

(i) Tangible Assets	3	5,00,000	7,00,000
(b) Non-Current Investments		70,000	56,000
(c) Other Non-Current Assets	4	20,000	15,000
2. Current Assets			
(a) Inventories		2,10,000	2,80,000
(b) Trade Receivables		1,40,000	1,14,000
(c) Cash and Cash equivalents	5	70,000	60,000
(d) Other Current Assets	6	5,000	5,000
		TOTAL	
		10,15,000	12,30,000

Total interest paid during the year amounted to ` 37,800.

Note 1

Particulars	As on 31.3.2011	As on 31.3.2012
	(`)	(`)
General Reserve	1,25,000	1,35,000
Profit & Loss Balance	1,10,000	1,90,000

Note 2

Particulars	As on 31.3.2011	As on 31.3.2012
	(`)	(`)
12% Debentures	2,00,000	1,50,000
14% Mortgage Loan	1,00,000	1,60,000

Note 3

Particulars	As on 31.3.2011	As on 31.3.2012
	()	()
(i) Tangible Assets		
Machinery	5,00,000	7,00,000

Note 4

Particulars	As on 31.3.2011	As on 31.3.2012
	()	()
Unmortised Expenses	20,000	15,000

Note 5

Particulars	As on 31.3.2011	As on 31.3.2012
	()	()
Cash	20,000	40,000
Bank	50,000	20,000

Note 6

Particulars	As on 31.3.2011	As on 31.3.2012
	()	()
Unmortised Expenses	5,000	5,000

SOLUTION 9.

CASH FLOW STATEMENT (Indirect Method)

A. Cash flows from Operating Activities:

Net profit before taxation		
Profit as per Profit & Loss Statement	20,000	
(`60,000-`40,000)		
Adjustments for:		
Goodwill written off	30,000	
Preliminary Expenses written off	8,000	
Interest Paid	9,000	
Operating profit before working capital change	67,000	
Add: Decrease in Current Assets:		
Prepaid Expenses	2,000	
Add: Increase in Current Liabilities		
Trade Payables	15,000	
Outstanding Expenses	10,000	27,000
		94,000
Less: Increase in Current Assets:		
Inventories (Stock)	40,000	
Trade Receivables	70,000	1,10,000
Net cash used in operating activities	(16,000)	(16,000)

B. Cash flows from Investing Activities:

Purchase of Land & Buildings	(80,000)
------------------------------	----------

Purchase of Long-term Investments	(25,000)	
Net cash used in investing activities	(1,05,000)	(1,05,000)

C. Cash flows from Financing Activities:

Issue of shares		1,00,000
Proceeds from Public Deposits		45,000
Interest Paid		(9,000)
Net cash from financing activities	1,36,000	1,36,000
Net Increase in cash and cash equivalents		15,000
Cash and cash equivalents at the beginning of the period (See Note 1)		45,000
Cash and cash equivalents at the end of the period (See Note 1)		60,000

Note: (1) Cash and cash equivalents include cash in hand, bank balance and short-term investments. Hence cash and cash equivalents in this question will amount to:

	2011	2012
	、	、
Cash	15,000	13,000
Bank	20,000	32,000
Short-term Investments	10,000	15,000
	45,000	60,000

QUESTION

From the following Balance Sheets of Voltamp Ltd. as on 31.3.2011 and 31.3.2012, prepare a Cash Flow Statement:

Particulars	Note No.	31-3-2011 ,	31-3-2012 ,
A. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital		2,00,000	2,00,000
(b) Reserves and Surplus	1	1,10,000	1,75,000
2. Current Liabilities			
(a) Trade Payables 1,39,000		1,28,000	
(b) Other Current Liabilities	2	6,000	
(c) Short-term Provisions	3	35,000	45,000
TOTAL		4,90,000	5,48,000
B. ASSETS:			
1. Non-Current Assets			
(a) Fixed Assets			
(i) Tangible Assets	4	1,50,000	2,00,000
(i) Intangible Assets	5	40,000	30,000
(b) Other Non-Current Assets	6	23,000	16,000
2. Current Assets			

