LS1

Illustration 10

Given below are the relevant extracts of the Balance Sheet and the Statement of Profit and Loss of ABC Ltd. along with additional information:

Extract of Balance sheet

		Particulars	Notes	31.3.20X1 (₹ in lakhs)	31.3.20X0 (₹ in lakhs)
		Equity and Liabilities			
1		***Current liabilities***			
	(a)	*Trade Payables*		250	230
	(b)	*Short term Provisions*	1	200	180
	(c)	*Other current liabilities*	2	70	50
		Assets			
1		***Current assets***			
	(a)	*Inventories*		200	180
	(b)	*Trade Receivables*		400	250
	(c)	*Other current assets*	3	195	180

20↑

Statement of Profit and Loss of ABC Ltd. for the year ended 31st March, 20X1

	Particulars	Notes	₹ in lakhs
I	*Revenue from operations*		4,150
II	*Other income*	4	100
III	*Total income (I + II)*		**4,250**
	Expenses:		
	Purchases of Stock-in-Trade		2,400
	Change in inventories of finished goods		(20)
	Employee benefits expense		800
	Depreciation expense Operating N.C (+)		100
	Finance cost	5	60
	Other expenses		200
IV	***Total expenses***		**3,540**

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Illustration 10 :- Cash flow Statement f·t·y·e· 31·3·21

Particulars	Amount	Amount
I) Cash flow from Operating Activity		
Net Profit after tax	510	
add: Tax expense/provision	200	
Net Profit before tax	710	
add: extraordinary expenses	x	
less: extraordinary incomes	x	
Net Profit before tax and extraordinary items	710	
add: Non- operating expenses		
Interest	60	
less: Non- operating incomes		
Interest and Dividend	(100)	
add: Operating non-cash items		
Depreciation	100	
Operating profit before Working Capital changes	770	
less: increase in Trade Receivables	(150)	
add: increase in Trade Payables	20	
add: increase in o/s wages	10	
add: increase in o/s expenses	10	
less: increase in inventory	(20)	
Cash flow from operations	640	
less: Income Tax paid	(195)	
Cash flow from operating activities	445	

Tax a/c

Op. bal.	180	Op. bal.	180
To, cash/bank (bal.)	195	By, P&L	200
C. bal.	200	C. bal.	195

LST

V	Profit before tax (**III – IV**)		710
VI	Tax expense:		
	Current tax		200
VII	Profit for the year from continuing operations NPAT		510

Appropriations

Balance of Profit and Loss account brought forward	50
Transfer to general reserve	200
$\boxed{\text{Dividend paid}}$ → "Financing activity"	330

Notes to accounts:

		20X1 (₹ in lakhs)	20X0 (₹ in lakhs)
1	Short term Provisions:		
	Provision for Tax	200	180
2	Other current liabilities:		
	Outstanding wages CL: OA	50	40
	Outstanding expenses	20	10
	Total	70	50
3	Other current assets:		
	Advance tax	195	180
4	Other income:		
	Interest and dividend NOI –	100	
5	Finance cost:		
	Interest NOE +	60	

Compute cash flow from operating activities using both direct and indirect method.

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Scenario based Questions

8. *Classify the following activities as (a) Operating activities, (b) Investing activities (c) Financing activities (d) Cash equivalents with reference to AS 3 (Revised).*

   (a) Brokerage paid on purchase of investments

   (b) Underwriting commission paid

   (c) Trading commission received

   (d) Proceeds from sale of investment

   (e) Purchase of goodwill

   (f) Redemption of preference shares

   (g) Rent received from property held as investment

   (h) Interest paid on long-term borrowings

   (i) Marketable securities (having risk of change in value)

   (j) Refund of income tax received

9. *How will you disclose following items while preparing Cash Flow Statement of Gagan Ltd. as per AS-3 for the year ended 31st March, 20X2?*

   (i) 10% Debentures issued: As on 01-04-20X1 ₹ 1,10,000

   As on 31-03-20X2 ₹ 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 01-04-20X1 ₹ 275

