1,37,836
<i>Less:</i> Increase in working capital		<u>(1,34,580)</u>
Cash from operations		3,256
<i>Less:</i> Income tax paid		<u>(10,200)</u>
Net cash generated from operating activities		(6,944)
<u>Cash flows from investing activities:</u>		
Sale of assets (444 – 96)	348	
Sale of investments (66,636+240)	66,876	

Interest income from investments	6,000	
Grants for capital projects	36	
Purchase of fixed assets	(44,184)	
Expenditure on construction work	(83,376)	
Net cash used in investing activities		(54,300)
<u>Cash flows from financing activities:</u>		
Long term borrowings	1,11,732	
Interest paid	(26,084)	
Dividend paid	(20,404)	
Net cash from financing activities		65,244
Net increase in cash		4,000
Add: Cash and bank balance as on 1.4.2021		12,000
Cash and bank balance as on 31.3.2022		16,000

Solution 14

Manan Ltd.

Cash Flow Statement for the year ended 31st March, 2022

	Amount	Amount
<u>Cash flow from Operating Activities</u>		
Net profit before income tax and extraordinary items:		30,00,000
Adjustments for:		
Depreciation on Property, plant and equipment	7,50,000	
Discount on issue of debentures	45,000	
Interest on debentures paid	5,25,000	
Interest on investments received	(90,000)	
Profit on sale of investments	(30,000)	
		12,00,000
Operating profit before working capital changes		42,00,000
Adjustments for:		
Increase in inventory	(1,77,000)	
Decrease in trade receivable	7,350	
Increase in trade payables	450	
Increase in outstanding expenses	10,200	(1,59,000)
Cash generated from operations		40,41,000
Income tax paid		(15,75,000)
Cash flow from ordinary items		24,66,000
Cash flow from extraordinary items:		
Compensation received in a suit filed		1,35,000
Net cash flow from operating activities		26,01,000
<u>Cash flow from Investing Activities:</u>		
Sale proceeds of investments	4,80,000	
Interest received on investments	90,000	
Purchase of land (3,00,000 less 2,64,000)	(36,000)	
Net cash flow from investing activities		5,34,000
<u>Cash flow from Financing Activities</u>		
Proceeds of issue of equity shares at 20% premium	6,00,000	
Redemption of preference shares at 5% premium	(23,62,500)	
Preference dividend paid	(2,25,000)	
Interest on debentures paid	(5,25,000)	
Dividend paid (7,50,000 + 2,50,000)	(10,00,000)	
Net cash used in financing activities		(35,12,500)
Net decrease in cash and cash equivalents during theyear		(3,77,500)

Add: Cash and cash equivalents as on 31.3.2021		3,94,450
Cash and cash equivalents as on 31.3.2022		16,950

Solution 15**S Ltd.****Cash Flow Statement for the year ended 31st March, 2022**

	Amount	Amount
Cash flow from Operating Activities		
Net profit before income tax and extraordinary items:		30,00,000
Adjustments for:		
Depreciation on Property, plant and equipment	7,00,000	
Discount on issue of debentures	45,000	
Interest on debentures paid	4,35,000	
Interest on investments received	(70,000)	
Profit on sale of investments	(25,000)	
Stock adjustment {14,76,000 less 16,40,000 (14,76,000/90%)}	<u>1,64,000</u>	<u>12,49,000</u>
Operating profit before working capital changes		42,49,000
Adjustments for:		
Increase in inventory {16,40,000 (14,76,000/90%) less 13,50,000}	(2,90,000)	
Decrease in trade receivable	13,800	
Increase in trade payables	2,600	
Increase in outstanding expenses	<u>4,400</u>	<u>(2,69,200)</u>
Cash generated from operations		39,79,800
Income tax paid		<u>(12,80,000)</u>
Net cash flow from operating activities		26,99,800
Cash flow from Investing Activities;		
Sale proceeds of investments	3,75,000	
Interest received on investments	70,000	
Purchase of Fixed Assets (7,00,000 less 6,00,000)	<u>(1,00,000)</u>	
Net cash flow from investing activities		3,45,000
Cash flow from Financing Activities		
Proceeds of issue of equity shares	7,20,000	
Redemption of preference shares	(21,00,000)	
Dividend paid	(11,00,000)	
Interest on debentures paid	<u>(4,35,000)</u>	
Net cash used in financing activities		<u>(29,15,000)</u>
Net increase in cash and cash equivalents during the year		1,29,800
Add: Cash and cash equivalents as on 31.3.2021		<u>2,40,700</u>
Cash and cash equivalents as on 31.3.2022		<u>3,70,500</u>

