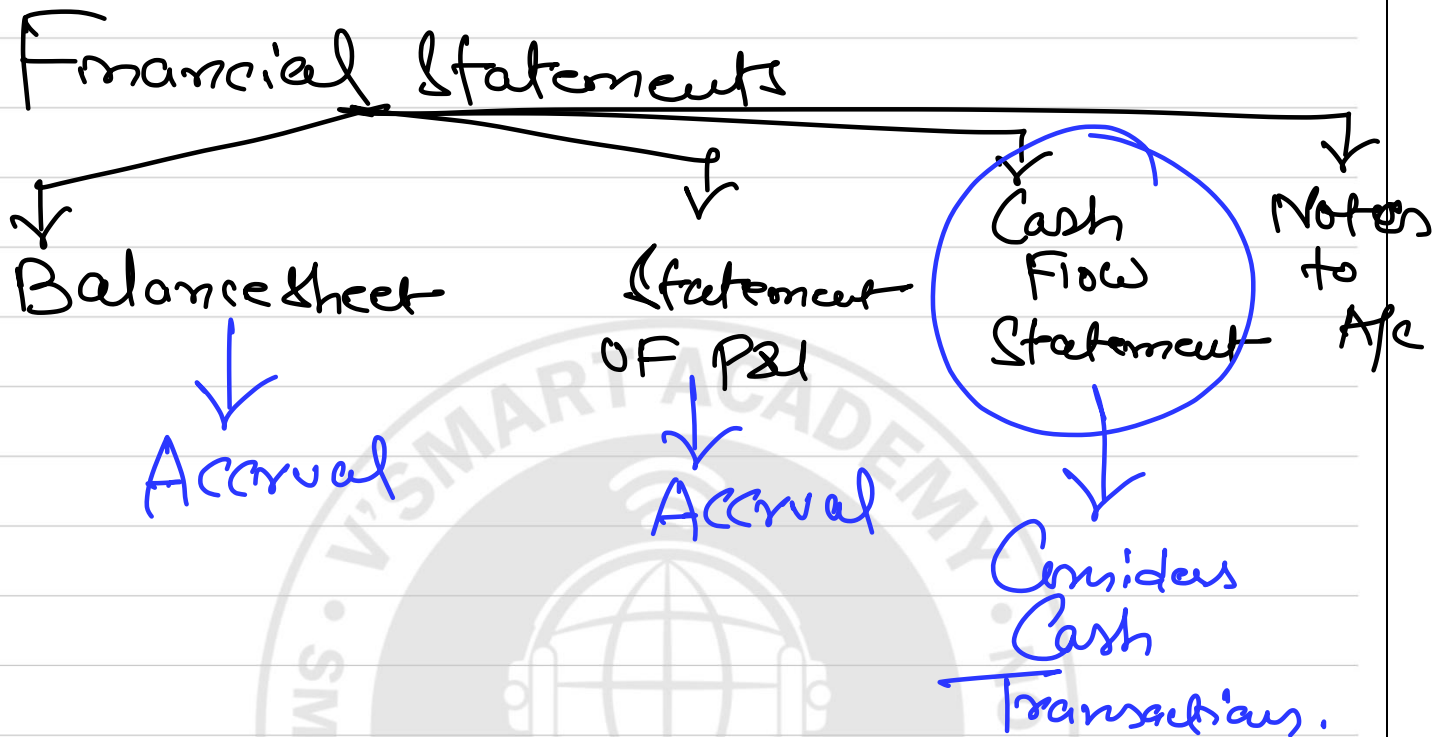


Cash Flow Statements



1) In CFS, there are 3 Categories :-

- Cash Flow from Operating activity
- Cash Flow from Investing activity
- Cash flow from financing activity.

2) Financing Activity :-

All Cash transactions relating to :-

a) Share Capital

b) Borrowings (LT & ST)

c) & their Expenses Such as Interest, Dividend payment, Premium received/paid, issue Exp etc

3) Investing activity :-

All Cash Transactions relating to :-

a) PPE & Intangible Assets

b) Investments (in shares/Debn/MF property etc)

↳ Long Term/Short Term
(except marketable securities of 3m or less)

c) Loans & Advances

↳ (except Advance to Suppliers)

d) & their Incomes/Expenses Such as Interest received, Dividend received, Rent received from Investment property etc)

e) Capital Gain Taxes paid Govt Grant Capital nature

4) Operating Activity :-

All Cash Transactions which are related to Business operations & which does not fall under Investing & financing activity.

Such as

- Cash sales
- Cash purchases
- Collection from Debtors
- Payment to Creditors
- Advance to Suppliers
- Advance from Customers
- Salaries
- Business Expenses.
- Govt. Grant (Revenue Nature)
- Taxes paid
- Extra ordinary items
- Exceptional items

5) For Entities in the Business Financial Sector (Banks / Financial Institutions) following will be Operating activities:-

a) Advances Given to Customers

b) Deposits accepted from Customers.

c) Interest received/paid on above advances & Deposits

d) Making regular Investments & getting Interest & Dividend Incomes

6) Methods for preparing Cash flow from Operating Activities :-

Direct method

Indirect method

V'Smart Academy

Transaction:- Debtor = 100000

Actual Collection 95000 after
Discount

Bank 95000
Discount 5000

To Debtors 100000

Transaction

Investment BV = 100000
Sold at = 120000

Bank a/c Dr. 120000

To Invest 100000

To Gain on
Sale 20000

Investing a/c

Sale of Invest (Sales proceeds)	120000
---------------------------------	--------

Transaction

Interest on FD = 10,000
Income

TDS deducted = 1000
by Bank

Net
Received = 9000

Cash
Flow
from
Investing

Q404 (Pg. 3, 47)

M/s Shubham Creative
Cash Flow from Investing Activity

Particulars

Amount

Claim received from Loss of Mach.	₹5000
Unsecured loan given	(₹50000)
Interest received	₹7000
Pre Agg Dividend received	₹2600

Interest Received	Gross 82000	73800
	(-) TDS (8200)	
Sale of Machine (90000 - 9600)		80400

Net Cash Used in Investing activity (1,68,200)

Note:- Debentures with 3 month maturity are assumed as Very Low Risk & Hence it is Cash Equivalent.

Cfs ⇒ Cash items → Chor
 Non Cash X → Daku
 → Gunda

Jail ⇒ CFS

Char Gunda

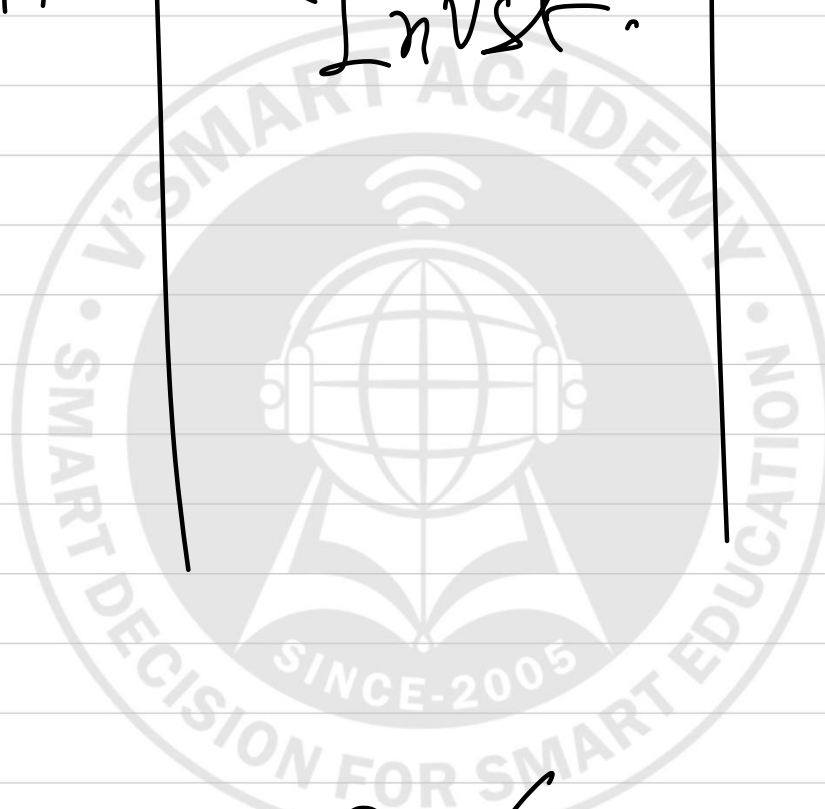
Oper.

Tourist

Invst.

Murderer

Fin.



P&L (accrual)

Inter Cost	10000	GP	475000
Dep	40000	Income	
Salary	200000	Inter.	25000
(including of's 10000)		From Invst	
Tax provision	100000		
NP	150000		

Opex. Act.

