

WORKSHEET ON CASH FLOW STATEMENT

[Board Exam Questions & Answers]

1. A cash flow statement shows inflows and outflows of cash and cash equivalents from various activities of a company during a specified period.
2. Yes statement is correct, comes under operating activity
- 3.

Cash flow statement of M.M. Ltd.
For the year ended 31st March 2015 as per AS-3 (Revised)

Particulars	Details (R)	Amount (R)
<u>A. Cash Flows from Operating Activities:</u>		
Net Profit before tax & extraordinary items (note 1)	3,00,000	
<u>Add: Non cash and non-operating charges</u>		
Goodwill written off	10,000	
Depreciation on machinery	99,000	
Interest on debentures	<u>60,000</u>	
<i>Operating profit before working capital changes</i>	4,69,000	
<u>Less: Increase in Current Assets</u>		
Increase in stock in trade	<u>(62,000)</u>	
<i>Cash from operations</i>	4,07,000	
Less: tax paid	<u>(70,000)</u>	
Net Cash generated from Operating Activities		3,37,000
<u>B. Cash flows from Investing Activities :</u>		
Purchase of machinery	(3,82,000)	
Purchase of non current investments	<u>(25,000)</u>	
Net Cash used in investing activities		(4,07,000)
<u>C. Cash flows from Financing Activities:</u>		
Issue of share capital	1,00,000	
Redemption of 12% debentures	(50,000)	
Interest on debentures paid	(60,000)	
Bank overdraft raised	<u>1,00,000</u>	
Net Cash flow from financing activities		<u>90,000</u>
Net increase in cash & cash equivalents (A+B+C)		20,000
<u>Add: Opening balance of cash & cash equivalents</u>		
Current Investments	60,000	
Cash and Cash Equivalents	<u>60,000</u>	<u>1,20,000</u>
Closing Balance of cash & cash equivalents		
Current Investments	50,000	
Cash and Cash Equivalents	<u>90,000</u>	<u>1,40,000</u>

Notes:**Calculation of Net Profit before tax:**

Net profit as per statement of Profit & Loss	2,50,000
Add: Provision for tax made	<u>50,000</u>
Net Profit before tax & extraordinary items	<u>3,00,000</u>

Dr.		Cr.	
Provision for tax A/c			
Particulars	R	Particulars	R
To Bank A/c (Paid)	70,000	By Balance b/d	90,000
To balance c/d	70,000	By Statement of P/L (Bal fig.)	50,000
	<u>1,40,000</u>		<u>1,40,000</u>

4. Cash from Investing Activities

Investing activities relate to purchase and sale of long-term assets or fixed assets such as machinery, furniture, land and building, etc.

5.

Ans. Payment of Principal (Rs 3,60,000): Under Investing Activities (Cash Outflow)

Payment of Interest (Rs 40,000): Under Financing Activities (Cash Outflow)

6.

Particulars	Amount (Rs)	Amount (Rs)
A Cash Flow from Operating Activities		
Profit as per Statement of Profit and Loss	37,500	
Proposed Dividend	50,000	87,500
Profit Before Taxation		87,500
Items to be Added:		
Goodwill written off	12,500	
Debentures interest	10,500	
Depreciation	27,500	
Loss on sale of machinery	2,500	53,000
Operating Profit before Working Capital Adjustments		1,40,500
Less: Increase in Current Assets		
Inventories	(12,500)	(12,500)
Cash Generated from Operations		1,28,000
Less: Tax Paid		-
Net Cash Flows from Operating Activities		1,28,000

B	Cash Flow from Investing Activities		
	Sale of machinery	7,500	
	Purchase of machinery	(1,75,000)	
	Purchase of non-current investment	(12,500)	(1,80,000)
	Net Cash Used in Investing Activities		(1,80,000)