(a) Current Investments		12,000	15,000
(b) Inventories		1,80,000	2,15,000
(c) Trade Receivables		60,000	50,000
(c) Cash and Cash equivalents		8,000	10,000
(d) Short-term Loans and advances 7		10,000	5,000
(d) Other Current Assets	8	7,000	7,000
	TOTAL	4,90,000	5,48,000

Note 1

Particulars	As on 31.3.2011	As on 31.3.2012
	()	()
General Reserve	1,00,000	1,00,000
Profit & Loss Balance	10,000	1,75,000

Note 2

Particulars	As on 31.3.2011	As on 31.3.2012
	()	()
Outstanding Salaries	6,000	—

Note 3

Particulars	As on 31.3.2011	As on 31.3.2012
	()	()
(c) Short-term Provisions		
Provision for Taxation	35,000	45,000

Note 4

Particulars	As on 31.3.2011	As on 31.3.2012
	()	()
Machinery	1,50,000	2,00,000

Note 5

Particulars	As on 31.3.2011	As on 31.3.2012
	()	()
Goodwill	40,000	30,000

Note 6

Particulars	As on 31.3.2011	As on 31.3.2012
	()	()
Unmortised Expenses	23,000	16,000

Note 7

Particulars	As on 31.3.2011	As on 31.3.2012
	()	()
Prepaid Expenses	10,000	5,000

Note 6

Particulars	As on 31.3.2011	As on 31.3.2012
	()	()
Unmortised Expenses	7,000	7,000

Additional Information:

- I. Machinery whose original cost was ` 50,000 was sold for ` 10,000 during the year. Accumulated depreciation on this machinery was ` 26,000.
- II. Depreciation on Machinery charged during the year ` 20,000.
- III. Dividend paid during the year @10% on Equity share Capital.

SOLUTION

CASH FLOW STATEMENT (Indirect Method)

A. Cash flows Operating Activities:

Net profit before taxation:

Increase in Reserves & Surplus	65,000	
+Provision for Taxation for 2012	45,000	
+Dividend paid (10% on ` 2,00,000)	20,000	1,30,000

Adjustments for:

Depreciation on Machinery	20,000	
Loss on sale of Machinery	14,000	
Goodwill written off	10,000	
Preliminary Expenses written off	4,000	
Underwriting commission		
Written off	3,000	51,000
Operating profit before working capital changes		1,81,000
Add: Decrease in Current Assets:		
Trade Receivable	10,000	
Prepaid Expenses	5,000	15,000
		1,96,000
Less: Increase in Current Assets:		
Inventory (Stock)	35,000	
Less: Decrease in Current Liabilities:		
Trade Payable	11,000	
Outstanding Salaries	6,000	52,000
		1,44,000
Payment of Tax (for 2011)		35,000
Net cash from operating activities		1,09,000
		1,09,000
B. Cash flows from Investing Activities:		
Purchase of Machinery (1)		(94,000)
Sale of Machinery		10,000
Net cash used in investing activities		(84,000)
		(84,000)

C. Cash flows from Financing Activities:

Dividend paid	(20,000)	(20,000)
Net increase in cash and cash equivalents	5,000	
Cash and cash equivalents at the beginning of the period (Bank `8,000+Short term Investments `12,000)	20,000	
Cash and cash equivalents at the end of the period (Bank ` 10,000 + Short term Investments `15,000)	25,000	

Working Note:

1.

MACHINERY ACCOUNT

(On written down value)

To Balanced b/d	1,50,000	By Bank (Sale)	10,000
To Bank A/c (Balancing Fig. being purchase)	94,000	By P & L A/c (Loss)	
		By Current Year's Depreciation	20,000
		By Balanced c/d	2,00,000
	2,44,000		2,44,000

QUESTION

From the following Balance Sheets of Virgo Global Media Limited, as on 31.3.2011 and 31.3.2012, prepare a Cash Flow Statement:

Particulars	Note No.	31-3-2011	31-3-2012
A. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital		90,000	1,30,000
(b) Reserves and Surplus	1	50,000	85,000
2. Current Liabilities			
(a) Trade Payables 17,400		22,000	
TOTAL		1,57,400	2,37,000
B. ASSETS:			
1. Non-Current Assets			
(a) Fixed Assets			
(i) Tangible Assets		93,400	1,66,000
(b) Other Non-Current Assets	2	1,000	
2. Current Assets			
(a) Inventories		22,000	26,000
(b) Trade Receivables		36,000	39,000
(c) Cash and Cash equivalents		4,000	5,000
(d) Other Current Assets	3	1,000	1,000
TOTAL		1,57,400	2,37,000