NP	150000
(+) Interest	10000
(+) Depreciation	40000
(+) Salary of	10000
(+) Tax provision	100000
(-) Inter. Income	(25000)

Financing

$$\text{Inter.} = (10000)$$

Inventory

$$\text{Income} = + 25000$$

Open activity



XXXXX

↓
Sale

Purchase

Changes in Inventory

EB Exp.

F/C

Dep & Am.

Other exp

$$\begin{array}{r} \text{NPAT} \\ (+) \text{ Tax (P\&L)} \\ \hline \text{NPBT} \end{array}$$

V'Smart Academy

Provision for Tax (P&L)
vs.

tax paid

Provision for Tax

To Bank

By op. Bal
By P&L

To clous. B.

V'Smart Academy

Ex: 2

(Indirect)
Cash Flow from Oper. Act.

NPAT	93000
(+/-) Adjustment for	
Tax paid	30000
NPBT	123000
(+/-) Adjustment for :-	
(+) of Salary	5000
(+) Interest on Loan Paid	72000
(+) Depreciation	25000
(-) Interest Received	(15000)
Cash Flow before Taxes	⇒ 210000
(-) Taxes paid	⇒ (30000)
Net Cash Generated from Oper. Activities	180000

Cash Flow from Investing (Extract)

Interest Received	15000
-------------------	-------

Cash Flow from Financing (Extract)

Interest paid (72000)

Ex: 3

Provision for Tax A/c

To Bank 107000	Op. Bal. 25000
	By P&L 90000
Close Bal 8000	

↓
oper.

Cash Flow from Operating Activity

<u>Particulars</u>	<u>Amnt.</u>
NPAT	870000
(+) Tax provision (Non Cash)	90000
NPBT	960000
(+/-) Adjustments :-	
(-) Dividend Income (Invest. act)	(120000)
(+) O/s Salary (non Cash)	30000
(+) O/s Adv. Exp (non Cash)	150000
(+) Loss on Sale (non operating)	10000

(+) Inter. on loans 69000

(+) Dis. allowed 11000

(+) Depreciation 25000

(+) Bad-debts 35000

Cash flow before Taxes 1170000

(-) Taxes paid (107000)

Net Cash generated from
Oper. Act. = 1063000

V'Smart Academy

Employees

Loan 1000000

Against Salary

Operating

Emi Based

Investing

Class Ex :- 1

Statement of P&L Accrual

Revenue from operation (Cash)	1800000
Other Incomes :-	
CFIA Interest on Investment	5000
Commission	15000
CFIA Dividend Income	12000
	<hr/>
	1877000
purchase of SIT (Cash)	690000
Employee Benf. Exp.	220000
Finance Cost CFFA	175000
NonCash Depreciate & Amortisation	80000

Other Expenses :-

Advertis. Exp	CFOA	120000
Bad debts	Non Cash	5000
Audit Fees	X	25000

Total 1315000

Profit Before Tax	562000
→ Tax provision	(105000)
Profit After Tax	457000

Balance Sheet (Extract)

	Cy	Py
<u>Liabilities :-</u>		
Tax provision	28000	35000
Salary of	9000	-
Interest on Loan	15000	-
<u>Assets :-</u>		
Accrued Interest on Investments	10000	-
Prepaid Adv. Exp.	8000	-

Prepare Cash Flow Operating Activity,
(indirect method)

Solution :-

Net profit Before Tax

(+/-) Adjustments for :-

(-) Interest Income	(5000)
(-) Dividend Income	(12000)
(+) O/s Salary	9000
(+) Interest on Loan	175000
(+) Depreciation & Amort.	80000
(-) Adv. Exp (Prepaid)	(8000)
(+) Bad-debts	5000

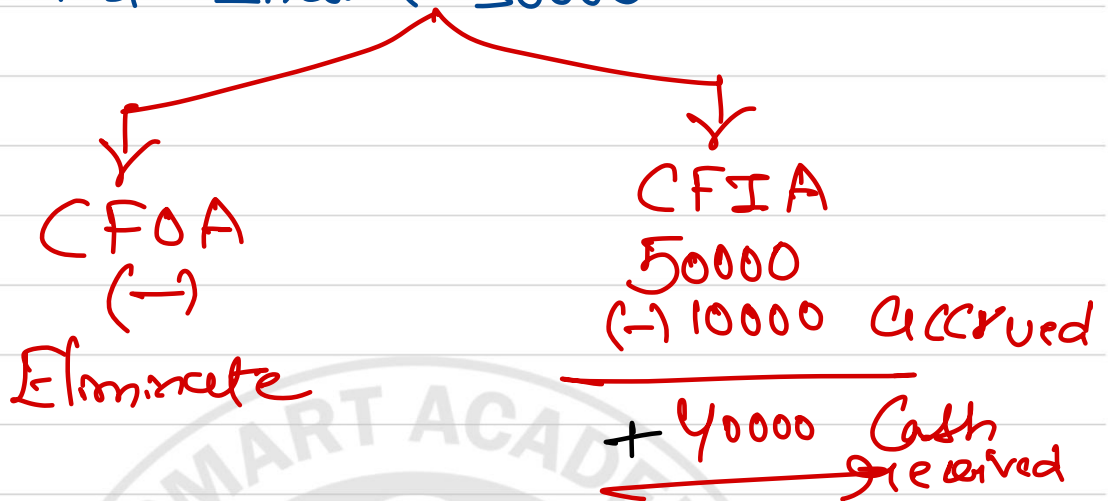
Cash generated before = 761000

(-) Tax paid = (112000)

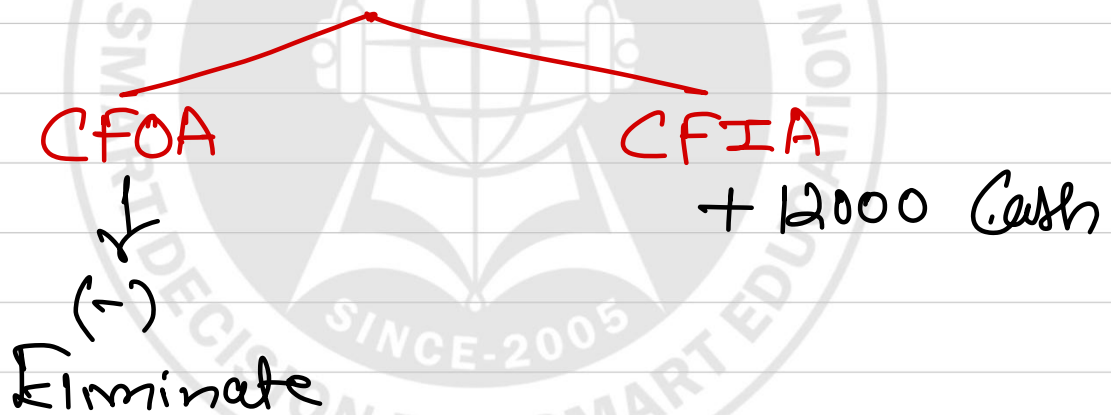
Net Cash generated From Oper. Activity = 649000