*Net profit given in the question is after considering only the items listed as information point (1) of the question; hence amount of loss on plant not added back

Solution 16**Alpha Ltd.****Cash Flow Statement (from Operating Activities) for the year ended 31st March, 2022**

	₹	₹
Cash flow from Operating Activities		
Net profit before income tax and extraordinary items:		40,00,000
Adjustments for:		
Depreciation on Property, plant and equipment	10,00,000	
Discount on issue of debentures	60,000	

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Interest on debentures paid	7,00,000	
Interest on investments received	(1,20,000)	
Profit on sale of investments	(40,000)	16,00,000
Operating profit before working capital changes		56,00,000
Adjustments for:		
Increase in inventory	(2,36,000)	
Increase in Sundry Debtors	(10,200)	
Decrease in Bills receivables	20,000	
Increase in Sundry Creditors	10,600	
Decrease in Bills payables	(10,000)	
Increase in outstanding expenses	13,600	(2,12,000)
Cash generated from operations		53,88,000
Income tax paid		(21,00,000)
Cash flow from ordinary items		32,88,000
Cash flow from extraordinary items:		
Compensation received in a suit filed		1,80,000
Net cash flow from operating activities		34,68,000

Solution 17**Cash flow statement (using Direct Method) for the year ended 31st March, 2023**

	₹ (in crore)	₹ (in crore)
Cash flow from operating activities		
Cash sales	524	
Cash collected from credit customers	268	
Less: Cash paid to suppliers for goods & services & to employees (W.N.)	(502)	
Cash from operations	290	
Less: Income tax paid	(52)	
Net cash generated from operating activities		238
Cash flow from investing activities		
Payment for purchase of Machine (50-30)	(20)	
Proceeds from sale of Investments	32	
Net cash generated from investing activities		12
Cash flow from financing activities		
Redemption of Preference shares	(64)	
Proceeds from issue of Equity shares	48	
Debenture interest paid	(4)	
Dividend Paid	(30)	
Net cash used in financing activities		(50)
Net increase in cash and cash equivalent		200
Add: Cash and cash equivalents as on 1.04.2022		4
Cash and cash equivalents as on 31.3.2023		204

Working Note: Calculation of cash paid to suppliers of goods and services and to employees

	(₹ in crores)	(₹ in crores)
Cash purchases (440 x 20%)		88
Cash paid to suppliers of goods		
Opening Balance in creditors Account	168	
Add: Purchases (440 x 80%)	352	
Less: Closing balance in Creditors Account	(184)	336
Cash paid to suppliers of other consumables and services		38
Payment to employees		40
Total		502

Solution 18

Cash flow statement for the year ended 31st March 2024

	(₹ in lakhs)	(₹ in lakhs)
Cash flow from operating activities		
Cash sales	262.00	
Cash collected from credit customers	134.00	
Interest received on advance payment to suppliers	0.50	
Less: Cash purchases	(44.00)	
Less: Payment to Creditors (84 + 176 – 92)	(168.00)	
Less: Cash paid to suppliers for consumables and services	(19.00)	
Less: Cash paid to employee	(20.00)	
Cash from operations	145.50	
Less: Income tax paid	(26.00)	
Net cash generated from operating activities		119.50
Cash flow from investing activities		
Payment for purchase of Machine (20-15)	(5.00)	
Proceeds from rent received	8.00	
Net cash used in investing activities		3.00
Cash flow from financing activities		
Redemption of Preference shares	(32.00)	
Proceeds from issue of Equity shares	24.00	
Debenture interest paid	(3.00)	
Dividend Paid	(15.00)	
Net cash used in financing activities		(26.00)
Net increase in cash and cash equivalent		96.50
Add: Cash and cash equivalents as on 1.04.2023		2.00
Cash and cash equivalents as on 31.3.2024		98.50