   As on 31-03-20X2 ₹ 1,175

   (iv) Debtors of ₹ 36,000 were written off against the Provision for Doubtful Debts A/c during the year. → Cash Inflow / Outflow → ×

   (v) 10% Bonds (Investments): As on 01-04-20X1 ₹ 3,50,000

   ↳ Interest = 35000 → NOI −

   As on 31-03-20X2 ₹ 3,50,000

   (vi) Accrued Interest on Investments: As on 31-03-20X2 ₹ 10,500

   Int. receivable

Question 9 :-

Cash flow Statement

Particulars	Amount	Amount
1) Cash flow from Operating Activities		
Non-Operating Exp		
Premium on redemption of debentures	1650	
Interest on debentures	11000	
Non-Operating Income		
Interest on bonds	(35000)	
2) Cash flow from Investing Activities		
Interest received on investments	24500	
3) Cash flow from financing activities		
Redemption of debentures	(34650)	
Interest paid on debentures	(10100)	

Debentures = 110000 − 77000 = 33000 + 5% = 34650

Premium = 33000 × 5% = 1650 → P&L Dr. → NOE +

Interest = 110000 × 10% = 11000

Interest

		Op. bal.	275
To cash/bank (bal.)	10100	By P&L	11000
Cl. bal.	1175		

Int on invest a/c

To P&L	35000	By cash/bank (bal.)	24500
		Cl. bal.	10500

Ismths

10. *From the following Balance sheet of Grow More Ltd., prepare Cash Flow Statement for the year ended 31st March, 20X1 :*

		Particulars	Notes	31st March, 20X1	31st March, 20X0
		Equity and Liabilities			
1		**Shareholders' funds**			
	A	Share capital		10,00,000	8,00,000
	B	Reserves and Surplus	1	3,00,000	2,10,000
2		**Non-current liabilities**			
		Long term borrowings	2	2,00,000	-
3		**Current liabilities**			
	A	Trade Payables		7,00,000	8,20,000
	B	Other current liabilities	3	-	1,00,000
	C	Short term provision (provision for tax)		1,00,000	70,000
		Total		**23,00,000**	**20,00,000**
		Assets			
1		**Non-current assets**			
	A	Property, plant and Equipment	4	13,00,000	9,00,000
	B	Non-Current Investments		1,00,000	-
2		**Current assets**			
	A	Inventories		4,00,000	2,00,000
	B	Trade receivables		5,00,000	7,00,000
	C	Cash and Cash equivalents		-	2,00,000
		Total		**23,00,000**	**20,00,000**

Notes to accounts

No.	Particulars	31st March, 20X1	31st March, 20X0
1	**Reserves and Surplus**		
	General reserve	2,00,000	1,50,000

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Question 10 :- Cash flow Statement f.t.y.e. 31.3.21

Particulars	Amount	Amount
I) Cash flow from Operating Activity		
Net Profit after tax	90,000	
add: Tax expense/provision	80000	
Net Profit before tax	170000	
add: extraordinary expenses	x	
less: extraordinary incomes	x	
Net Profit before tax and extraordinary items	170000	
add: Non-operating expenses	x	
less: Non-operating incomes		
Profit on sale of mach	(15000)	
add: Operating non-cash items		
Depreciation	125000	
Operating profit before working capital changes	280000	
less: dec in TP	(120000)	
less: inc. in Inven.	(200000)	
add: dec. in TR	200000	
Cash flow from operations	160000	
less: Income Tax paid	(50000)	
Cash flow from operating activities	110000	110000
II) Cash flow from investing activities		
Build-const.	(200000)	
Invst purch	(100000)	
mach sold	35000	
mach purch	(345000)	
Cash used in investing act.	(610000)	(610000)

III) Cash flow from financing Activities

S.C.	200000	
Deben. Issued	200000	
Dividend paid	(100000)	
Cash flow from financing act.	300000	300000
Cash generated		(200000)
Op. C&CE		200000
Cl. C&CE		0