C	Cash Flow from Financing Activities		
	Proceeds from Issue of Share Capital	50,000	
	Increase in Bank Overdraft	18,750	
	Interest on Debentures paid	(10,500)	
	Proceeds from Issue of Debentures	25,000	
	Proposed Dividend Paid	(31,250)	
	Net Cash Flow from Financing Activities		52,000
D	Net ↑/↓ in Cash and Cash Equivalents (A+B+C)		-
	Add: Cash and Cash Equivalent in the beginning of the period (10,750+17,500)		28,250
	Cash and Cash Equivalents at the end of the period (18,250+10,000)		28,250

Working Notes:

Machinery Account			
Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
Balance b/d	2,63,750	Bank A/c (Sale)	7,500
Bank A/c (Purchase- Bal. Fig.)	1,75,000	Accumulated Depreciation A/c	10,000
		Profit and Loss A/c (Loss on Sale)	2,500
		Balance c/d	4,18,750
	4,38,750		4,38,750

Accumulated Depreciation Account			
Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
Machinery A/c	10,000	Balance b/d	35,000
Balance c/d	52,500	Profit and Loss A/c (Dep. charged during the year- Bal. Fig.)	27,500
	62,500		62,500

7.

A cash flow statement provides information about the historical changes in cash and cash equivalents of an enterprise by classifying cash flows into operating, investing and financing activities.

8. Operating Activity

9.

For the year ended 31st March 2017

Particulars	Details (₹)	Amount (₹)
<u>A. Cash Flows from Operating Activities:</u>		
Net Profit before tax & extraordinary items (WN)	3,25,000	
<u>Add: Non cash and non-operating charges</u>		
Depreciation on machinery	62,500	
Interest on debentures	<u>15,000</u>	
<i>Operating profit before working capital changes</i>	4,02,500	
<u>Less: Increase in Current Assets</u>		
Increase in Trade Receivables	<u>(50,000)</u>	
<i>Cash Flows from Operations</i>	3,52,500	
Less Tax paid	<u>(75,000)</u>	
<i>Net Cash generated from Operating Activities</i>		2,77,500
<u>B. Cash flows from Investing Activities :</u>		
Purchase of machinery	(2,12,500)	
Loans and advances given	<u>(1,00,000)</u>	
<i>Net Cash used in investing activities</i>		(3,12,500)
<u>C. Cash flows from Financing Activities:</u>		
Issue of Debentures		
Interest paid on debentures	1,00,000	
Dividend paid	(15,000)	
Bank overdraft raised	(50,000)	
<i>Net Cash flows from financing activities</i>	<u>50,000</u>	
Net increase in cash & cash equivalents (A+B+C)		85,000
<u>Add:</u> Opening balance of cash & cash equivalents		50,000
Closing Balance of cash & cash equivalents		<u>75,000</u>
		<u>1,25,000</u>

Working Notes:**Calculation of Net profit before tax:**

	₹
Net Profit for the year	1,25,000
Add Proposed dividend	75,000
Add Provision for tax	<u>1,25,000</u>
	<u>3,25,000</u>

FULL CREDIT IS TO BE GIVEN IF AN EXAMINEE HAS TAKEN 'SHORT TERM LOANS AND ADVANCES' AS INCREASE IN CURRENT ASSETS UNDER OPERATING ACTIVITIES.

In that case,

CASH FROM OPERATIONS = ₹2,52,000

CASH GENERATED FROM OPERATING ACTIVITIES = ₹1,77,500

CASH USED IN INVESTING ACTIVITIES = ₹2,12,500

10. Cash flow from operating activity
11. Cash flow from financing activity
- 12.

Cash flow Statement for the year ending 31st March, 2018

Particulars	Details (₹)	Amount (₹)
A. Cash flows from Operating Activities :		
Net Profit before Tax	(24,000)	