Solution 19

Cash Flow Statement for the year ended 31st March, 2022

Particulars		
Cash flows from Operating Activities		
Cash sales (3,82,500/.30)		12,75,000
Less: Cash payments for trade payables	(4,60,000)	
Wages Paid	(4,92,500)	
Office and selling expenses	(75,000)	(10,27,500)
Cash generated from operations before taxes		2,47,500
Income tax paid		(65,000)
Net cash generated from operating activities (A)		1,82,500
Cash flows from investing activities		
Sale of investments	7,20,000	
Payments for purchase of Plant & machinery	(2,50,000)	
Net cash used in investing activities (B)		4,70,000
Cash flows from financing activities		
Bank loan repayment (including interest)	(2,15,000)	
Dividend paid	(30,000)	
Net cash used in financing activities (C)		(2,45,000)
Net increase in cash (A+B+C)		4,07,500
Cash and cash equivalents at beginning of the period		2,00,000
Cash and cash equivalents at end of the period		6,07,500

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

Solution 20

Loans and Advances given to the following and interest earned on them: a) to suppliers b) to employees c) to its subsidiaries companies	Operating Cash flow Operating Cash flow Investing Cash flow
Investment made in subsidiary Smart Ltd. and dividend received	Investing Cash flow
Dividend paid for the year	Financing Cash Outflow
TDS on interest income earned on investments made	Investing Cash Outflow
TDS on interest earned on advance given to suppliers	Operating Cash Outflow
Insurance claim received against loss of fixed asset by fire	Extraordinary item to be shown under separate heading as 'Cash inflow from Investing activities'.

Solution 21

Interest paid by financial enterprise	Cash flows from operating activities
TDS on interest received from subsidiary co	Cash flows from investing activities
Deposit with Bank for a term of two years	Cash flows from investing activities
Insurance claim received towards loss of machinery by fire	Extraordinary item to be shown as a separate heading under 'Cash flow from investing activities'
Bad Debts written off	It is a non cash item which is adjusted from net profit/loss under indirect method, to arrive at net cash flow from operating activity. In this case change in debtors is to be considered before bad debts means after adding bad debts. Alternatively, bad debts written off can be ignored in CFS and change in debtors is to be considered in normal manner.

Solution 22

As per AS 3 on 'Cash flow Statement', cash & cash equivalents consists of cash in hand, balance with banks & short-term, highly liquid investments. If investment, of ₹ 10 lacs, made in debentures is for short-term period then it is an item of 'cash equivalents'.

However, if investment of ₹ 10 lacs made in debentures is for long-term period then as per AS 3, it should be shown as cash flow from investing activities.

Solution 23

**Cash Flow Statement from Investing Activities of
Subham Creative Limited for the year ended 31-03-2022**

Cash generated from investing activities		
Interest on loan received	70,000	
Pre-acquisition dividend received on investment made	52,600	
Unsecured loans given to Associates	(5,00,000)	
Interest received on investments (gross value)	82,000	
TDS deducted on interest	(8,200)	
Sale of Plant & Machinery (90,000 – 9,600)	<u>80,400</u>	
Cash used in investing activities (before extra-ordinary item)		(2,23,200)
Extraordinary claim received for loss of machinery		55,000
Net cash used in investing activities (after extra-ordinary item)		(1,68,200)

Note:

- Debenture interest paid and Term Loan repaid are financing activities and therefore not considered for preparing cash flow from investing activities.
- Machinery acquired by issue of shares does not amount to cash outflow, hence also not considered in the above cash flow statement.
- The investments made in debentures are for short-term, it will be treated as 'cash equivalent' and will not be considered as outflow in cash flow statement.

Solution 24**Cash Flow Statement for the year ending on March 31, 2022**

		₹	₹
I	Cash flows from Operating Activities		
	Net profit made during the year (before tax) (W.N.1)	98,000	
	Add: Depreciation on Machinery	18,000	
	Add: Loss on sale of Plant	3,000	
	Add: Goodwill written off	13,000	
	Less: Dividend Income	(1,500)	
	Operating profit before change in Working Capital	1,30,500	
	Decrease in inventory	7,000	
	Increase in trade receivables	(33,000)	
	Increase in trade payables	21,000	
	Income-tax paid	(28,000)	
	Net cash from operating activities		97,500
II.	Cash flows from Investing Activities		
	Purchase of Plant	(1,34,000)	
	Sale of Land	50,000	
	Sale of Plant	12,000	
	Purchase of Investments	(25,600)	
	Dividend Received	2,100	(95,500)
III.	Cash flows from Financing Activities		
	Proceeds from Issuance of equity shares	1,00,000	
	Redemption of Preference Shares	(50,000)	
	Interim Dividend paid	(10,000)	
	Final Dividend paid	(27,000)	13,000
	Net increase in cash and cash equivalent		15,000
	Cash and cash equivalents at the beginning of the period		17,000
	Cash and cash equivalents at the end of the period		32,000

