**Ch-12: Cash Flow Statement.**

**MEANING OF CASH FLOW STATEMENT:-** Cash Flow Statement is a statement that shows the flow of cash and cash equivalents during the period under report.

**OBJECTIVES OF CASH FLOW STATEMENT:-**

1. To ascertain the sources of cash and cash equivalents under operating, investing and financing activities by the enterprise.

2. To ascertain the applications of cash and cash equivalents under operating, investing and financing activities by the enterprise.

3. To ascertain net change in cash and cash equivalents being the difference between receipts and payments under operating, investing and financing activities between the dates of two balance sheets.

**FORMAT OF CASH FLOW STATEMENT**

**(INDIRECT METHOD) FOR THE YEAR ENDED……………………..**

**{As per Accounting Standard-3 (Revised)}**

**Particulars**

**I. CASH FLOW FROM OPERATING ACTIVITIES**

(A) Net profit before tax and extraordinary items (as per working note)

(B) Add : Items to be added

\*Depreciation

\*Goodwill, Patents and Trademarks amortised

\*Interest on Bank Overdraft/Cash Credit

\*Interest on Borrowings and Debentures

\*Loss on Sale of Fixed Assets

\*Increase in Provision for doubtful debts

(C) Less : Items to be deducted

\*Interest Income

\*Dividend Income

\*Rental Income

\*Gain on Sale of Fixed Assets

\*Decrease in Provision for doubtful debts

(D) Operating profit before Working Capital changes (A+B-C)

(E)Add : Decrease in Current Assets & Increase in Current Liabilities

(F) Less : Increase in Current Assets & Decrease in Current Liabilities

(G) Cash generated from Operations (D+E-F)

(H) Less : Income tax paid (Net of tax refund)

(I) Cash flow before Extraordinary items

\*Extraordinary items (+/-)

(E) *Cash Flow From (or Used in) Operating Activities*

**II. CASH FLOW FROM INVESTING ACTIVITIES**

● Proceeds from sale of fixed assets

● Proceeds from sale of investments (other than Current Investments to be included in cash & cash equivalents and Marketable Securities)

● Proceeds from sale of intangible assets

● Interest and Dividend received (for non-financial companies Only)

● Rent received

● Payment for Purchase of Fixed Assets

● Payment for Purchase of Investments (Other than Marketable Securities)

● Payment for purchase of intangible assets like goodwill

● Extraordinary items (e.g. Insurance Claim on machinery against fire) (+/-)

*Cash Flow From (or used in) Investing Activities*

**III. CASH FLOW FROM FINANCING ACTIVITIES**

● Proceeds from Issue of Shares and Debentures

● Proceeds from Other Long-term Borrowings

● Increase/decrease in Bank Overdraft/Cash Credit

● Payment of Final Dividend

● Payment of Interim Dividend

● Payment of Interest on Debentures and Loans (Short-term and long-term)

● Repayment of Loans

● Redemption of Debentures/Preference Shares

● Payment of Share Issue Expenses

● Payment for Buy-back of Shares as Extraordinary Activities

● Cash Flow From (or Used in) Financing Activities

IV. Net Increase/Decrease in cash & Cash Equivalents (I+II+III)

**.-.-.-.**

V. Add: Cash & Cash Equivalents in the beginning of the year

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VI. Cash & Cash Equivalents at the end of the year

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75

**WORKING NOTES:**

**Net Profit Before tax and extraordinary items:**

Net Profit as per Statement of Profit & Loss or difference between closing balance & opening balance of surplus i.e., balance in statement of profit & loss

Add: + Transfer to Reserves.

+ Proposed Dividend for current year.

+ Interim Dividend paid during the year.

+ Provision for Tax for the current year.

+ Extraordinary Items, if any, Debited to the Statement of Profit & Loss.

Less: - Extraordinary Items, if any, Credited to the Statement of Profit & Loss.

- Refund of Tax Credited to the Statement of Profit & Loss.

Net Profit Before Tax and Extraordinary Items.

**NOTES:**

1. Amounts in brackets mean amounts that are to be deducted.

2. Increase/Decrease in unpaid interest on debentures/loans affect Cash Flow from Financing Activities.

3. Increase/Decrease in Unclaimed dividend affects Cash Flow from Financing Activities.

4. Increase/Decrease in Accrued interest on investments affects Cash Flow from Investing Activities.