Working

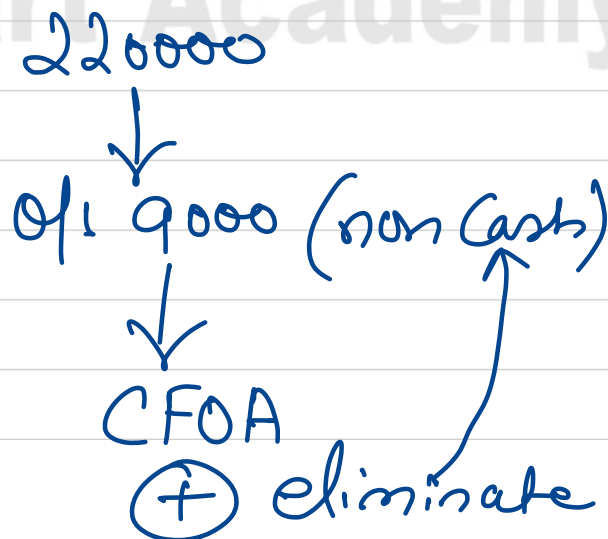
1) Interest Income 50000



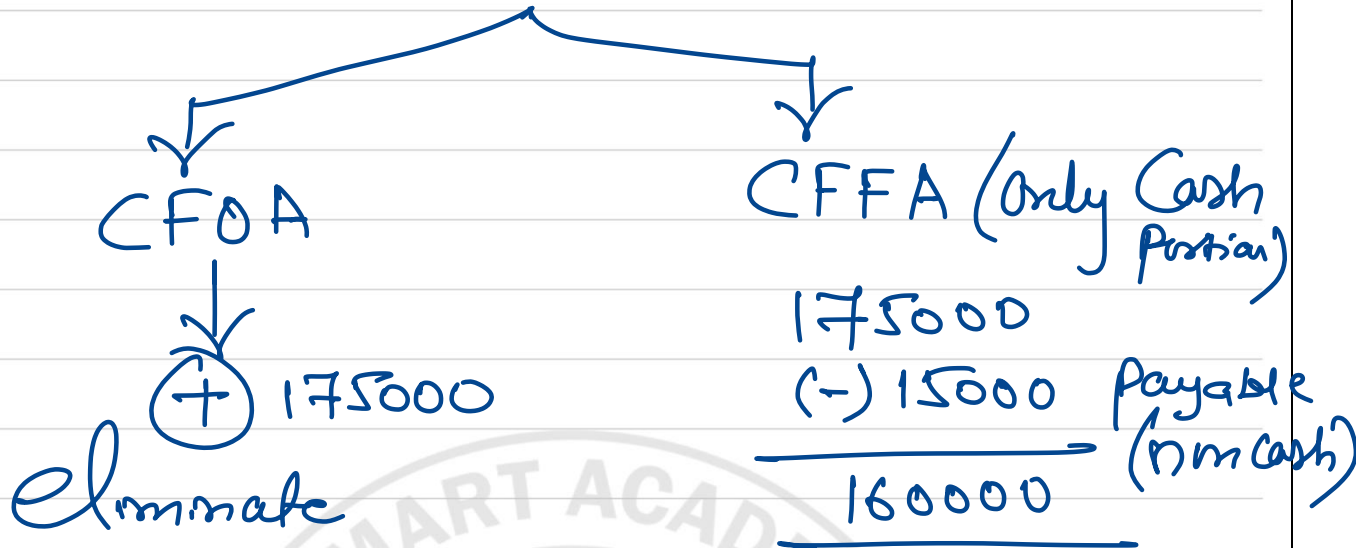
2) Dividend Income = 12000



3) Employee Benefit Exp. (Salary)



4) Finance Cost = 175000



5) Adv. Exp. = 120000 (P&L) → belongs to Cy
 prepaid = 8000 Cash (B/s) → belongs to next year
 Paid in Cy

Total Cash paid = 128000 → Oper. Act.

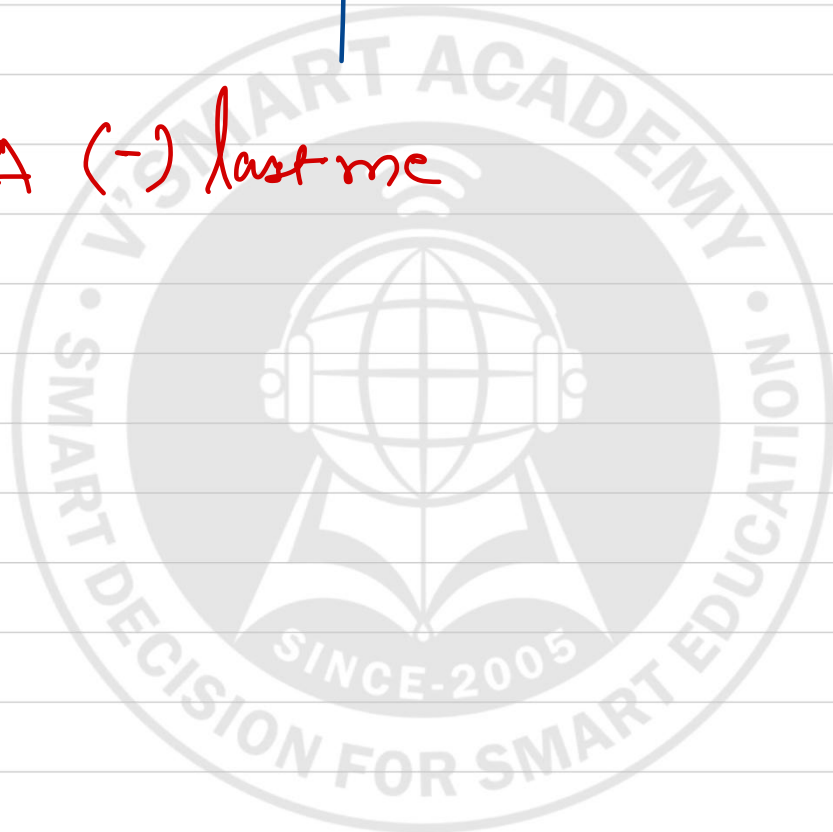
Already deducted = (120000)
 in P&L & NPBT

8000 again deducted

6) Tax provision

To Bank 112000	Opng 35000
Closg. 28000	By P&L 105000

CFOA (-) last me



V'Smart Academy

Format of Cash Flow Statement

Particulars

Amount

(I) Cash Flow from Operating Activities

Closing Balance of P&L a/c	XXX
(-) Opening Balance of P&L a/c	XXX
	<hr/>
Surplus	XXX
(+) Transfer to GR	XXX
(+) Dividend declared	XXX
(+) any other appropriation (Bonus issue out of P&L)	XXX
Net profit After Tax	XXX
(+) Tax provision Created (P&L)	XX
	<hr/>
Net profit Before Tax	XXXXX

(+/-) Adjustments for :- **Elimination**

(a) Non-Cash items (deducted in P&L)

(+) Depreciation & Amortis.

(+) Bad debts

(+) Discount given

(-) Discount received

(+) Provision for BD

(+) Loss by Fire
(+/-) Foreign Exchange Gain/Losses

(b) Non-operating items (reflected in P&L)

(-) Interest Income

(-) Dividend Income

(-) Gain on Sale of Assets

(+) Interest Cost on Loans and Debts

(+) Loss on Sale of Asset

(+) Share Issue Expenses

(-) Rent received on Interm. property

(-) Insurance Claim received on Loss of Machine

(-) Govt. Grant on Capital project wrongly credited to P&L

(+) Buy Back Expense

Cash Profit before Working Capital Changes XXX

(+/-) Working Capital Changes

(-) Increase in CA

(+) Decrease in CA

(+) Increase in CL

(-) Decrease in CL

↓
Except
1) Tax
2) Dividend

(XXX)

XXX

XXX

(XXX)

Net Cash generated/used before Extra-ordinary items & Taxes	xxx
--	-----

(+/-) Extra-ordinary items	xxx
----------------------------	-----

(-) Taxes paid	xxx
----------------	-----

Net Cash generated/used from operating Activity	xxx
--	-----

II Cash Flow from Investing Activities

Sale of Asset in Cash	xxx
-----------------------	-----

(-) purchase of Asset in Cash	(xxx)
-------------------------------	-------

(+) Interest Income received in Cash	xxx
---	-----

(+) Rent from Investment property received	xxx
---	-----

(+) Dividend Income received	xxx
------------------------------	-----

(+) Insurance Claim from Loss of Machine	xxx
---	-----

(-) Advances & Loans given	xxx
----------------------------	-----

(+) Advances & Loans taken Back	xxx
---------------------------------	-----

(-) Brokerage on purchase of Investm.	(xx)
---------------------------------------	------

(-) Machinery renovation & repairing which is Capitalised	(xx)
--	------

(-) Payment for Business Acq.	(xx)
-------------------------------	------

(-) Lease Payments For Assets (XXX)

Net Cash generated/used from Investing Activities XXX

III Cash Flow From Financing Activities

Issue of Share Capital (in Cash) XXX
(including Premium)

Issue of Debentures (in Cash) XXX
(including Premium)

Loan taken XXX

(-) Buy Back of Shares (including Prem) XXX

(-) Redemption of Debt & pref. sh. XXX

(-) Repayment of Loan XXX

(-) Interest on Loan/Debt paid XXX

(-) Dividend (Equity/Preference) XXX

(-) Buy Back Exp or Share issue Exp XXX

(-) Underwriting Commission paid XXX

Cash flow from financing Activity XXX
(generated/used)

Net Cash Generated / Used
during the year
(CFOA, CFIA, CFFA)

XXX

(+) Opening Balance of
Cash & Cash Equivalent

XXX

Closing Balance of Cash
& Cash Equivalent

XXXX

V'Smart Academy

SPL

NPBT

(-) Tax Exp.

NPAT

R&S :-

(i) P&L a/c :-

Opng.	xxx	500000
NPAT	xxx	200000

(-) Dividend —○

(-) Transfer to GR —○

Closg P&L

xxx

700000

② General Reserve :-

Opng Bal
(+) Transfer from P&L
Closg Bal

XXX

Class Ex:-2

P&L a/c (FY 24-25)

To Salary 250000	By Gross profit 1200000
To Depreciation 100000	By Interest Income 300000
To Interest Exp. 150000	
To Advertis. Exp. 200000	
To NPBT 800000	
To Tax provision 240000	
To NPAT 560000	

Appropriation

To Dividend	120000
To Transfer to GR	100000
To Surplus	340000

Opening Balance of P&L (1/4/24) = 500000

Closing Balance of P&L (31/3/25) = 840000

Cash Flow from operating activity (Indirect)

Case 1 Start from NPBT

NPBT ————— 800000

V'Smart Academy

Case 2 NPBT is missing But NPAT is given
Start with NPAT

NPAT	_____	50000
(+) Tax provision	_____	240000
		<hr/>
NPBT	_____	800000

Case 3 NPBT & NPAT are missing
But following info is given

B/s (Extract)

	31/3/25	31/3/24
P&L	840000	500000
GR	300000	200000
Dividend payable	120000	0

Cash Flow from operating activity :-

Closg P&I ————— 840000

(-) Opng P&I ————— (50000)

Surplus ————— 340000

(+) Transfer to GR ————— 100000

(+) Dividend payable
(Declared) ————— 120000

NPAT = 560000

(+) Tax provision = 240000

NPBT = 800000

V'Smart Academy

Q303 (Pg. 8.9)

Important Working Notes

1)

Income Tax Payable

CFOA	To Bank 9000	By Bal. 5000
	To Bal. old 3000	By P&L 7000

2)

Plant A/c (org. cost)

	To op. Bal. 505000	By Prov. for Dep 2000
CFIA	To Bank 120000	By Bank (sale) 5000 (CFIA)
	To Bonds 100000	By Loss on sale 3000
		By Clos. Bal 715000

Prov. for Dep. A/c

To Plant 2000	By Bal. 68000
To Bal. <u>103000</u>	By Dep. <u>37000</u>

Dep. Dr.
To prov.