Working Notes:(i) **Net Profit made during the year ended 31.3.2022**

	₹
Increase in P & L (Cr.) Balance (27,000-18,000)	9,000
Add: Transfer to general reserve	10,000
Add: Dividend declared during the year	37,000
Add: Interim Dividend paid during the year	10,000
Add: Provision for taxation made during the year	32,000
	98,000

(ii) **Land & Building Account**

	₹		₹
To Balance b/d	1,00,000	By Bank (Sale)	50,000
To Capital Reserve (Profit on Revaluation)	25,000	By Balance c/d	75,000
	1,25,000		1,25,000

(iii) **Plant & Machinery Account**

	₹		₹
To Balance b/d	90,000	By Depreciation	18,000
To Bank A/c (Purchase)	1,34,000	By Bank (sale)	12,000
		By P&L A/c (Loss on sale)	3,000
		By Balance c/d	1,91,000
	2,24,000		2,24,000

(iv) **Investments Account**

	₹		₹
To Balance b/d	10,000	By Bank A/c (Dividend received)	600
To Bank A/c (Purchase)	25,600	By Balance c/d	35,000
	35,600		35,600

Solution 25

The related items given in the question will appear in the Cash Flow Statement of ABC Limited for the year ended 31st March, 2021 as follows:

	₹	₹
Cash flows from operating activities		
Closing Balance as per Profit and Loss Account	28,00,000	
Less: Opening Balance as per Profit and Loss Account	(20,00,000)	
	8,00,000	
Less: Dividend received	(50,000)	7,50,000
Cash flows from investing activities		
Dividend received		50,000
Cash flows from financing activities		
Proceeds from issuance of share capital		
Equity shares issued for cash	10,00,000	
Proceeds from securities premium (₹ 5,50,000 – 5,00,000)	50,000	10,50,000
Less: Redemption of Preference shares (₹ 7,00,000 – ₹ 6,00,000)	(1,00,000)	9,50,000

Note:

- Machinery acquired by issue of shares does not amount to cash outflow, hence also not considered in the cash flow statement.
- ABC Ltd. has been considered as a non-financial company in the given answer.

Solution 26

No.	Particulars	Activities
(i)	Dividend paid for the year	Financing
(ii)	TDS on interest income earned on investments made	Investing
(iii)	Loans and advances given to suppliers and interest earned from them	Operating
(iv)	Deposit with bank for a term of two years	Investing
(v)	Highly liquid Marketable Securities (without risk of change in value)	Cash Equivalent
(vi)	Investments made and dividends earned on them	Investing
(vii)	Insurance claims received against loss of stock or loss of profits	Operating
(viii)	Loans and advances given to subsidiaries and interest earned from them	Investing
(ix)	Issue of Bonus Shares	No Cash Inflow / Cash outflow
(x)	Term Loan repaid	Financing

Solution 27

Cash Flow Statement of Flora Limited from Operating Activities
For the year ended 31st March, 2023

	₹	₹
Net profit before taxation (W.N.1)		92,000
Adjustment: Depreciation on Furniture & Fixtures	5,000	
Depreciation on Vehicles	2,200	
Profit on sale of land (₹ 125000 - ₹ 100000)	(25,000)	
Loss on sale (Vehicle)	800	
Profit on sale of long-term investments	(8,000)	
Interest received	(6,500)	
Interest on debentures	12,000	
Goodwill written off	<u>13,000</u>	<u>(6,500)</u>
Operating profit before working capital changes		85,500
Increase in Stock in Hand	(8,000)	
Increase in Bills Receivables	(3,650)	
Decrease in Trade Receivables	6,000	
Decrease in Bills payable	(2,000)	
Increase in Trade Payables	4,000	
Increase in outstanding expenses	<u>1,500</u>	<u>(2,150)</u>
Cash generated from Operations		83,350
Less: Income taxes paid		<u>9,000</u>
Cash flow from Operating activities		74,350