Tax

		Op. pay.	70000
To. cash/bank	50000	By. P&L (bal.)	80000
Cl. pay.	100000		

P&M a/c

Op. bal.	500000	By. depn	125000
To, P&L	15000	By. cash/bank	35000
To. cash/bank (bal.)	345000		
		Cl. bal.	700000

APP

1. Transfer to GR = 50000
2. Retained in P&L = 40000
3. Proposed Div = 0

NPAT = 90000

Dividend a/c

		Op. pay.	100000
To. cash/bank (bal.)	100000		
Cl. pay.	0		

mach : 20000
SP = 35000
P = 15000

Bank Dr.	35000
To. mach.	20000
To, P&L	15000

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	Profit and Loss account	*1,00,000*	*60,000*
	Total	***3,00,000***	***2,10,000***
2	***Long term borrowings***		
	Debentures (issued at end of year) Int x	*2,00,000*	*--*
3.	***Other current liabilities***		
	Dividend payable	*-*	*1,00,000*
4	***Property, plant and equipment***		
	Plant and machinery	*7,00,000*	*5,00,000*
	Land and building	*6,00,000*	*4,00,000*
	Net carrying value	***13,00,000***	***9,00,000***

(i) Depreciation @ 25% was charged on the opening value of Plant and Machinery.

(ii) At the year end, one old machine costing ₹ 50,000 (WDV ₹ 20,000) was sold for ₹ 35,000. Purchase was also made at the year end.

(iii) ₹ 50,000 was paid towards Income tax during the year.

(iv) Construction of the building got completed on 31.03.20X1 and hence no depreciation may be charged on the same.

Prepare Cash flow Statement.

11. From the following Balance Sheets and information, prepare Cash Flow Statement of Ryan Ltd. by Indirect method for the year ended 31st March, 20X1:

		Particulars	Notes	31st March 20X1 ₹	31st March 20X0 ₹
		Equity and Liabilities			
1		***Shareholders' funds***			

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	A	Share capital	1	6,00,000	7,00,000
	B	Reserves and Surplus	2	4,20,000	3,00,000
2		**Non-current liabilities**			
		Long term borrowings	3	2,00,000	-
3		**Current liabilities**			
	A	Trade Payables		1,15,000	1,10,000
	B	Other current liabilities	4	30,000	80,000
	C	Short term provision (provision for tax)		95,000	60,000
		Total		**14,60,000**	**12,50,000**
		Assets			
1		**Non-current assets**			
	A	Property, plant and Equipment	5	9,15,000	7,00,000
	B	Non-Current Investments		50,000	80,000
2		**Current assets**			9000
	A	Inventories		95,000	90,000
	B	Trade receivables		2,50,000	2,25,000
	C	Cash and Cash equivalents		50,000	90,000
	D	Other Current assets		1,00,000	65,000
		Total		**14,60,000**	**12,50,000**

Notes to accounts

No.			**31st March, 20X1**	**31st March, 20X0**
1.	**Share capital**		15% = 90000	
	Equity share capital		6,00,000	5,00,000
	10% Redeemable Preference share capital		--	2,00,000 x Div.
	Total		**6,00,000**	**7,00,000**

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Question 11 :- Cash flow Statement f.t.y.e. 31.3.21

Particulars	Amount	Amount
I) Cash flow from Operating Activity		
Net Profit after tax	140000	
add: Tax expense/provision	135000	
Net Profit before tax	275000	
add: extraordinary expenses	✗	
less: extraordinary incomes	✗	
Net Profit before tax and extraordinary items	275000	
add: Non-operating expenses		
Interest on debentures	18000	
less: Non-operating incomes		
Profit on sale of Land	(30000)	
Profit on sale of P&M	(40000)	
Profit on sale of Investments	(20000)	
add: Operating non-cash items		
Depreciation	135000	
Operating profit before Working Capital changes	338000	
add: Increase in Trade payables	5000	
add: Increase in Liability for expenses	10000	
less: Increase in inventory	(5000)	
less: Increase in Trade Receivables	(25000)	
less: Increase in Other Current Assets	(35000)	
Cash flow from operations	288000	
less: Income Tax paid	(100000)	
Cash flow from operating activities	188000	188000