3) ~~Dr.~~ Bond a/c

CFFA

To Bank 50000

Closg 295000

Op. Bal. 245000

By Plant 100000

non Cash

4)

Investment A/c

Opng 127000

By Bank 102000

CFFA

CFFA

To Bank 78000

To Gam 12000

Closg 115000

Op (-)

V'Smart Academy

Ryan Ltd.
Cash Flow Statement
For the year 31/03/x1

Particulars

Amnt.

(I) Cash Flow from Operating Act.

Net Profit Before Tax 23000

(+/-) Adjustment For:-

(+) Depreciation (non cash) 37000

(+) Interest Paid (financing) 23000

(-) Interest Income (Investing) (6000)

(-) Gain on Sale of Invt (12000)

(+) Loss on Sale of Plant 3000

Cash generated before WC Changes. 68000

(+) A/c Payable 7000

(+) Accrued Liability 3000

(+) A/c Receivable 8000

(+) Prepaid Exp. 4000

(-) Inventory (34000)

Net Cash generated before Tax 56000

(-) Tax paid (WN 1) (9000)

(a) Net Cash generated from oper. activities 47000

(II) Cash flow from Investing Activities

Interest Received	6000
Sale of Investment	102000
Sale of plant	5000
Purchase of plant in cash	(120000)
Purchase of Investment	(78000)

(d) Net Cash Used in Investing activity (85000)

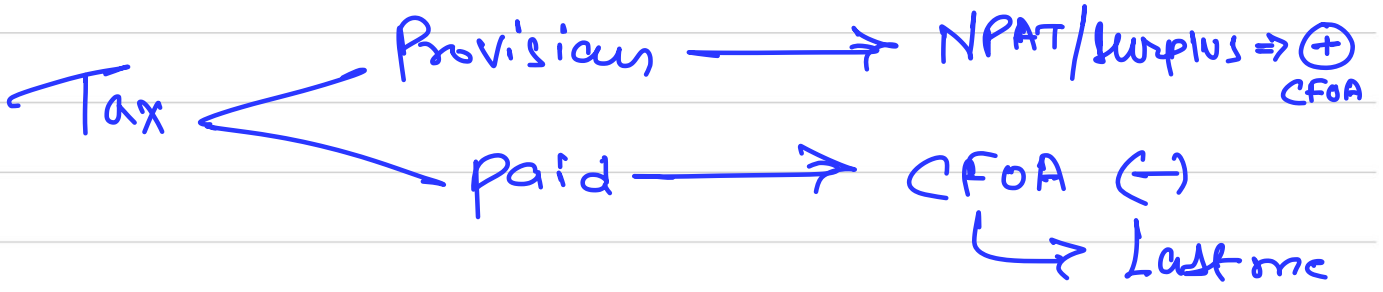
(III) Cash flow from Financing Act. :-

Interest Exp. paid	(23000)
Issue of ESE	150000
Bond liability Repaid	(50000)
Dividend	(8000)

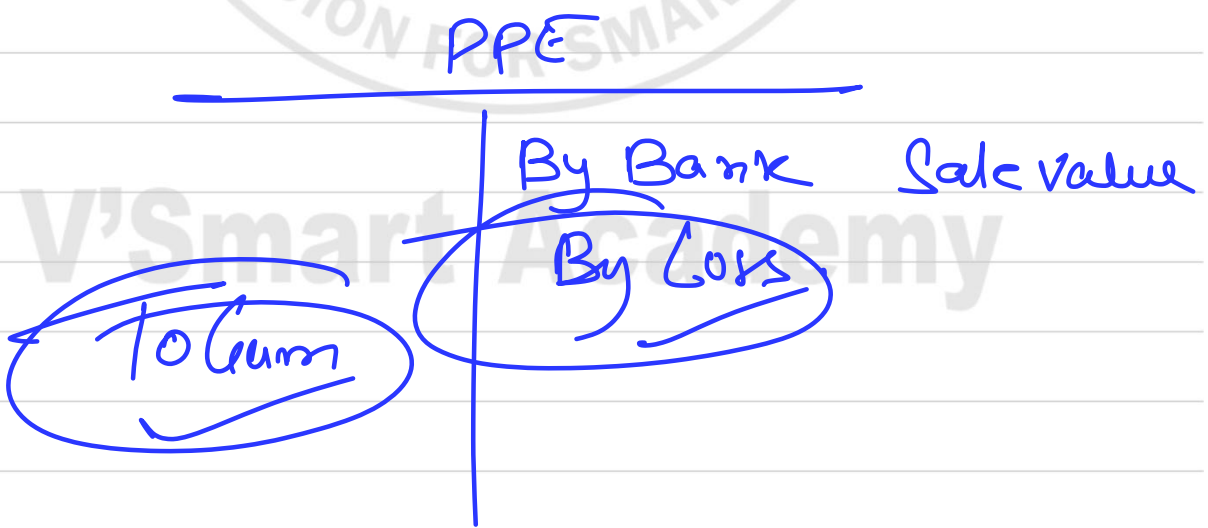
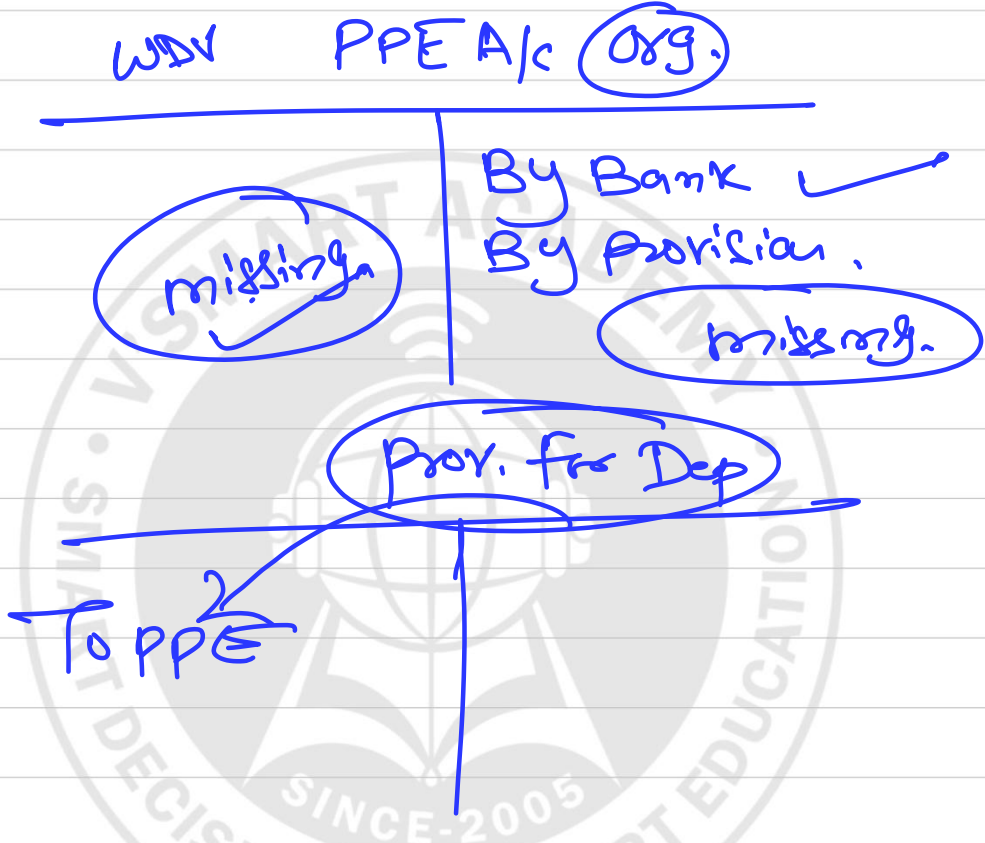
(e) Net Cash generated in financing activity 69000

Net Cash generated during the year = 31000

(+) Opening Cash & Cash Equiv. = 15000



PPE



diff approach

P&L
To Divd Dec

NPBT/NPAT/Surplus

Divd Dec/pay
To Bank

- (+) GR Term.
- (+) Divd Declared
- (+) any other
Approach

NPAT

- (+) Tax prov.