Alternative presentation:

Cash Flow Statement of Flora Limited from Operating Activities For
the year ended 31st March, 2023

	₹	₹
Net profit before taxation (W.N. 1)		92,000
Adjustment: Depreciation on Furniture & fixtures	5,000	
Depreciation on Vehicles	2,200	
Profit on sale of land	(25,000)	
Loss on sale (Vehicle)	800	
Profit on sale of long- term investments	(8,000)	
Interest received	(6,500)	
Interest on debentures	12,000	
Goodwill written off	<u>13,000</u>	<u>(6,500)</u>
Operating profit before working capital changes		85,500
Increase in inventory	(8,000)	
Decrease in Trade receivables*	2,350	
Increase in Trade payables**	2,000	
Increase in outstanding expenses	<u>1,500</u>	<u>(2,150)</u>
Cash generated from Operations		83,350
Less: Income taxes paid		<u>9,000</u>
Cash flow from Operating activities		74,350

*[(18,150 + 46,000) - (14,500 + 52,000)]

**[(11,000 + 49,000) - (13,000 + 45,000)]

Working Notes:**1. Net Profit before Taxation**

Particulars	(₹)
Increases in Profit and Loss A/c (93,000-52,000)	41,000
Increases in General Reserve (90,000-60,000)	30,000

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Interim dividend Paid	5,000
Transfer – provision for Taxation	<u>16,000</u>
Increase in retained earnings (Net Profit before Taxation)	92,000

2. Provision for Taxation Account

	₹		₹
To Bank (Balancing figure)	9,000	By Balance b/d	11,000
To Balance c/d	18,000	By Profit and loss account	16,000
	<u>27,000</u>		<u>27,000</u>

3. Vehicle Account

	₹		₹
To Balance b/d	28,000	By Depreciation	2,200
		By Bank (sale)	3,000
		By P&L A/c (Loss) (Bal. Fig.)	800
		By Balance c/d	22,000
	<u>28,000</u>		<u>28,000</u>

Solution 28

Calculation of Cash Flow from Operating Activities

Particulars	Amount ₹
Retained earnings*	17,000
Add: Depreciation	4,000
Add: Loss on sale of Machinery	3,000
Add: Premium Payable on redeemable Preference Shares	2,000
Add: Dividend paid	8,000
Add: Interim dividend paid during the year	10,000
Add: Provision for tax made during the current year	7,000
Less: Refund of tax	(1,000)
Less: Profit on Sale of Investment	<u>(10,000)</u>
Operating Profit before Working Capital Changes	40,000
Add: Decrease in Prepaid Expenses	1,000
Less: Increase in Trade receivable	(2,000)
Add: Increase in Trade Payable	8,000
Less: Decrease in Outstanding Expenses	<u>(400)</u>
Cash generated from (Net of refund) operation	46,600
Less: Income tax paid (4,000 – 1,000)	<u>(3,000)</u>
Net Cash flow operating activities	<u>43,600</u>

Note: Retained earnings assumed as increase in P&L after all appropriations.

Solution 29

Cash flow statement consists of: (a) Cash in hand and deposits repayable on demand with any bank or other financial institutions and (b) Cash equivalents, which are short term, highly liquid investments that are readily convertible into known amounts of cash & are subject to insignificant risk or change in value. Cash flows are inflows (i.e. receipts) and outflows (i.e. payments) of cash and cash equivalents. Any transaction, which does not result in cash flow, should not be reported in the cash flow statement. Movements within cash or cash equivalents are not cash flows because they do not change cash as defined by AS 3 “Cash Flow Statements” which is sum of cash, bank and cash equivalents.

In the given case, due to increase in rate of foreign exchange by 75 paise, there is increase (change) in bank balance. This increase of ₹ 18,750 (25,000 x 0.75) is not a cash flow because neither there is any cash inflow nor there is any cash outflow. Therefore, this change in bank balance amounting ₹ 18,750 need not be disclosed in Cash Flow Statement of Ruby exports.

The net increase/decrease in Cash/Cash equivalents in the Cash Flow Statements are stated exclusive of exchange gains and losses. The resultant difference between Cash and Cash Equivalents as per the Cash flow statement and that recognized in the balance sheet is reconciled in the note on cash flow statements.