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II) Cash flow from investing activities

Proceeds from sale of Land	150000	
Proceeds from sale of P&M	90000	
Plant acquired	(350000)	
Investments sold	70000	
Dividend received	5000	
Investments purchased	(25000)	
Cash used in investing activities	(60000)	(60000)

III) Cash flow from financing Activities

Proceeds from Issue of Equity Share Capital	100000	
Redemption of Preference Share Capital	(200000)	
Interest paid on debentures	(18000)	
Proceeds from issue of debentures	100000	
Dividend paid	(150000)	
Cash used in financing activity	(168000)	(168000)
Cash generated during the year		(40000)
Opening Cash & Cash Equivalents		90000
Closing Cash & Cash Equivalents		50000

Capital Redem. Res.

		Op bal	0
		By. General Reserve	100000
Cl. bal.	100000		

Capital Reserve

		Op. bal.	0
		By. Land & Building	70000
Cl. bal.	70000		

General Reserve

		Op. bal	250000
To. CRR (bal.)	100000		
Cl. bal.	150000		

9% Debentures

		Op bal	0
		By. P&M	100000
		By. bank (bal.)	100000
Cl. bal.	200000		

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Dividend a/c

Dr.		Cr.	
		Op. bal.	60000
To, bank (bal.)	150000	By, P&L	90000
Cl. bal.	0		

Tax a/c

Dr.		Cr.	
		Op. bal.	60000
To, bank (bal.)	100000	By, P&L	135000
Cl. bal.	95000		

Plant & Mach. a/c

Dr.		Cr.	
Op. bal.	500000	By, bank	90000
To, P&L	40000	By, depreciation	135000
To, bank	350000		
To, debentures	100000		
		Cl. bal.	765000

Land & Building

Dr.		Cr.	
Op bal.	200000	By, bank	150000
To, P&L	30000		
To, Capital Reserve	70000		
		Cl. bal.	150000

Appropriation of profit

1. Retained in P&L = 50000
2. Transfer to GR = 0
3. Proposed/Declared div = 90000

NPAT = 140000

Investment a/c

Dr.		Cr.	
Op. bal.	80000	By, bank	70000
To, P&L	20000	By, bank	5000
To, bank (bal.)	25000		
		Cl. bal.	50000

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2	***Reserves and Surplus***		
	Capital redemption reserve	*1,00,000*	*-*
	Capital reserve	*70,000*	*-*
	General reserve bal ↑: App of pft	*1,50,000*	*2,50,000*
	Profit and Loss account	*1,00,000*	*50,000*
	Total	***4,20,000***	***3,00,000***
3	***Long term borrowings***		
	9% Debentures Int ✓	*2,00,000*	*--*
4.	***Other current liabilities***		
	Dividend payable	*-*	*60,000*
	Liabilities for expenses	*30,000*	*20,000*
	Total	***30,000***	***80,000***
5	***Property, plant and equipment***		
	Plant and machinery	*7,65,000*	*5,00,000*
	Land and building	*1,50,000*	*2,00,000*
	Net carrying value	***9,15,000***	***7,00,000***

Additional Information:

SP = 150000
C = 120000
P = 30000

(i) *A piece of land has been sold out for ₹1,50,000 (Cost – ₹1,20,000) and the balance land was revalued. Capital Reserve consisted of profit on revaluation of land.*

SP = 90000
WDV = 50000
P = 40000

(ii) *On 1st April, 20X0 a plant was sold for ₹90,000 (Original Cost – ₹70,000 and W.D.V. – ₹ 50,000) and Debentures worth ₹1 lakh were issued at par as part consideration for plant of ₹4.5 lakhs acquired.*

(iii) *Part of the investments (Cost – ₹50,000) was sold for ₹70,000.*

OB 1.4. 1.4
500000 - 50000 + 450000 = 900000 × 15% = 135000

P&M Dr. 4.5
To Deb 1
To Bank 3.5

(iv) Pre-acquisition dividend received ₹5,000 was adjusted against cost of investment.