NPBT

- (+)

WC :-

CA ↑ (-)

CA ↓ (+)

CL ↑ (+)

CL (-) (-)

Q202 (Pg. 3.5)

Important working

$$1) \text{ Sales } \Rightarrow \frac{\text{GP}}{\text{GP}\%} = \frac{382500}{30\%} = 1275000$$

(Cash only) ↓
CFOA

Q204

WN-1

Creditor A/c	
Bank (168)	Op. Bal 84
Clos Bal 92	Credit 176 Purchase

CFOA

$$168 + 19 = (187) \text{ Total payment to Supplier}$$

(I) Cash Flow from Oper. Activity (Fin Cr.)

Cash sales	262
Collection from T. Receivables	134
(-) Cash purchase	(44)
(-) Payment to Supplier	(187)

(-) Payment to Employees (20)

Net Cash generated before Tax 145

(-) Tax paid (26)

(a) Net Cash generated from
oper. Activity 119

II Cash Flow from Investing Activity :-

purchase of machine (cash paid) = (10)
(25 - 15)

Sale of Investment = 16

(b) Net Cash generated from
Investing Activity 6

III Cash Flow from Financing Activity :-

Pref. share Capital Redeemed = (32)

Equity share Capital issued = 24

Dividend paid = (15)

Debtenture Interest = (2)

(c) Net Cash Used in Financing
activity.

(25)

Net Cash generated during the year
(a + b + c) 100

(+) Opening Cash & Cash Eq. 2

Closing Cash & Cash Eq = 102

Debtor.	
Op 45	Collection 49
Credit 54 Sale	Close 50

Dividend

In WC adjustment, Dividend shall be ignored

It working shall be created separately.

1) Op. Divd. Payable \Rightarrow Paid in Cy (Financing)
in B/s

2) Cy Dividend :-

Shown in B/S

NOT shown in B/S
(But Declared)

not yet paid
(non cash)

i.e. if it's paid in cy
(Cash item)

CFFA

P&L a/c Dr.
To Divd. Payable

P&L
To Divd Payable

- Only this entry is passed

- To be added in CFOA if Solution starts from Surplus

B) Divd Payable
To Bank

To be added in CFOA if Solution starts from Surplus

B/S (Extract)

Liability :-

Cy.

Py

Dividend Payable

10000

8000

↓
ye wala
Cy A' Declare
Hua Hai

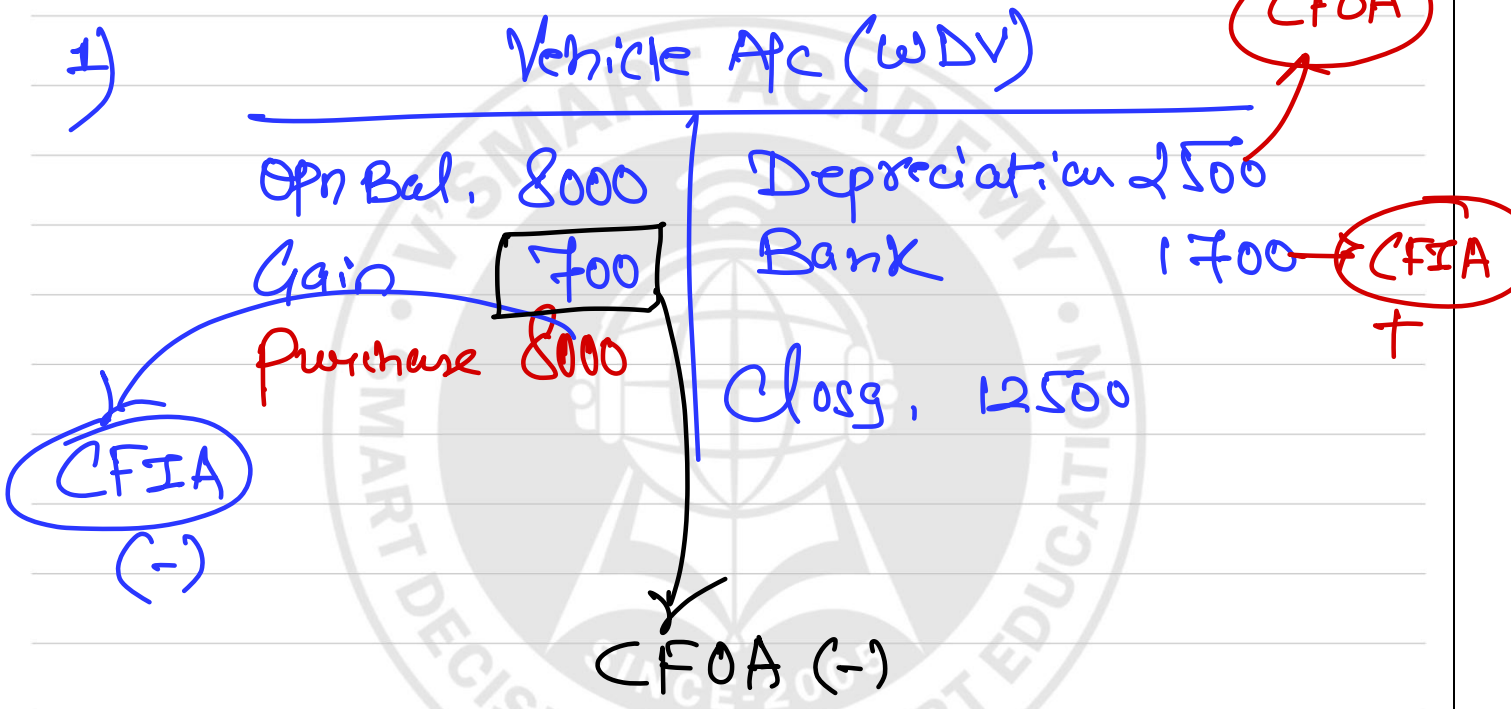
↓
ye wala Py Ka Hai
par Cy A' pay
Hua Hoga

↓ CFOA (+)
 agar surplus (start & end)

↓↓ Financing (-)

Q 304

Important workings



2) Dividend :-

Py Divd. (Op. Bal in B/s) = 1000 (Paid in Cy)
 Cy Divd. (not shown in B/s) = 2000 (Paid in Cy)

3000 CFFA

3)

Fixture

Opnng 11000	Depr. 1000
Purchase 7000	
Closg 17000	

CFIA (-)

4)

Tax provision

To Bank 1000	Opnng 1000
Closg 1500	P&L 1500

CFOA (-)
Lantime

Sun Ltd.
Cash Flow Statement
for the year ended 31/03/21

Particulars

Amnt.

(+) Cash Flow from oper. Activity

Net profit Before Tax

4500

(+/-) Adjustments :-

(+) Depreciation	3500
(-) Gains on Disposal	(700)

Cash generated before WC Changes 7300

WC Changes :-

(+) Trade payable	1500
(-) Inventory	(3000)
(-) Trade Receivable	(2000)

Cash generated before Tax 3800

(-) Tax Paid (1000)

(a) Net Cash generated from oper. = 2800

(II) Cash Flow from Investing Activity :-

Sale of Vehicle	1700
Purchase of Vehicle	(8000)
Purchase of fixtures	(7000)
Purchase of Invest	(1000)

(b) Net Cash Used in Invest. act = (14300)

(III) Cash Flow from financing Activity :-

Issue of shares	10000
Dividends paid (WN-2)	(3000)

(c) Net Cash generated in F.A. 7000

Net Cash Used during the year	(4500)
(+) Opening Cash & Bank Bal	8500
Closing Cash & Bank Bal.	<u>4000</u>

$$W.C = CA - CL$$

$$200 = 500 - 300$$

↓

Net CA ↑

$$CFOA = (2895)$$

$$CFIA = (22622)$$

$$CFFA = 27502$$

Net Generated	= 1985
(+) Op.	= 5003

Closg.	<u>6988</u>
--------	-------------

Important Summary Points :-

1) Govt. Grants

Revenue Nature (CFOA)

Must have been transfer to P&L already

No need to eliminate
Do nothing

Capital nature (CFIA)
(i.e. Grant for Capital project)

It should be Deferred & Amortised in P&L

(thoda thoda Income Book Kiya Hoga P&L it)

Year of Receipt

Cash flow from Investing activity

next years onwards

D&A

Def. Grant To P&L

Non-Cash

Should be Eliminated from CFOA

Should be deducted

2) Pre Acquisition Dividend Received :-

A/c Treatment

Deduct From
Cost of
Investment

Invest a/c

By Bank XXX
(Pre Acq Divd)

Treatment in
Cash Flow Statement

Add in
CFIA
Always

Less in
CFOA
if wrongly
Credited
to P&L

If nothing is
Specified in
Question always
assume that it is not
Credited to P&L.

