

**CASH FLOW STATEMENT (AS-3)**

1. Which of the following are considered as financial activities in the cash flow?
  - a) The interest that is paid
  - b) The issue of preference share
  - c) The redemption of the preference share
  - d) All of the above
  
2. Which of the activities falls under operating activity in the cash flow statement?
  - a) The sales of the fixed asset
  - b) The interest that is paid on term deposits by a bank
  - c) The purchase of the own debenture
  - d) The issuing of equity share capital
  
3. Who are interested in the cash flow statements of a company?
  - a) The directors of the company
  - b) The shareholders of the company
  - c) The potential investors of the company
  - d) All of the above
  
4. What is the purpose of cash flow statement?
  - a) The future cash flows and borrowing could be predicted
  - b) Different companies can be easily compared with each other
  - c) Provide formation regarding a company's solvency, liquidity, and financial stability
  - d) All of the above
  
5. Which of the following activities is investing activity in cash flow?
  - a) Sale of investment by non-financial enterprise
  - b) Issuing a debenture
  - c) Paying back a loan
  - d) The raw material purchased with cash
  
6. Nora Ltd., arrived at a net profit of ₹ 5,00,000 for the year ended March 31, 2023. Depreciation for the year was ₹ 2,00,000. There was a profit of ₹ 50,000 on assets sold which was transferred to Statement of Profit and Loss account. Trade Receivables increased during the year ₹ 40,000 and Trade Payables also increased by ₹ 60,000. Compute the cash flow from operating activities by indirect method.
  - a) ₹ 5,50,000
  - b) ₹ 5,60,000
  - c) ₹ 6,70,000
  - d) ₹ 6,60,000
  
7. In case of other enterprises cash flow arising from interest paid should be classified as cash flow from \_\_\_\_\_ while dividends and interest received should be stated as cash flow from \_\_\_\_\_.
  - a) Operating activities, financing activities
  - b) Financing activities, investing activities
  - c) Investing activities, operating activities
  - d) None of the above

8. The aggregate cash flows arising from acquisitions and disposals of subsidiaries or other business units should be presented separately and classified as which activities.
- Operating activities
  - Investing activities
  - Financing activities
  - None of the above
9. Which are examples of non-cash transactions are:
- the acquisition of assets by assuming directly related liabilities
  - the buyback of shares from open market
  - the acquisition of an enterprise by means of payment through demand draft.
  - the redemption of debentures
10. How to report the effect of changes in exchange rates on cash and cash equivalents held in a foreign currency?
- Should be reported as a separate notes after financial statements
  - Should be reported as part of the reconciliation of the changes in cash and cash equivalents during the period
  - Should not be reported anywhere
  - Should be reported by CA in special report.
11. Where to show dividends received and dividends paid in cash flow statement.
- Investing activities; financing activities
  - Financing activities; operating activities
  - Investing activities; operating activities
  - Financing activities; investing activities
12. What will be the cash paid to suppliers and employees if opening and closing inventory is ₹ 1,950 and ₹ 900 respectively. Cost of goods sold is ₹ 26,000 and opening and closing sundry creditors is ₹ 1,890 and ₹ 150 respectively. Also given that administrative and selling expenses were ₹ 910.
- ₹ 27,690
  - ₹ 27,650
  - ₹ 27,600
  - ₹ 27,620
13. XYZ Ltd. has interest payable at beginning and end of the year for ₹ 100 and ₹ 230 respectively. Company has incurred ₹ 400 as interest expenses for the year. Help Mr A in calculation of Interest paid during the year 2023.
- ₹ 270
  - ₹ 260
  - ₹ 250
  - ₹ 240
14. .... are short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.
- Cash
  - Bank
  - Cash equivalents
  - None of the above