(v) Interim dividend was declared and paid @ 15% during the current year.

(vi) Income-tax liability for the current year was estimated at ₹1,35,000.

(vii) Depreciation @ 15% has been charged on Plant and Machinery but no depreciation has been charged on Building.

12. The Balance Sheet of New Light Ltd. as at 31st March, 20X1 and 20X0 (for the years ended) are as follows:

			Notes	₹ 31st March 20X0	₹ 31st March 20X1
		Equity and Liabilities			
1		**Shareholders' funds**			
	A	Share capital	1	16,00,000	18,80,000
	B	Reserves and Surplus	2	8,40,000	11,00,000
2		**Non-current liabilities**			
		Long term borrowings	3	4,00,000	2,80,000
3		**Current liabilities**			
	A	Other current liabilities	4	6,00,000	5,20,000
	B	Short term provision (provision for tax)		3,60,000	3,40,000
		Total		**38,00,000**	**41,20,000**
		Assets			
1		**Non-current assets**			
	A	Property, plant and Equipment	5	22,80,000	26,40,000
	B	Non-Current Investments		4,00,000	3,20,000
2		**Current assets**			
	A	Cash and Cash equivalents		10,000	10,000

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Question 12 :- Cash flow Statement f.t.y.e. 31.3.21

Particulars	Amount	Amount
I) Cash flow from Operating Activity		
Net Profit after tax	236000	
add: Tax expense/provision	340000	
Net Profit before tax	576000	
add: extraordinary expenses	x	
less: extraordinary incomes	x	
Net Profit before tax and extraordinary items	576000	
add: Non-operating expenses : Premium on red. of PSC	6000	
Interest on debentures	36000	
loss on sale of PPE	20000	
loss on w/off of PPE	16000	
Premium on redemption of debentures	6000	
less: Non-operating incomes		
Profit on sale of investment	(40000)	
add: Operating non-cash items		
Depreciation on PPE	360000	
Operating profit before working capital changes	980000	
add: Increase in current Liabilities	40000	
less: Increase in current assets (40000 − 24000) [(1110000 + 24000) − 1150000]	(16000)	
Cash flow from operations	1004000	
less: Income Tax paid	(360000)	
Cash flow from operating activities	644000	644000

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II) Cash flow from investing activities

Proceeds from sale of PPE	100000	
Proceeds from sale of investments	120000	
Purchase of PPE	(856000)	
Cash used in investing activities	(636000)	(636000)

III) Cash flow from financing Activities

Proceeds from issue of share capital	400000	
Interest paid	(36000)	
Debentures redeemed	(126000)	
Preference share Capital redeemed	(126000)	
Dividend paid	(120000)	
Cash used in financing activities	(8000)	(8000)
Cash generated during the year		0
Opening Cash & Cash Equivalents		10000
Closing Cash & Cash Equivalents		10000

Pref. share Capital

To, Bank	120000	Op. bal.	400000
Cl. bal.	280000		

9% Debentures

To, Bank	120000	Op. bal.	400000
Cl. bal.	280000		

Dividend

		Op. bal.	120000
To, bank (bal.)	120000		
Cl. bal.	0		

Tax a/c ***

		Op. bal.	360000
To, bank	360000	By, P&L	340000
Cl. bal.	340000		

LST

PPE a/c

Op. bal.	3200000	By. bank	100000
		By. A.D.	80000
		By. P&L	20000
To, bank (bal.)	856000	By. A.D.	40000
		By. P&L	16000
		Cl. bal.	3800000