3) Post Acquisition Period Dividend Income :-

→ must have been Credited to P&L
(it is item of Investing activity)

→ Deduct from CFOA always
Add in CFIA always

Last Lecture \Rightarrow Q312, Q302
Questions

4) Interim Dividend Paid :-

It is a Cy Dividend which is Declared & paid in Cy only.

Cy Entry in Books

1) P&L a/c Dr.

 To Interim Divd.
 payable

CFOA
(+)
if starting
point is
surplus
(R/E)

CFFA
(-)
always

2) Interim Divd Payable Dr.

 To Bank a/c

V'Smart Academy

Closg P&L 100000
(-) Op P&L 80000

 R/E 20000

(+) Tr. to GP 5000

 R/E 25000

$$WC = CA - CL$$

31/3/18

Cash = 100000

Debtor = 400000 (realisable in cash in short time)

Stock = 300000 (———— " ————)
800000

(-) Creditors (450000) (payable in cash in short time)
350000

31/3/19

WC 400000

Eg:-

Opng Debtors = 570000

Credit Sale = 22,50,000

Collection in cash = 18,00,000

Closg Debtors = ?

Trading & P&L

Op Sto xxx	Sale 250000
Pur xxx	Clas St xxx
GP xxx	
Indirect Exp xxx	GP xxx
	Indirect Incom xxx
NP ○	

Debtors

OP 570000	Collection 2250000
Sale 1800000	Closg Bal. 120000

Direct method :-

$$\text{Cash Collection} = 2250000$$

Indirect method

$$\text{NPBT/NPAT/Expenses} = \text{XXXX}$$

(including Sales 1800000)

$$(\rightarrow) \text{Decrease in Debtors} = 450000$$

Debtors ✓

Creditors ✓

Inventory?

Ex:-

Op. Stock
125000

Clas. Stock
95000

Creditors Opng = 250000

~~Credit purchases = 800000~~

~~Cash payments = 750000~~

Clasg Creditors = 300000

(a) Direct method :-

CFOA :-

Cash payments = (750000)

(b) Indirect method :-

CFOA

NPBT/NPAT/ Surplus = XXXX
(it includes purchases, Op. St, Cls. Stock)
Credit (200000) (125000) + 95000

(+) Increase in Creditors = 50000

(+) Opng Stock 125000
(-) Clos. Stock (95000) +30000

Trading a/c

Op. Stock 125000	
Purchases 80000	
	Clos. Stock 95000

V'Smart Academy

Ex:-4 (Book Pg. 3.13)

Cash Flow Statement

(I) Cash Flow From Oper. Act. :-

Surplus (Close - Opn) = 10,00,000

(+) Transfer to GR = 0

(+) ^{Interim} Dividend Paid (F) = 100000

NPA T = 11,00,000

(+) provision for Tax (WN 1) = 220200

NPBT = 1320200

(+/-) Adjustments For :-

Gain on sale of Invest = (50000)

Interest on Invest (Invest) = (56000)

Cash generated Before WC = 1214200

WC Adv :- Creditors = (580000)

of Exp. = 11800

Inventory = 360000

Debtors = (404000)

Net Cash generated before Tax = 602000

(-) Tax Paid = (180000)

(a) Net Cash generated from Op. A. = 422000

(ii) Cash flow from Investing activity

Purchase of PPE	(500000)
Sale of Invt.	200000
Inter. on Invt	50000

(b) Net Cash Used in Invt Act = (244000)

(iii) Cash flow from financing Act :-

Debt redeemed	(600000)
Interim Divd Paid	(100000)

(c) Net Cash Used in F.A. = (700000)

Net Cash Used during the year = (522000)

(+) opng. Cash = 1069000

Close Cash = 547000

WN-1

Tax Provision

<p>To Bank 180000</p> <p>← CFOA (-) Last time</p> <p>Close Bal 235200</p>	<p>Op. Bal. 195000</p> <p>By P&L 220200</p> <p>→ CFOA (+)</p>
---	---

WN-2

Debt

<p>To Res 200000</p> <p>To Bank 600000</p> <p>← CFFA</p> <p>Close 2000000</p>	<p>Op 3000000</p>
---	-------------------

Ex:-13

PPE (Gross)

Opng. 900000 90000	By Prov. for Dep 40000
OP (-) Gain 15000	By Bank 65000 (I) +
Purchase 390000	
	Closg 1200000

Cash 195000
(I) (-)

NonCash 195000

Prov. For Dep. A/c

To PPE 40000	Opng 345000
Closg Bal 420000	Depreciation for the year 115000 Non Cash

CFOA (+)

Cost OR NRV (Prudence)
100000
95000

Trading

Cost 95000

Next year

~~Tr. & P&L~~

~~OpSt 91000 + 5000~~

GP ↓

NP ↓

CFOA :-

NPBT/NPAT/Surplus — XXX

(→) 5000

We adjust ! —

Inventory Changes
(OP) Closg.

Cost

CFOA



NPBT/NPAT/Surplus — XXX
(as per P&L)

(-) Increase in op. stock — (XXX)

(+) Increase in Clos. stock — XXX

CFOA



We adjustment

Op Invest — Cost

Closg Invest — Cost

Class Ex:-

Provision for Bad-debt

Opng
175000

Clasg.
192000

Bad-debts during the year = 34000

It was decided to Wloff Bad-debts from provision & not from P&L.

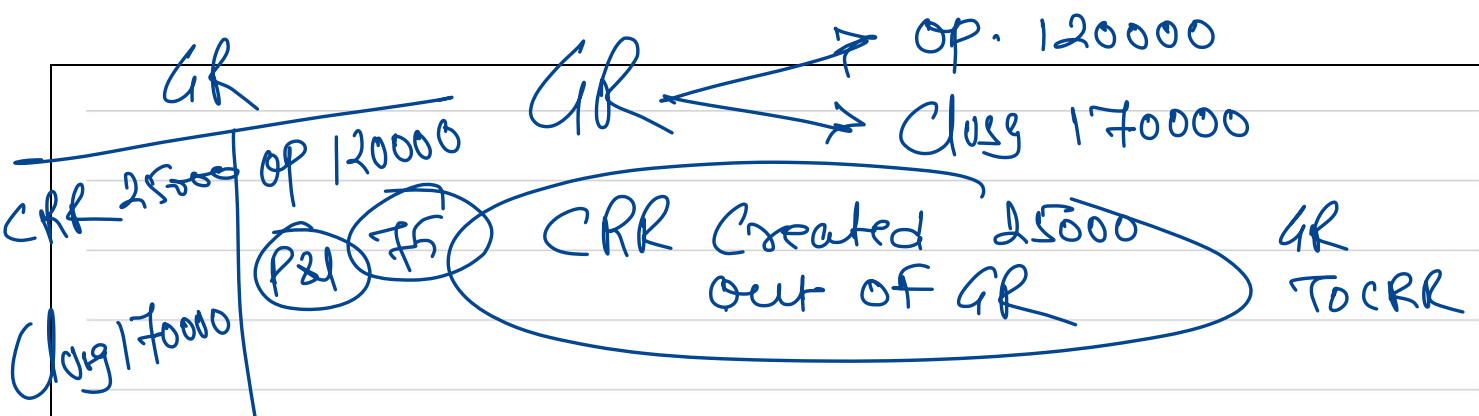
What will be the impact of above in CFOA ?

Prov. for Bd a/c

To Bad-debts 34000	By Bal A/c 175000
To Bal A/c 192000	By P&L 5000

Bad-debt 34
To Debtors 34

Provision for BD
To Bad-debt



If nothing is specified about w/off premium on redemption from P&L or SP a/c.

Then first check SP Balance in the Question if it is reducing then premium may have been w/off from SP a/c otherwise P&L a/c.

Q306 (Pg. no. 3.15)

WN-1

Prov. For Tax A/c

	To Bank 100000	Bal. b/d 60000
CFOA (-) Lent me	Bal c/d 95000	P&L 135000
		CFOA (+)

WN-2

Land A/c

	Opng 200000	By Bank 150000 (CFIA)
ignore ← CR	30000	
ignore ← CR Revaluation	70000	Clog, 150000

CR of 100000 is Created out of Sale of Land & Revaluation, It is not Created from P&L. Hence it should be ignored.

WN-3 Plant A/c (WDV) — Cr.

