

**AS 3****Cash Flow Statements****Question 1**

Prepare Cash Flow Statement of Tom & Jerry Ltd. for the year ended 31st March, 2020, in accordance with AS-3 (Revised) from the following Summary Cash Account:

Summary Cash Account

	Rs. in ₹000	Rs. In ₹000
Balance as on 01.04.2019		210
Receipts from Customers		16,596
Sale of Investments (Cost Rs. 90,000)		102
Issue of Shares		1,800
Sale of Property Plant & Equipment		768
		19,476
Payment to Suppliers	12,204	
Purchase of Investments	78	
Purchase of Property Plant & Equipment	1,380	
Wages & Salaries	414	
Selling & Administration Expenses	690	
Payment of Income Tax	1,458	
Payment of Dividends	480	
Repayment of Bank Loan	1,500	
Interest paid on Bank Loan	300	(18,504)
Balance as on 31.03.2020		972

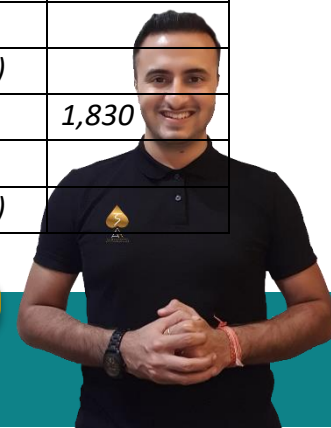
(MTP 8 Marks May 20) (Same concept different figures RTP May'20)

Answer 1

Cash Flow Statement of Tom & Jerry Ltd. for the year ended 31st March, 2020

(Rs; '000)

Cash flows from operating activities		
Cash receipts from customers	16,596	
Cash payments to suppliers	(12,204)	
Cash paid to employees	(414)	
Other cash payments (for Selling & Administrative expenses)	(690)	
Cash generated from operations	3,288	
Income taxes paid	(1,458)	
Net cash from operating activities		1,830
Cash flows from investing activities		
Payments for purchase of Property Plant & Equipment	(1,380)	





Proceeds from sale of Property Plant & Equipment	768	
Purchase of investments	(78)	
Sale of investments	102	
Net cash used in investing activities		(588)
Cash flows from financing activities		
Proceeds from issue of share capital	1,800	
Bank loan repaid	(1,500)	
Interest paid on bank loan	(300)	
Dividend paid	(480)	
Net cash used in financing activities		(480)
Net increase in cash and cash equivalents		762
Cash and cash equivalents at beginning of period		210
Cash and cash equivalents at end of period		972

Question 2

What do you mean by the term “cash and cash equivalent” as per AS 3? From the following information of XYZ Limited, calculate cash and cash equivalent as on 31-03-2019.

Particulars	Amount (₹)
Cash balance with Bank	10,000
Fixed Deposit created on 01-11-2018 and maturing on 15-07-2019	75,000
Short Term Investment in highly liquid Sovereign Debt Mutual fund made on 01-03-2019 (having maturity period of less than 3 months)	1,00,000
Bank Balance in a Foreign Currency Account in India (Conversion Rate: on the day of deposit ₹ 69/USD; ₹ 70/USD as on 31-03-2019)	\$ 1,000
Debentures purchased of ₹ 10 lacs of A Ltd., which are redeemable on 31st October, 2019	90,000
Shares of Alpha Ltd. purchased on 1st January, 2019	60,000

(MTP 5 Marks Oct 20)

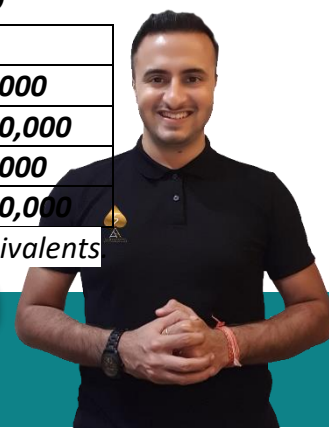
Answer 2

As per AS 3, Cash and cash equivalents consists of: (i) Cash in hand and deposits repayable on demand with any bank or other financial institutions and (ii) Cash equivalents, which are short term, highly liquid investments that are readily convertible into known amounts of cash and are subject to insignificant risk or change in value. A short-term investment is one, which is due for maturity within three months from the date of acquisition. Investments in shares are not normally taken as cash equivalent, because of uncertainties associated with them as to realizable value.