Depn a/c

To PPE	80000	Op. bal.	920000
To, PPE	40000	By. depn	360000
Cl. bal.	1160000		

Investments a/c

Op. bal.	400000	By. bank	120000
To, P&L	40000		
		Cl. bal.	320000

Appropriations

1. Transfer to General Reserve = 160000
2. Retained in P&L = 100000

less: increase in Opening Stock = (24000) 76000

NPAT = 236000

9% Debentures Dr.	120000	
Premium on red (P&L) Dr.	6000	
To, Bank		126000

NOE

PSC Dr.	120000	
Prem (P&L) Dr.	6000	
To, Bank		126000

Inv = 216000 × } 24000 → inc. in O.S.
Inv = 240000 ✓
LS1

+ 24000 ? = 1134000 → 16000

	B	Other Current assets (inventory)		11,10,000	11,50,000
		Total		38,00,000	41,20,000

Notes to accounts

No.	Particulars		31st March, 20X0	31st March, 20X1
1.	***Share capital***			
	Equity share capital		12,00,000	16,00,000
	10% Preference share capital		4,00,000	2,80,000
	Total		**16,00,000**	**18,80,000**
2	***Reserves and Surplus***			
	General reserve		6,00,000	7,60,000
	Profit and Loss account		2,40,000	3,40,000
	Total		**8,40,000**	**11,00,000**
3	***Long term borrowings***			
	9% Debentures		4,00,000	2,80,000
	Total		**4,00,000**	**2,80,000**
4.	***Other current liabilities***			
	Dividend payable		1,20,000	-
	Current Liabilities		4,80,000	5,20,000
	Total		**6,00,000**	**5,20,000**
5	***Property, plant and equipment***			
	Property, plant and equipment		32,00,000	38,00,000
	Less: Depreciation		(9,20,000)	(11,60,000)
	Net carrying value		**22,80,000**	**26,40,000**

Additional information:

(i) *The company sold one property, plant and equipment for ₹ 1,00,000, the*

C = 200000   AD = 80000
WDV = 120000
SP = 100000

Bank Dr. 100000
A.D. Dr. 80000
P&L Dr. 20000
To PPE 200000

C = 56000 AD = 40000 L = 20000

WDV = 16000
w/off = 0
loss = 16000

LST

A.D. Dr. 40000
P&L Dr. 16000
To, PPE 56000

cost of which was ₹ 2,00,000 and the depreciation provided on it was ₹80,000.

(ii) *The company also decided to write off another item of property, plant and equipment costing ₹ 56,000 on which depreciation amounting to ₹ 40,000 has been provided.*

(iii) *Depreciation on property, plant and equipment provided ₹ 3,60,000.*

(iv) *Company sold some investment at a profit of ₹ 40,000.*

Inv : Op bal
90 → 216000
100 → 240000
100 - 10 = 90

(v) *Debentures and preference share capital redeemed at 5% premium. Debentures were redeemed at the year end.*

(vi) *Company decided to value inventory at cost, whereas previously the practice was to value inventory at cost less 10%. The inventory according to books on 31.3.20X0 was ₹ 2,16,000. The inventory on 31.3.20X1 was correctly valued at ₹ 3,00,000.* (100) → (90)

100

Inv (CA)
Op 240000 CL 300000
60000 → outflow

Prepare Cash Flow Statement as per revised Accounting Standard 3 by indirect method.

13. *ABC Ltd. gives you the Balance sheets as at 31st March 20X0 and 31st March 20X1. You are required to prepare Cash Flow Statement by using indirect method as per AS 3 for the year ended 31st March 20X1:*

84000 → cons. outflow
60000 → to be cons. outflow
24000 → Inflow

		Particulars	Notes	₹ 31st March 20X0	₹ 31st March 20X1
		Equity and Liabilities			
1		**Shareholders' funds**			
	A	Share capital		50,00,000	50,00,000
	B	Reserves and Surplus		26,50,000	36,90,000
2		**Non-current liabilities**			
		Long term borrowings	1	-	9,00,000