<p>Op Bal 50000</p> <p>CFOA (-) Gain (P&L) 40000</p> <p>Purchased { Bank 35000 Debt 100000</p> <p>CFOA (-)</p>	<p>By Bank 90000 CFOA (+)</p> <p>By Depr. 135000 CFOA (+)</p> <p>Closg. 765000</p>
--	--

Opng 50000
 (-) 50000 sale
 (+) pur. 45000
90000
 x 15%

WN-4 Investment

<p>Op. Bal 8000</p> <p>CFOA (-) Gain 20000</p> <p>CFOA (-) To Bank 25000 (Purchase)</p>	<p>By Bank 70000</p> <p>By Bank (Div) 5000</p> <p>Closg. 50000</p>
---	--

CFOA (+)

WN-5

General Reserve

(non cash)	CRR	100000	Op Bal 250000
(non cash)	VSP	50000	
	Closing	<u>100000</u>	

WN-6

Voluntary Separation A/c

Opng	65000	By GR	50000 (w/ off)	
	To Bank	110000	Closing	<u>125000</u>

CFOA (-)
Extra ordinary item

Ryan Ltd.

Cash Flow Statement
For the year ended 31/03/11

Particulars Amount

(I) Cash Flow From operating Activities

Surplus (70000 - 50000)	20000
(+) Transfer to GR	0
(+) Dividend Declared during the year	90000
Net profit After Taxes	<u>110000</u>
(+) Provision for Tax (WN-1)	135000

Net profit Before Tax	245000
(+/-) Adjustments For:-	
(-) Gain on Sale of plant	(40000)
(+) Depreciation	135000
(-) Gain on Sale of Invest	(20000)
(+) Interest on Debt	18000

Net Cash before WC Changes 338000

(+/-) Working Capital Changes

Trade Payables	5000
Liab. for Exp.	10000
Inventory	(5000)
T. Receivables	(25000)

Net Cash generated before Ex. Paid. & Tax 323000

(-) V.S. Payments	(110000)
(-) I. Tax Payment	(100000)

(a) Net Cash generated from op. ⇒ 113000

(II) Cash flow from Investing Activities

Sale of Land	150000
Sale of Plant	90000
Purchase of plant	(350000)
Purchase of Investment	(25000)
Sale of Investment	70000
Dividend received	5000

(b) Net Cash Used in Invest. a/c ⇒ 60000

(III) Cash flow from financing activities

Issue of Eq. Sh. Capital	100000
Redemption of pref. share	(200000)

Interest on Debt (18000)

Issue of Deb ⁿ (Cash)	100000
Dividend paid for PY	(60000)

(c) Net Cash Used in F.A. \Rightarrow	<u>(78000)</u>
---	----------------

Net Cash Used during the year (a + b + c)	(25000)
--	---------

(+) Opng Cash & Cash Equiv.	90,000
-----------------------------	--------

Closg Cash & Cash Equ.	<u>65000</u>
------------------------	--------------

V'Smart Academy

Q309

ABC Ltd.

Cash Flow Statement

Particulars

Amnt.

(I) Cash Flow From Operating Activity :-

Net profit	10,40,000
(+/-) Adjustment For :-	
provision for BD Created	27,000
Depreciation	18,000
Operating ^{Cash} profit before WC Changes	14,90,000
(+/-) Working Capital Changes	
Trade Payables	(60,000)
Liab. for Exp.	(60,000)
Inventory	9,000
T. Receivable* (3060 - 2390)	(67,000)
Prep. Exp.	(30,000)
Cash generated (a)	76,000

2830
+230

3060

(II) Cash Flow Investing Activity :-

Purchase of PPE	(13,40,000)
Purchase of Investment	(3,20,000)
Net Used (b)	(16,60,000)

(III) Cash Flow from Financing Activity :-

Issue of Debt	900000
Loan from Bank (2-Term)	150000
Dividend paid	(150000)

(c) Net generated 900000

Net Cash flow during the year 0

(+) opng. 1520000

Closg = 1520000

WN:-

Provision for DD a/c

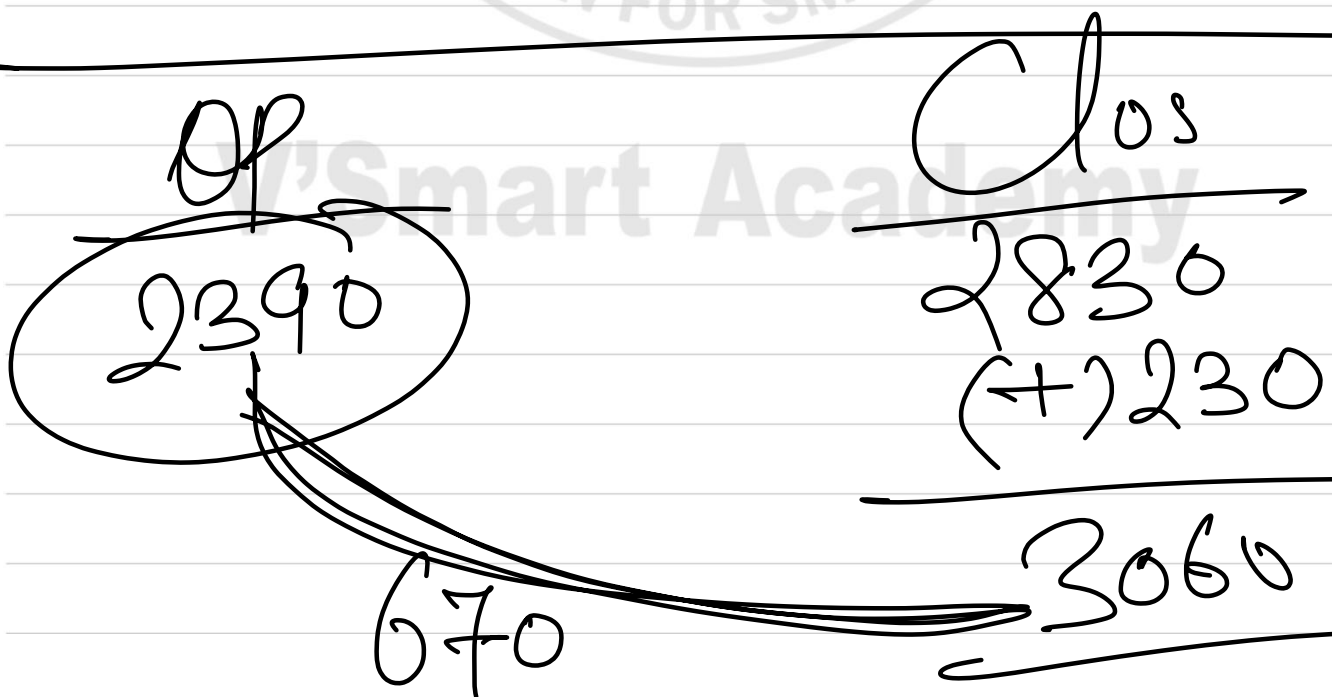
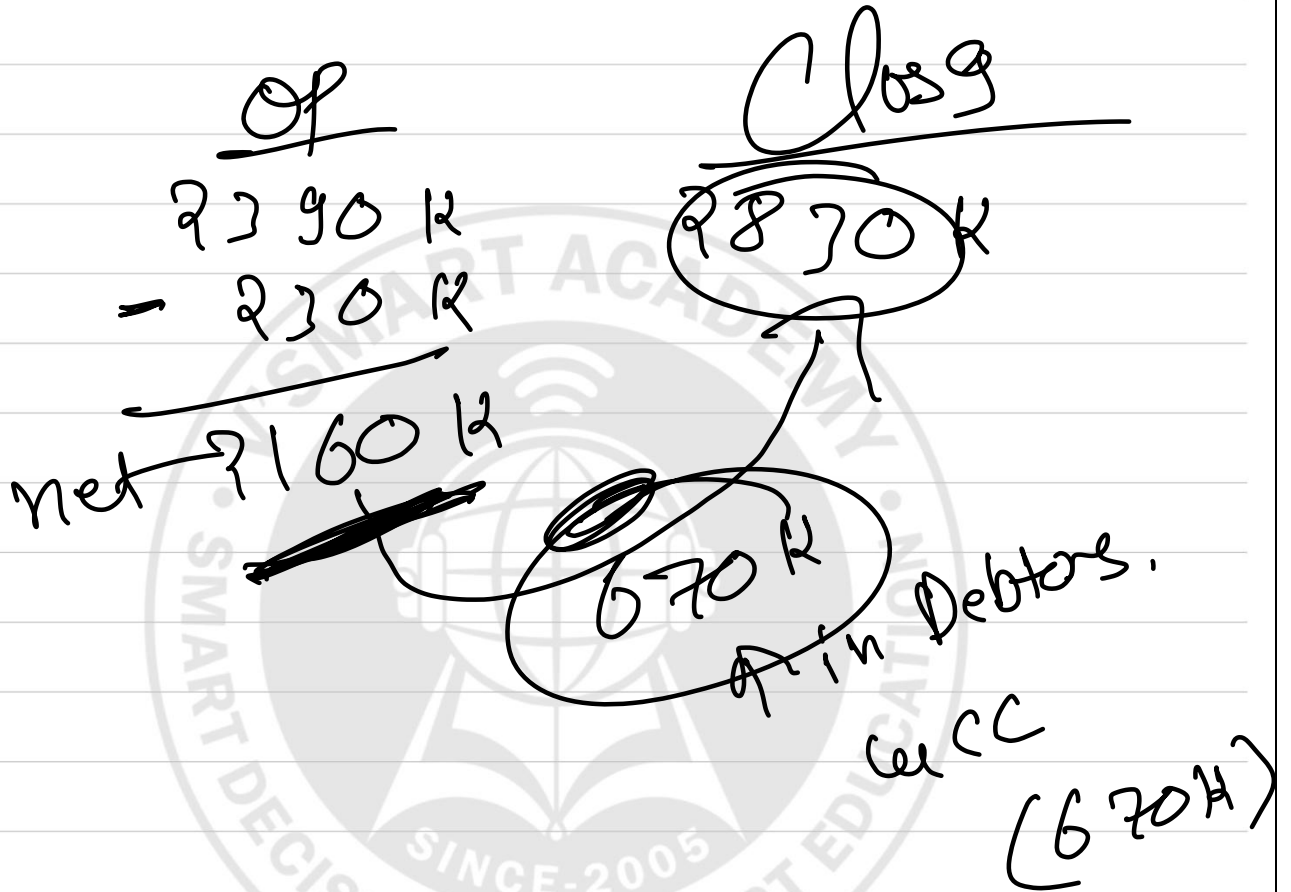
To BD a/c 230000 By Bal. 150000