Computation of Cash and Cash Equivalents as on 31st March, 2019

	₹
Cash balance with bank	10,000
Short term investment in highly liquid sovereign debt mutual fund on 1.3.19	1,00,000
Bank balance in foreign currency account (\$1,000 x ₹ 70)	70,000
	1,80,000

Note: Fixed deposit, Shares and Debentures will not be considered as cash and cash equivalents





Question 3

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

- a. Purchase of Machinery.
- b. Proceeds from issuance of equity share capital
- c. Cash Sales.
- d. Proceeds from long-term borrowings.
- e. Proceeds from Trade receivables.
- f. Cash receipts from Trade receivables.
- g. Trading Commission received.
- h. Purchase of investment.
- i. Redemption of Preference Shares.
- j. Cash Purchases.

(MTP 5 Marks Oct '18)

Answer 3

- (i) Operating Activities: c, e, f, g, j.
- (ii) Investing Activities: a, h.
- (iii) Financing Activities: b, d, i.

Question 4

From the following information, prepare the Cash Flow from Financing activities as per AS 3 'Cash Flow Statements' as the accountant of XYZ Limited is not able to decide and seeks your advice:

- (i) Received ₹ 4,00,000 as redemption of short-term deposit
- (ii) Proceeds of ₹ 20,00,000 from issuance of equity share capital
- (iii) Received interest of ₹ 70,000 on Govt. bonds.
- (iv) An amount of ₹ 13,00,000 incurred for purchase of goodwill
- (v) Proceeds of ₹ 5,00,000 from sale of patent.
- (vi) Proceeds of ₹ 12,00,000 from long term borrowing.
- (vii) Amount paid for redemption of debentures of ₹ 22,00,000
- (viii) Underwriting commission of ₹ 40,000 paid on issue of equity share capital
- (ix) Interest of ₹ 1,44,000 paid on long-term borrowing.

(MTP 5 Marks Oct '21)

Answer 4

Statement showing Cash Flow from Financing Activities

		₹
Cash inflow from financing activity		
Proceeds from issuance of equity share capital	20,00,000	
Proceeds from long term borrowings	12,00,000	
Total cash inflow from financing activity		32,00,000
Less: Cash outflow from financing activity		
Amount paid for redemption of debentures	22,00,000	
Underwriting commission paid	40,000	
Interest paid on long-term borrowings	1,44,000	(23,84,000)
Net cash inflow from financing activity		8,16,000



**Question 5**

Following is the cash flow abstract of Alpha Ltd. for the year ended 31st March, 2021:

Cash Flow (Abstract)

Inflows	Rs.	Outflows	Rs.
Opening cash and bank balance	80,000	Payment for Account Payables	90,000
Share capital – shares issued	5,00,000	Salaries and wages	25,000
Collection from Trade		Payment of overheads	15,000
Receivables	3,50,000	Machinery acquired	4,00,000
		Debentures redeemed	50,000
Sale of Machinery	70,000	Bank loan repaid	2,50,000
		Tax paid	1,55,000
		Closing cash and bank balance	<u>15,000</u>
	<u>10,00,000</u>		<u>10,00,000</u>

Prepare Cash Flow Statement for the year ended 31st March, 2021 in accordance with AS 3.

(MTP 5 Marks April 21, Mar 22, Old & New SM)

Answer 5**Cash Flow Statement for the year ended 31.3.2021**

	Rs.	Rs.
Cash flow 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	(1,55,000)	
Net cash generated from operating activities		65,000
Cash flow from investing activities		
Payment for purchase of machinery	(4,00,000)	
Proceeds from sale of machinery	<u>70,000</u>	
Net cash used in investment activities		(3,30,000)
Cash flow from financing activities		
Proceeds from issue of share capital	5,00,000	
Bank loan repaid	(2,50,000)	
Debentures redeemed	(50,000)	
Net cash used in financing activities		<u>2,00,000</u>
Net decrease in cash and 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		<u>15,000</u>

Question 6

Classify the following activities as

(i) Operating Activities, (ii) Investing activities, (iii) Financial activities and (iv) Cash Equivalents.