Note 1

Particulars	As on 31.3.2011	As on 31.3.2012
	()	()
General Reserve	30,000	55,000
Profit & Loss Balance	20,000	30,000

Note 2

Particulars	As on 31.3.2011	As on 31.3.2012
	()	()
Unmortised Expenses	1,000	

Note 3

Particulars	As on 31.3.2011	As on 31.3.2012
	()	()
Unmortised Expenses	1,000	1,000

Additional Information:

- I. Depreciation charged on fixed assets for the year 2011-2012 was ` 20,000.
- II. Income Tax ` 5,000 has been paid during the year.

(C.B.S.E. 2011, Outside Delhi)

SOLUTION

CASH FLOW STATEMENT

For the year ended 31st March, 2012

A. Cash flows from Operating Activities:			
Net Profit before tax:			
Profit as per Balance Sheet (₹30,000 – ₹20,000)	10,000		
+ Income Tax Paid	5,000		
+ Transfer to Reserve	25,000		
Add: Item to be added (Non-cash items)		21,000	
Depreciation	20,000	61,000	
Preliminary Expenses written off	1,000	4,600	
Operating profit before Working Capital Changes		65,600	
Add: Increases in Trade Payables		7,000	53,000
Less: Increase in Inventory	4,000	58,600	
Increase in Trade Receivables	3,000	5,000	
Cash Flow from Operating Activities before Tax			(92,600)
Less: Income Tax Paid			
Cash Flow from Operating Activities after Tax		(92,600)	
B. Cash flows from Investing Activities:			
Purchase of fixed assets (None 1)			40,000
Net Cash used in Investing Activities		40,000	1,000
C. Cash flows from Financing Activities			
Issue of Share Capital			4,000
Cash flow from Financing Activities			5,000
D. Net Increase in Cash & Cash Equivalents (A + B + C)			
Add: Cash & Cash Equivalents at the Beginning of the period			
Cash & Cash Equivalents at the end of the period			

Working Note: (1)

Particulars	₹	Particulars	₹
To Balance b/d	93,400	By Depreciation A/c	20,000
To Bank A/c (Purchases)		By Balance c/d	1,66,000
(Balancing figure)	92,600		
	1,86,000		1,86,000

QUESTION

From the following information, prepare Cash Flow Statement:

Balance Sheet

as at 31.03.2012 and 31.03.2011

Particulars	Note	31-3-2012	31-3-2011
	No.		
A. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital	1	1,00,000	80,000
(b) Reserves and Surplus	2	6,400	6,000
2. Non-Current Liabilities			
(a) Long-term Borrowings	3	14,000	12,000
2. Current Liabilities			
(a) Trade Payables 22,000		24,000	
(b) Short-term Provisions	4	20,000	16,000
TOTAL		1,62,400	1,38,000
B. ASSETS:			
1. Non-Current Assets			
(a) Fixed Assets			

(i) Tangible Assets		50,000	60,000
2. Current Assets			
(a) Inventories		70,000	60,000
(b) Trade Receivables		48,000	40,000
(c) Cash and Cash equivalents	5	(6,600)	(22,600)
(d) Short-term Loans and advances		1,000	600
	TOTAL	1,62,400	1,38,000

Note 1

Particulars	As on 31.3.2012	As on 31.3.2011
	(₹)	(₹)
Equity Share Capital	80,000	55,000
12% Preference Share Capital	20,000	25,000

Note 2

Particulars	As on 31.3.2012	As on 31.3.2011
	(₹)	(₹)
General Reserve	4,000	4,000
Profit & Loss Balance	2,400	2,000

Note 3

Particulars	As on 31.3.2012	As on 31.3.2011
	()	()
15% Debentures	14,000	12,000

Note 4

Particulars	As on 31.3.2012	As on 31.3.2011
	()	()
Provision for Taxation	8,400	6,000
Proposed Dividend	11,600	10,000

Note 5

Particulars	As on 31.3.2012	As on 31.3.2011
	()	()
Cash	7,000	2,400
Bank Overdraft	(13,600)	(25,000)

Additional Information:

(a) Provision for tax made ` 9,400.