15. .... are the principal revenue-producing activities of the enterprise and other activities that are not investing or financing activities.
- Investing activities
  - Operating activities
  - Financing activities
  - None of above
16. Examples of cash flows from operating activities are:
- cash receipts and cash payments of an insurance enterprise for premiums and claims, annuities and other policy benefits
  - cash payments or refunds of income taxes unless they can be specifically identified with financing and investing activities; and
  - cash receipts and payments relating to futures contracts, forward contracts, option contracts and swap contracts when the contracts are held for dealing or trading purposes.
- Only 1 and 2
  - Only 1 and 3
  - Only 3 and 2
  - Only 1,2 and 3
17. A Ltd is a company engaged in sale & purchase of shares. It holds securities and loan for dealing purpose. Where will be cash arise from such activities to be shown in cash flow?
- Investing activities
  - Operating activities
  - Financing activities
  - None of above
18. Cash flows arising from capitalised research and development costs and self-constructed fixed assets are part of.....
- Investing activities
  - Operating activities
  - Financing activities
  - None of above
19. An amount of ₹ 3 Lacs was raised from the issue of share capital and a further ₹ 2.5 Lacs was raised from long term borrowings. How to show amount in cash flow statement of MN Ltd?
- Cash flow from Investing activities
  - Cash flow from Operating activities
  - Cash flow from Financing activities
  - None of above
20. A non-trading company pays ₹4,00,000 to acquire shares in Ranbir Ltd. and receive ₹ 40,000 as dividend after Acquisition. In the Cash flow statement, these transactions will result in:
- Cash used in Investing Activities ₹ 3,60,000
  - Cash generated from Investing Activities ₹ 3,60,000
  - Cash used in Investing activities ₹ 4,00,000 & Cash flow from Financing activities ₹ 40,000
  - Cash generated from Financing Activities ₹ 4,00,000

21. M/s Anmol & Sons; A Bamboo pens producing company, purchased machinery for ₹9,00,000. It received a dividend of ₹70,000 on investment in shares. The company also sold an old machine with the book value of ₹79,000 at a loss of ₹10,000 Compute the amount of Cash flow/used from/in Investing Activities.

- a) 7,41,000
- b) 7,61,000
- c) 8,81,000
- d) 8,31,000

22. If Net profit is ₹ 35,000 after writing of goodwill ₹ 6,000 & Loss on sale of furniture ₹ 1,000, Cashflow from operating Activities will be:

- a) ₹ 35,000
- b) ₹ 42,000
- c) ₹ 29,000
- d) ₹ 28,000

23. From the following data, find the value of building sold during the year:

Particulars	31.3.2023	31.3.2024
Land & building	2,00,000	1,70,000
Capital reserve	Nil	20,000

A piece of land has been sold during the year and the profit on sale has been credited to capital reserve. Depreciation charged on the building during the year is ₹ 5,000; no additions have been made under this head during the year.

- a) ₹ 30,000
- b) ₹ 50,000
- c) ₹ 40,000
- d) ₹ 45,000

24. In an organization, provision for taxation as of 31st December 2023 was ₹ 16,000, and on 31st December 2024 ₹ 18,000. Provision for taxation of ₹ 19,000 was made during the year 2024. The tax paid during the year is –

- a) ₹ 17,000
- b) ₹ 19,000
- c) ₹ 2,000
- d) ₹ 16,000

25. Some of the account balances of KK Ltd. are as follows in its balance sheet:

	2023 (₹)	2024 (₹)
Share Capital	2,50,000	4,50,000
10% Debentures	2,00,000	1,50,000
Share Premium	25,000	50,000

If interest paid on debentures was 20,000, the net cash flows from financing activities were:

- a) ₹ 1,75,000
- b) ₹ 1,55,000
- c) ₹ 2,05,000
- d) ₹ 2,25,000

26. Investments at the beginning and at the end of the year 2023-24 were ₹ 255 Lakh and ₹ 210 Lakh respectively. During the year 40 percent of original investments were sold at a profit of ₹63 Lakh. Amount of cash inflow & outflow respectively from Investments will be:

- a) ₹ 102 Lakh and ₹ 57 Lakh
- b) ₹ 165 Lakh and ₹ 57 Lakh
- c) ₹ 45 Lakh and Nil
- d) ₹ 147 Lakh and ₹ 39 Lakh

27. The following information of a non-financial enterprise is given:

- (i) Purchase of fixed assets ₹ 40,000;
- (ii) Proceeds from the sale of equipment ₹ 35,000;
- (iii) Interest received ₹ 3,000;
- (iv) Interest paid ₹ 6,000,
- (v) Dividend received ₹ 4,000 and
- (vi) Dividend paid ₹ 15,000.