- (1) Cash receipts from Trade Receivables
- (2) Highly liquid Marketable Securities without risk of change in value



- (3) Purchase of investment
- (4) Proceeds from long term borrowings
- (5) Wages and Salaries paid
- (6) Bank overdraft
- (7) Purchase of Goodwill
- (8) Interim dividend paid on equity shares
- (9) Short term Deposits
- (10) Underwriting commission paid

(MTP 5 Marks, Sep 22) (PYP May '18, 5 Marks)

Answer 6

- (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

Question 7

How will you disclose following items while preparing Cash Flow Statement of Gagan Ltd. as per AS-3 for the year ended 31st March, 2022?

- (i) 10% Debentures issued: As on 01-04-2021 ₹ 1,10,000
As on 31-03-2022 ₹ 77,000
- (ii) Debentures were redeemed at 5% premium at the end of the year. Premium was charged to the Profit & Loss Account for the year.
- (iii) Unpaid Interest on Debentures: As on 01-04-2021 ₹ 275
As on 31-03-2022 ₹ 1,175
- (iv) Debtors of ₹ 36,000 were written off against the Provision for Doubtful Debts A/c during the year.
- (v) 10% Bonds (Investments): As on 01-04-2021 ₹ 3,50,000
As on 31-03-2022 ₹ 3,50,000
- (vi) Accrued Interest on Investments: As on 31-03-2022 ₹ 10,500

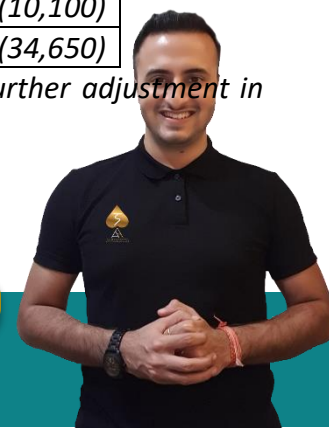
(MTP 5 Marks March '23)

Answer 7

Cash Flow Statement of Gagan Ltd. for the year ended March 31, 2022

A	Cash Flow from Operating Activities	
	Net Profit as per Profit & Loss A/c	-----
	Add: Premium on Redemption of Debentures	1,650
	Add: Interest on 10% Debentures	11,000
	Less: Interest on 10% Investments	(35,000)
B	Cash Flow from Investing Activities	
	Interest on Investments [35,000-10,500]	24,500
C	Cash Flow from Financing Activities	
	Interest on Debentures paid [11,000 - (1,175 - 275)]	(10,100)
	Redemption of Debentures [(1,10,000 - 77,000) at 5% premium]	(34,650)

Note: Debtors written off against provision for doubtful debts does not require any further adjustment in Cash Flow Statement.



Question 8

Classify the following activities as (1) Operating Activities, (2) Investing Activities, (3) Financing Activities (4) Cash Equivalents.

- Proceeds from long-term borrowings.
- Proceeds from Trade receivables.
- Trading Commission received.
- Redemption of Preference Shares.
- Proceeds from sale of investment
- Interim Dividend paid on equity shares.
- Interest received on debentures held as investment.
- Dividend received on shares held as investments.
- Rent received on property held as investment.
- Dividend paid on Preference shares.

Marketable Securities

(RTP May 20)

Answer 8

Operating Activities: b, c.

Investing Activities: e, g, h, i.

Financing Activities: a, d, f, j.

Cash Equivalent: k.