Add : Depreciation on Machinery	4,20,000	
Add : Interest on Debentures	64,000	
Less : Gain on sale of machinery	<u>(1,60,000)</u>	
Operating profit before the working Capital changes	3,00,000	
Add: Increase in Trade Payables	50,000	
Less: Increase in Inventories	<u>(4,00,000)</u>	
Cash generated from Operations before tax	(50,000)	
Less: Tax Paid	<u>(56,000)</u>	
Net Cash used in Operating Activities		(1,06,000)
<u>B. Cash flows from Investing Activities :</u>	(16,00,000)	
Purchase of Machinery	(1,00,000)	
Purchase of Intangible Assets	<u>6,40,000</u>	
Sale of Machinery		
Net Cash used in investing activities		(10,60,000)
<u>C. Cash flows from financing Activities</u>	9,00,000	
Issue of shares	3,00,000	
Issue of Debentures	<u>(64,000)</u>	
Interest paid on debentures		
Cash Inflows from Financing Activities		<u>11,36,000</u>
Net Decrease in Cash and Cash Equivalents		<u>(30,000)</u>
Add: Opening Balance of Cash and Cash equivalents	78,000	
Current Investments	<u>78,000</u>	
Cash & cash equivalents		<u>1,56,000</u>
Closing Balance of Cash and Cash equivalents	89,000	
Current Investments	37,000	
Cash & cash equivalents		1,26,000

Working Notes:

Calculation of Profit before Tax :

Net Profit for the year = (1,00,000)

Add: Provision for tax = 76,000

Net profit before tax = (24,000)

Dr.		Machinery A/c		Cr.	
Particulars	₹	Particulars	₹		
To Balance b/d	25,00,000	By Acc. depreciation	3,20,000		
To Gain on sale	1,60,000	By Bank	6,40,000		
To Bank A/c (Bal. Fig.)	16,00,000	By balance c/d	33,00,000		
	<u>42,60,000</u>				<u>42,60,000</u>

Accumulated Depreciation A/c

Particulars	₹	Particulars	₹
Machinery A/c	3,20,000	By balance b/d	5,00,000
Balance c/d	6,00,000	Statement of P & L (Bal. figure)	4,20,000
	<u>9,20,000</u>		<u>9,20,000</u>

13. Any one of the following:

- (i) Payment of dividend
- (ii) Interest on Long term Borrowings
- (iii) Issue of Shares for cash
- (iv) Issue of Debenture for cash

14.

Cash flow from Financing Activities

(₹)

Proceeds from issue of debentures	20,00,000	
Less: Interest paid	(80,000)	
Cash Flow from Financing Activity	19,20,000	

15.

(i) **Cash Flow from Investing Activities**

Particulars	Amount (₹)
Purchase of Machinery	(2,50,000)
Purchase of Goodwill	(50,000)
Sale of Machinery	12,000
Sale of land	30,000
Cash used in Investing activities	<u>(258,000)</u>

Dr	Machinery A/c	Cr	
Particulars	(₹)	Particulars	(₹)
To Balance b/d	3,00,000	By Bank A/c	12,000
		By Accum. Dep. A/c	35,000
To Bank A/c (Bal fig)	2,50,000	By Statement of P & L-	
		Loss on Sale	3,000
		By Balance c/d	5,00,000
	<u>5,50,000</u>		<u>5,50,000</u>

Dr.	Accumulated Depreciation A/c		Cr.
Particulars	(₹)	Particulars	(₹)
To Machinery A/c	35,000	By balance b/d	80,000
To Balance c/d	1,00,000	By Depreciation / Statement of Profit & Loss (Bal Fig)	55,000
	<u>1,35,000</u>		<u>1,35,000</u>

(ii) Cash Flow from Operating Activities

Particulars	Amount (₹)
Net profit before tax	272,500
<i>Adjustment for non cash and non operating items</i>	
Add: Depreciation	20,000
Add: Goodwill written off	9,000
Add: loss on sale of furniture	2,000
<i>Operating profit before working capital changes</i>	3,03,500
Add: Decrease in inventory 4,000	
Less: Decrease in advance income (8,000)	(4000)
Net cash generated from operating activities	<u>2,99,500</u>

Working Note:

Calculation of Net Profit before Tax:

Net Profit	2,50,000
Add Transfer to general reserve	<u>22,500</u>
	2,72,500