To Bal 190000

By P&L 270000

CFOA (+)

Interest on Debt is not Calculated Since Debt are issued at the end of the year.



Opng Deb 200000

Clos. Deb 300000

Op Debt 300000

Cl. Debt 150000

Q307

Total Divd = 2100
Received

Pre 600

Reduce from Invest a/c

Post 1500

Credited to P&L

CFOA \Rightarrow 1500 (-)

CFIA \Rightarrow 2100
+

NPBT :-

Surplus 9000
(+) Transfer to GR 10000

(+) Dividend
Declared

Final 37000

Interim 10000

NPAT 66000

(+) Provision 32000

NPBT 98000

V'Smart Academy

May'24
Exam Question (7 marks)

Solution:-

Cash Flow from operating Activity

Surplus 43200
(+) GR Transfer 27000

NPAT = 70200

(+) Tax provision 162000

NPBT = 232200

Adjust For :-

(+) Interest on Debt = 14256

(-) Interest on Investm. = (4320)

(+) Depreciation = 32400

(+) provision for DD = ~~27000~~

301536

(+/-) WC Changes :-

Trade Payable = (10800)

Gross Trade Receivable = (180360)

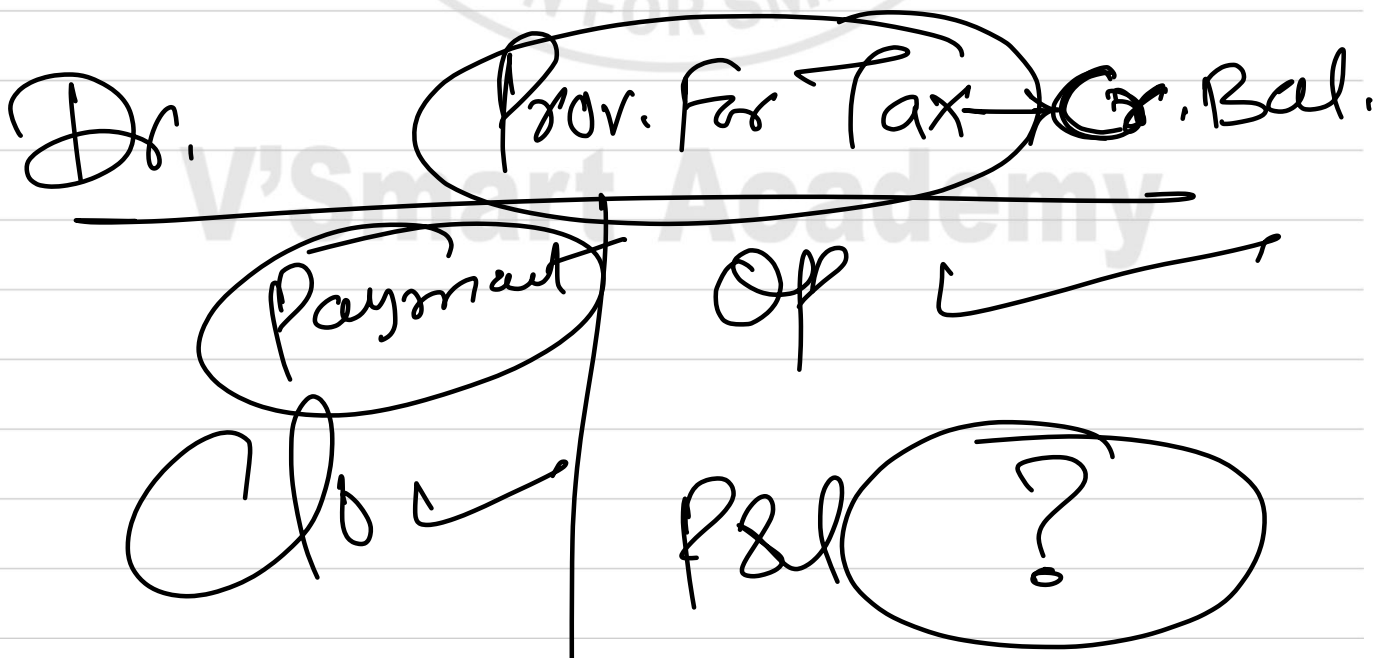
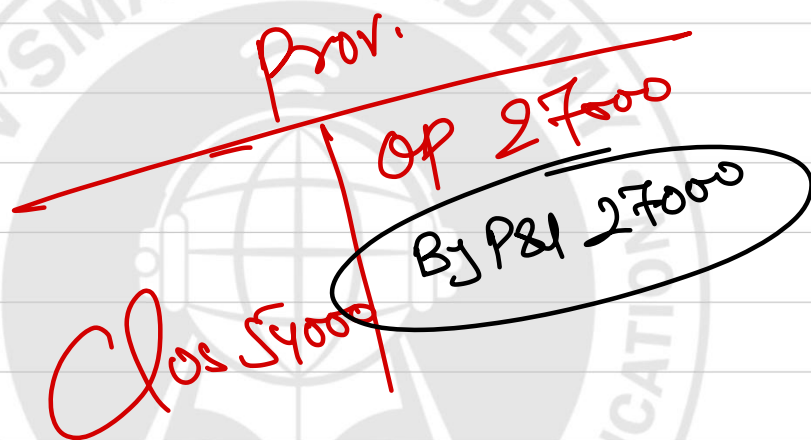
Inventory = 54000

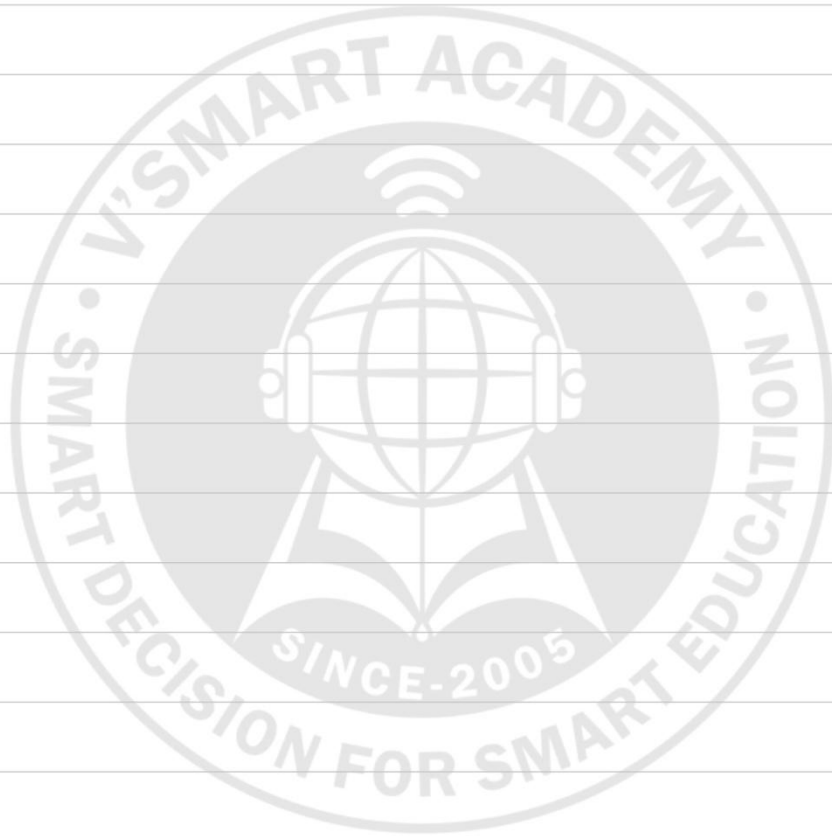
(-) Tax paid

Net Cash Used

$$= \frac{(248400)}{\underline{\underline{84024}}}$$

Hw Q307, Q318





V'Smart Academy