Amount of cash from investing activities will be –

- a) ₹ 1,000
- b) ₹ (4,000)
- c) ₹ 2,000
- d) ₹ (2,000)

28. QPR Ltd. has the following balances:

Investment at the end of the year 2017–2018 ₹ 85,000, Investment at the end of the year 2018–2019 ₹ 70,000. During the year the company had sold 40% of its original investment at a profit of 50%. What will be the amount of cash inflow and cash outflow from the investment:

- a) ₹ 51,000 and ₹ 36,000
- b) ₹ 51,000 and ₹ 19,000
- c) ₹ 1,21,000 and ₹ 85,000
- d) ₹ 1,21,000 and ₹ 19,000

29. Crown Ltd. wants to prepare its cash flow statement. It sold equipment of book value of ₹ 60,000 at a gain of ₹ 8,000. The amount to be reported in its cash flow statement under operating activities is

- a) Nil
- b) ₹ 8,000
- c) ₹ 68,000
- d) ₹ 60,000

30. While preparing cash flows statement, an entity (other than a financial institution) should disclose the dividends received from its investment in shares as

- a) operating cash inflow
- b) investing cash inflow
- c) financing cash inflow
- d) cash & cash equivalent

31. XYZ Co. is a financial enterprise. In its cash flow statement, interest paid and dividends received should be

- a) classified as operating cash flows.
- b) classified as financing cash flows.
- c) Not shown in cash flow statement.
- d) classified as investing cash flows.

32. In the cash flow statement, 'cash and cash equivalents' do not include,
- Bank balances.
  - Short-term investments readily convertible into Cash are subject to an insignificant risk of changes in value.
  - Cash balances.
  - Loan from bank.
33. While preparing a Cash Flow Statement using the Indirect method as required under AS 3, which of the following will not be deducted from/added to the Net Profit to arrive at the "Cash flow from Operating activities"?
- Interest income
  - Gain on sale of a fixed asset.
  - Depreciation.
  - Gain on sale of inventory
34. While preparing cash flow statement, conversion of debt to equity
- Should be shown as a financing activity.
  - Should be shown as an investing activity.
  - Should not be shown as it is a non-cash transaction
  - Should not be shown as operating activity.
35. Which of the following would be considered a 'cash-flow item from an "investing" activity'?
- Cash outflow to the government for payment of taxes.
  - Cash outflow to purchase bonds issued by another company.
  - Cash outflow to shareholders as dividends
  - Cash outflow to make payment to trade payables.
36. All of the following would be included in a company's operating activities except:
- Income tax payments
  - Collections from customers or Cash payments to suppliers
  - Dividend payments
  - Office and selling expenses.
37. Hari Uttam, a stock broking firm, received ₹ 1,50,000 as premium for forward contracts entered for purchase of equity shares. How will you classify this amount in the cash flow statement of the firm?
- Operating Activities.
  - Investing Activities.
  - Financing Activities.
  - Non-cash transaction.
38. As per AS 3 on Cash Flow Statements, cash received by a manufacturing company from sale of shares of ABC Company Ltd. should be classified as
- Operating activity.
  - Financing activity.
  - Investing activity.
  - Non-cash transaction

**Answers:**

1. (d)
2. (b)
3. (d)
4. (d)
5. (a)
6. (c)

**Explanation:**

## Cash Flow Statement

Particulars		Amount ₹
Net Profit at the end of the year		5,00,000
Adjustment for Non-Cash and Non-Operating items:		
+ Depreciation for the year	2,00,000	
- Profit on Sale of Assets	(50,000)	(150,000)
Operating Profit before Working Capital changes		<u>6,50,000</u>
- Increase in Trade Receivables	(40,000)	
+ Decrease in Trade Payables	60,000	<u>20,000</u>
Cash Flow from Operating Activities		<u>6,70,000</u>

7. (b)
8. (b)
9. (a)
10. (b)
11. (a)
12. (c)

**Explanation:**

Particulars		Amount ₹
Cost of sales		26,000
Administrative and selling expenses		<u>910</u>
		26,910
Add: Sundry creditors at the beginning of the year	1,890	
Inventories at the end of the year	900	<u>2,790</u>
		29,700
Less: Sundry creditors at the end of the year	150	
Inventories at the beginning of the year	1,950	<u>2,100</u>
Cash paid to suppliers and employees		<u>27,600</u>

13. (a)
14. (c)
15. (b)
16. (d)
17. (b)
18. (a)
19. (c)
20. (a)
21. (b)
22. (b)

- 23. (d)
- 24. (a)
- 25. (b)
- 26. (b)
- 27. (c)
- 28. (b)
- 29. (a)
- 30. (b)
- 31. (a)
- 32. (d)
- 33. (d)
- 34. (c)
- 35. (b)
- 36. (c)
- 37. (a)
- 38. (c)