Question 9

Prepare cash flow from investing activities as per AS 3 of M/s Subham Creative Limited for year ended 31.3.2019. (PYP Nov,'19,5 Marks, Old & New SM) (Same concept lesser adjustments- MTP 4 Marks March 21, MTP 5 Marks April 22 & Oct '23)

Particulars	(Rs.)
Machinery acquired by issue of shares at face value	2,00,000
Claim received for loss of machinery in earthquake	55,000
Unsecured loans given to associates	5,00,000
Interest on loan received form associate company	70,000
Pre-acquisition dividend received on investment made	52,600
Debenture interest paid	1,45,200
Term loan repaid	4,50,000
Interest received on investment (TDS of Rs. 8,200 was deducted on the above interest)	73,800
Purchased debentures of X Ltd., on 1st December, 2018 which are redeemable within 3 months	3,00,000
Book value of plant & machinery sold (loss incurred Rs. 9,600)	90,000

Answer 9

Cash Flow Statement from Investing Activities of Subham Creative Limited for the year ended 31-03-2019

Cash generated from investing activities	Rs.	Rs.
Interest on loan received	70,000	
Pre-acquisition dividend received on investment made	52,600	
Unsecured loans given to subsidiaries	(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)	80,400	
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:

1. Debenture interest paid and Term Loan repaid are financing activities and therefore not considered for preparing cash flow from investing activities.

2. 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.

Question 10

Prepare cash flow statement of Gama Limited for the year ended 31st March, 2021 in accordance with AS-3(Revised) from the following cash account summary: (PYP July'21, 5 Marks)

Cash summary Account

Inflows	₹ ('000)	Outflows	₹ ('000)
Opening Balance	945	Payment to suppliers	54,918
Receipts from Customers	74,682	Purchase of Investments	351
Sale of Investments (Cost ₹ 4,05,000)	459	Property, plant & equipment acquired	6,210
Issue of Shares	8,100	Wages and salaries	1,863
Sale of Property, Plant and equipment	3,456	Payment of Overheads	3,105
		Taxation	6,561
		Dividends	2,160
		Repayment of Bank Overdraft	6,750
		Interest paid on Bank Overdraft	1,350
		Closing Balance	4,374
	87,642		87,642

Answer 10

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	(3,105)	
Cash Generated from Operations	14,796	
Payment of Taxation	(6,561)	
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	(6,210)	
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	(1,350)	
Net Cash Used in Financing Activities		(2,160)
Net Increase in Cash & Cash Equivalent		3,429
Cash and Cash Equivalent in the Beginning of the year		945
Cash and Cash Equivalent in the end of the year		4374

Question 11

Following are the extracts from the Balance Sheet of ABC Ltd.

Liabilities	31.3.2020	31.3.2021
	(₹)	(₹)
Equity Share Capital	25,00,0000	35,60,000
10% Preference Share Capital	7,00,000	6,00,000
Securities Premium Account	5,00,000	5,50,000
Profit & Loss A/c	20,00,000	28,00,000

Equity Share Capital for the year ended 31st March, 2021 includes ₹ 60,000 of equity shares issued to Grey Ltd. at par for supply of Machinery of ₹ 60,000; Profit & Loss account on 31st March, 2021 includes ₹ 50,000 of dividend received on Equity shares invested in X Ltd; Show how the related items will appear in the Cash Flow Statement of ABC Ltd. as per AS-3 (Revised) **(PYP 5 Marks, Dec '21)**

Answer 11

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: 1. Machinery acquired by issue of shares does not amount to cash outflow, hence also not considered in the cash flow statement.

2. ABC Ltd. has been considered as a non-financial company in the given answer.



**Question 12**

The following information is provided by Alpha Limited, for the year ended 31st March, 2022:

- (i) Net profit before taking into account income tax and income from law suits but after taking into account the following items was ₹ 40 lakhs;
- (ii) Depreciation on Fixed Assets ₹ 10 lakhs;
- (iii) Discount on issue of Debentures written of ₹ 60,000;
- (iv) Interest on Debentures paid ₹ 7,00,000;
- (v) Book value of investments ₹ 6 lakhs (Sale of Investments for ₹ 6,40,000);
- (vi) Interest received on investments ₹ 1,20,000;
- (vii) Compensation received ₹ 1,80,000 by the company in a suit filed.
- (viii) Income tax paid ₹ 21,00,000
- (ix) Current assets and current liabilities in the beginning and at the end of the year were as detailed below:

	As on 31.3.2021 ₹	As on 31.3.2022 ₹
Stock	24,00,000	26,36,000
Sundry Debtors	4,16,000	4,26,200
Cash in hand	3,92,600	70,600
Bills Receivable	1,00,000	80,000
Bills Payable	90,000	80,000
Sundry Creditors	3,32,000	3,42,600
Outstanding Expenses	1,50,000	1,63,600

You are required to prepare Cash Flow Statement from Operating Activities in accordance with AS-3 (revised) using the indirect method for the year ended 31st March, 2022. **(PYP 5 Marks May'22)**

Answer 12**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	
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	
Increase 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

Question 13

Ridgeway Limited, a Non-Financial company has the following activities:

- (i) Dividend paid for the year.
- (ii) TDS on interest income earned on investments made.
- (iii) Loans and advances given to suppliers and interest earned from them.
- (iv) Deposit with bank for a term of two years.
- (v) Highly liquid Marketable Securities (without risk of change in value).
- (vi) Investments made and dividends earned on them.
- (vii) Insurance claims received against loss of stock or loss of profits.
- (viii) Loans and advances given to subsidiaries and interest earned from them.
- (ix) Issue of Bonus Shares.
- (x) Term loan repaid.

You are required to classify the above activities in Cash Flow Statement as per 'AS-3';

(PYP 5 Marks Nov '22)

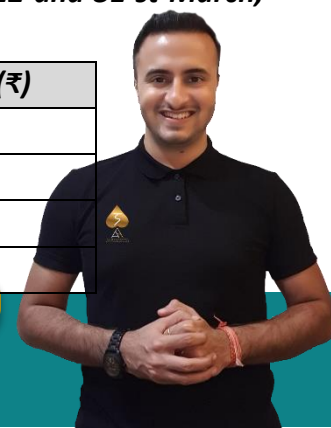
Answer 13

No.		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

Question 14

The summarized Balance Sheets of Flora Limited for the year ended 31st March, 2022 and 31 st March, 2023 are as below:

Assts	31/03/2023 (₹)	31/03/2022 (₹)
Goodwill	15,000	28,000
Land	5,75,000	6,00,000
Furniture and Fixtures	48,000	44,000
Vehicles	22,000	28,000





Office Equipment	21,000	-
Long-term Investments	60,000	1,10,000
Stock-in-hand	96,000	88,000
Bills Receivables	18,150	14,500
Trade Receivables	46,000	52,000
Cash and Bank Balances	1,29,850	34,500
Total	10,31,000	9,99,000
Liabilities	31/03/2023 (₹)	31/03/2022 (₹)
Equity Shares Capital	6,80,000	5,00,000
General Reserves	90,000	60,000
Profit and Loss Account	93,000	52,000
Capital Reserve	75,000	-
8% Debentures of ₹ 100 each	-	3,00,000
Loan from Mr. Andrew	-	15,000
Bills Payables	11,000	13,000
Trade Payables	49,000	45,000
Creditors for Equipment	10,500	-
Outstanding Expenses	4,500	3,000
Provision for Taxation	18,000	11,000
Total	10,31,000	9,99,000

Additional Information:

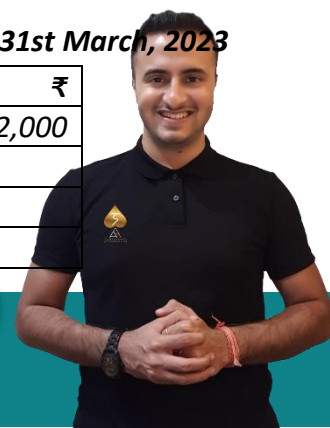
- On 1st April, 2022, one of the vehicles was sold for ₹ 3,000. No new purchases were made during the year.
- A part of the total land was sold for ₹ 1,25,000 (Cost ₹ 1,00,000) and the balance land was revalued. Capital reserve consists of profit on revaluation of balance land. No new purchases were made during the year. (iii) Depreciation provided during the year-
 - Furniture and Fixtures ₹ 5,000
 - Vehicles ₹ 2,200
- Interim dividend of 5,000 was paid during the year.
- Provision for taxation for the year 2022-2023 was ₹ 16,000.
- 8% Debentures were redeemed at par after half year interest payment on 30th September, 2022.
- Part of the long-term investments were sold at a profit of 8,000.
- Interest income received during the year on long-term investment was 6,500.