(b) Fixed assets sold for ` 10,000, their cost ` 20,000 and accumulated depreciation till date of sale is ` 6,000.

(c) An interim dividend paid during the year ` 9,000.

(d) Depreciation charged during the year ` 8,000.

SOLUTION

CASH FLOW STATEMENT (Indirect Method)

for the year ended 31st March, 2012

		₹	₹
A. Cash Flows from Operating Activities			
Net profit before taxation:			
Profit as per Balance Sheet (₹2,400 - ₹2,000)	400		
+ Proposed Dividend for 2012	11,600		
+ Interim Dividend paid	9,000		
+ Provision for Taxation	9,400	34,000	
Adjustments for:			
Depreciation (3)	14,000		
Loss on sale of fixed assets	4,000		
Interest on Debentures	1,800	19,800	
Operating profit before working capital changes		50,200	
Less: Increase in Current Assets:			
Inventories	10,000		
Trade Receivables	8,000		
Prepaid Expenses	400		

Decrease in Current Liabilities:

Trade Payables		2,000
	(20,400)	
Cash generated from operating activities	29,800	
Less: Income Tax paid (4)		(7,000)
Net cash from Operating Activities	22,800	22,800

B. Cash Flows from Investing Activities:

Sale of Fixed assets	(10,000)	
Purchase of fixed Assets (2)	(18,000)	
Net Cash used in investing activities	(8,000)	(8,000)

C. Cash Flows from Financing Activities:

Issue of equity share capital	25,000	
Redemption of performance share capital	(5,000)	
Issue of Debentures	2,000	
Payment of proposed dividend (for 2011)	(10,000)	
Interim dividend paid	(9,000)	
Net cash from financing activities	1,200	1,200
Net Increase in cash and cash equivalents		16,000
Cash and cash equivalents at the beginning of the period (Cash `2,400 – Bank Overdraft `25,000)		(22,600)
Cash and cash equivalents at the end of the period (Cash `7,000 – Bank Overdraft `13,600)		(6,600)

Working Notes: (1) It is assumed that debentures have been issued at the end of current accounting period. Hence interest on debentures is 15% on ` 12,000.

(2) Fixed Assets Account (On Original Cost)

To Balance b/d	82,000	By Bank (Sale)	10,000
To Bank (Balancing figure, being purchase) depreciation on fixed assets sold)	18,000	By Accumulated Depreciation A/c (Being 6,000	
		By P & L A/c (Loss on sale of fixed assets)	4,000
		By Balance c/d	80,000
	1,00,000		1,00,000

(3) Accumulated Depreciation Account

To Fixed Assets A/c (transfer of depreciation on fixed assets sold)	6000	By Balance b/d	22,000
		By P & L A/c (Balancing figure, being current year's deprecation)	14,000

To Balance c/d	30,000		
	36,000		36,000

(4) Provision tax Account

To Bank (balancing figure, Being payment made)	7,000	By Balance b/d (Given)	6,000
		By P & L A/c (provision made In 2012 (Given)	9,400
	15,400		15,400

Question

Prepare a cash flow statement from the following:

Income Statement

(for the year ended 31st march, 2012)

Sales	25,40,000	
Less: Cost of goods sold		20,60,000
Gross profit		4,80,000
Less: Operating expenses (including depreciation on Machinery ` 54,000)	1,90,000	
Goodwill written off	16,000	
Interest on Debentures	20,000	
Provision for Tax	34,000	2,60,000
Net Income		2,20,000

Particulars	Note	31-3-2012	31-3-2011
	No.		