You are required to prepare Cash Flow Statement from Operating Activities for the year ended 31st March, 2023 using indirect method. (All workings should form part of the answer) **(PYP 10 Marks May '23)**

Answer 14

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	13,000	(6,500)
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	1,500	(2,150)
Cash generated from Operations		83,350
Less: Income taxes paid		9,000
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	13,000	(6,500)
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	1,500	(2,150)
Cash generated from Operations		83,350
Less: Income taxes paid		9,000
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:**Net Profit before Taxation**

Increases in Profit and Loss A/c (93,000-52,000)	41,000
Increases in General Reserve (90,000-60,000)	30,000
Interim dividend Paid	5,000
Transfer – provision for Taxation	16,000
Increase in retained earnings (Net Profit before Taxation)	92,000



**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
	27,000		27,000

Vehicles Account

Particulars	(₹)
Opening Balance	28,000
Less: Depreciation	(2,200)
Less: Closing Balance	(22,000)
Book value of vehicle sold	3,800
Less: Sale Value	(3,000)
Loss on sale of Vehicle	800

Question 15

On the basis of the following information prepare a Cash Flow Statement for the year ended 31st March, 2023 (Using direct method):

- (i) Total sales for the year were ₹ 796 crores out of which cash sales amounted to ₹ 524 crores.
(ii) Receipts from credit customers during the year, totalled ₹ 268 crores;
(iii) Purchases for the year amounted to ₹ 440 crores out of which credit purchase was 80%;
Balance in creditors as on 1.4.2022 ₹ 168 crores

31.3.2023 ₹ 184 crores

- (i) Suppliers of other consumables and services were paid ₹ 38 crores in cash;
(ii) Employees of the enterprises were paid 40 crores in cash.
(iii) Fully paid 9% Preference shares of the face value of ₹ 64 crores were redeemed; Equity shares of the face value of ₹ 40 crores were allotted as fully paid up at premium of 20%;
(iv) 10% Debentures of ₹ 40 crores at a premium of 10% were redeemed; Debenture holders were issued equity shares in lieu of their debentures.
(v) ₹ 52 crores were paid by way of income tax.
(vi) A new machinery costing ₹ 50 crores was purchased in part exchange of an old machinery. The book value of the old machinery was ₹ 26 crores; Through the negotiations, the vendor agreed to take over the old machinery at a higher value of ₹ 30 crores. The balance was paid in cash to the vendor.
(vii) Investment costing ₹ 36 cores were sold at a loss of ₹ 4 crores;
(viii) Dividends totaling ₹ 30 crores was also paid;
(ix) Debenture interest amounting ₹ 4 crore was paid;
(x) Non-cash expenditure incurred during the current year was 1.2 crores.
(ix) Dividends declared during the current year was 15% on equity share capital (ESC = '120 crores);
(x) On 31st March 2022, Balance with Bank and Cash on hand totalled ₹ 4 crores.

(RTP Nov '23)

Answer 15

Cash flow statement (using direct method) for the year ended 31st March, 2023

	(₹ in crores)	(₹ in crores)
Cash flow from operating activities		
Cash sales	524	





Cash collected from credit customers	268	
Less: Cash paid to suppliers for goods & services and to employees (Refer Working Note)	(502)	
Cash from operations	290	
Less: Income tax paid	(52)	
Net cash from operating activities		238
Cash flow from investing activities		
Net Payment for purchase of Machine (50 – 30)	(20)	
Proceeds from sale of investments	32	
Net cash 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 equivalents		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)
Opening Balance in creditors Account	168
Add: Purchases (440x .8)	352
Total	520
Less: Closing balance in Creditors Account	184
Cash paid to suppliers of goods	336
Add: Cash purchases (440x .2)	88
Total cash paid for purchases to suppliers (a)	424
Add: Cash paid to suppliers of other consumables and services (b)	38
Add: Payment to employees (c)	40
Total cash paid to suppliers of goods & services and to employees [(a)+ (b) + (c)]	502