A. EQUITY AND LIABILITIES

1. Shareholders' Funds

(a) Share Capital		5,00,000	4,00,000
(b) Reserves and Surplus	1	3,96,000	1,66,000
2. Non-Current Liabilities			
(a) Long-term borrowings	2	1,50,000	2,00,000
3. Current Liabilities			
(a) Trade Payables 1,06,000		70,000	
(b) Other Current Liabilities	3		4,000
(c) Short-term Provisions	4	32,000	25,000
		TOTAL	
		11,84,000	8,65,000

B. ASSETS:

1. Non-Current Assets

(a) Fixed Assets

(i) Tangible Assets	5	6,18,000	3,60,000
(i) Intangible Assets	6	24,000	40,000
(b) Non-Current Investments		76,000	50,000

2. Current Assets

(a) Current Investments		8,000	10,000
(b) Inventories		2,80,000	2,33,000
(c) Trade Receivables		1,36,000	1,50,000
(d) Cash and Cash equivalents		42,000	22,000

TOTAL	11,84,000	8,65,000
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Note 1

Particulars	As on 31.3.2012	As on 31.3.2011
	()	()
Securities Premium	10,000	
Reserves & surplus	3,86,000	1,66,000

Note 2

Particulars	As on 31.3.2012	As on 31.3.2011
	()	()
12% Debentures	1,50,000	2,00,000

Note 3

Particulars	As on 31.3.2012	As on 31.3.2011
	()	()
Outstanding Expenses		4,000

Note 4

Particulars	As on 31.3.2012	As on 31.3.2011
	()	()
Provision for Taxation	32,000	25,000

Note 5

Particulars	As on 31.3.2012	As on 31.3.2011
	()	()
Building	1,88,000	
Machinery	4,30,000	3,60,000

Note 6

Particulars	As on 31.3.2012	As on 31.3.2011
	()	()
Goodwill	24,000	40,000

SOLUTION

CASH FLOW STATEMENT

(Indirect Method)

A. Cash flows from operating activities:

Net Profit before taxation:

Net Profit ` 2,20,000 + Provision for tax `34,000)	2,54,000
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Adjustments for:

Depreciation on Machinery	54,000
---------------------------	--------

Goodwill written off	16,000
----------------------	--------

Interest on Debentures	20,000
------------------------	--------

Operating profit before working capital changes 3,44,000

Changes

Add: Decrease in Current Assets:

Trade Receivables	14,000
-------------------	--------

Add: Increase in Current

Liabilities:

Trade Payables	14,000
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Add: Increase in Current Assets:

Trade Payables 36,000	50,000
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3,94,000

Less: Increase in Current Assets:

Inventory	47,000
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Less: Decrease in Current Liabilities:

Accrued Expenses	4,000	51,000
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Cash generated from operating activities	3,43,000	
Payment of Tax(1)	(27,000)	
Net Cash from operating activities	3,16,000	3,16,000

B. Cash flows from Investing Activities:

Purchase of Building	(1,88,000)	
Purchase of Machinery (2)	(1,24,000_	
Purchase of Long-term Investments	(26,000)	
Net Cash used in investing activities	(3,38,000)	(3,38,000)

C. Cash flows from Financing Activities:

Issue of Share Capital	1,00,000	
Securities Premium	10,000	
Redemption of Debentures	(50,000)	
Payment of interest on Debentures	(20,000)	
Net Cash from financing activities	40,000	40,000
Net increase in Cash and Cash equivalents		18,000
Cash and Cash equivalents at the beginning of The period(3).	32,000	
Cash and Cash equivalents at the end of The period(3).		50,000

Notes: (1)

PROVISION FOR TAX Account

To Bank (Balancing fig. being)		By Balance b/d	25,000
Payment made)	27,000	By P&L A/c (Provision	

To Balance c/d	32,000	Made in current year)	34,000
	59,000		59,000

(2)

MACHINERY Account

To Balance b/d	3,60,000	ByP&LA/c (Depreciation)	54,000
To Bank (Balancing figure, Being purchase)	1,24,000	By Balance c/d	4,30,000
	4,84,000		4,84,000

(3)

Cash and Cash equivalents:

	31 st March 2011	31 st March 2012
Cash	37,000	60,000
+Short-term Investments	10,000	8,000
	47,000	68,000
-Bank Overdraft	15,000	18,000
	32,000	50,000

Values involved in Cash flow statement----

- Scientific and critical ability to analyse the flow of cash
- Communicating the material information
- Ability to analyse the short term financial security and stability

- **Transparency**