

## 15. CASH FLOW STATEMENT

## ASSIGNMENT SOLUTIONS

**PROBLEM NO: 1**

- a) Operating Activities: c, e, f, g, j, m, o, s, t, w, x, aa, gg & hh .  
 b) Investing Activities: a, h, k, l, p, q, u, v, bb, ee, ii, jj, kk  
 c) Financing Activities: b, d, i, n, r, y, z, cc & dd.  
 d) Cash Equivalent: ff.  
 e) Non-Cash Items: ll.

**PROBLEM NO: 2**

Cash flow statement for the year ended 31st March, 2015 (Rs. in Crores)

Particulars	Amount (Rs.)	Amount (Rs.)
<b>Cash flow from operating activities:</b>		
Cash sales	131	
Cash collected from credit customers	67	
<b>Less:</b> Cash paid to suppliers for goods & services and to employees	<u>(159)</u>	
Cash from operations	39	
<b>Less:</b> Income tax paid	<u>(13)</u>	
Net cash generated from operating activities		26.00
<b>Cash flow from investing activities:</b>		
Payment for purchase of Machine	(40.00)	
Proceeds from sale of Machine	<u>20.70</u>	
Net cash used in investing activities		(19.30)
<b>Cash flow from financing activities:</b>		
Redemption of Preference shares	(16.00)	
Proceeds from issue of Equity shares	20.00	
Debenture interest paid	(1.00)	
Dividend Paid	<u>(11.70)</u>	
Net cash used in financing activities		(8.70)
<b>Net decrease in cash and cash equivalents</b>		(2.00)
<b>Add: Cash and cash equivalents as on 01.04.2014</b>		9.00
<b>Cash and cash equivalents as on 31.03.2015</b>		<b>7.00</b>

**PROBLEM NO: 3**

Sun Ltd.

Cash Flow Statement for the year ended 31st March 20X1

Particulars	Amount (Rs.)	Amount (Rs.)
<b>Cash flows from operating activities</b>		
Net Profit before taxation	4,500	
Adjustments for:		
Depreciation	3,500	
Profit on sale of vehicles (1,700 - 1,000)	(700)	
Operating profit before working capital changes	7,300	
Increase in Trade receivables	(2,000)	
Increase in inventories	(3,000)	
Increase in Trade payables	1,500	
Cash generated from operations	3,800	
Income taxes paid (W.N.1)	(1,000)	
Net cash generated from operating activities		2,800

<b>Cash flows from investing activities</b>		
Sale of vehicles	1,700	
Purchase of vehicles (W.N.3)	(8,000)	
Purchase of fixtures (W.N.3)	(7,000)	
Net cash used in investing activities		(13,300)
<b>Cash flows from financing activities</b>		
Issue of shares for cash	10,000	
Dividends paid (W.N.2)	(1,000)	
Net cash from financing activities		9,000
<b>Net decrease in cash and cash equivalents</b>		<b>(1,500)</b>
<b>Cash and cash equivalents at beginning of period (See Note 1)</b>		<b>9,500</b>
<b>Cash and cash equivalents at end of period (See Note 1)</b>		<b>8,000</b>

Note to the Cash Flow Statement:

**Cash and Cash Equivalents**

	<b>31.3.20X1</b>	<b>31.3.20X0</b>
Bank and Cash	6,000	8,500
Short-term investments	2,000	1,000
Cash and cash equivalents	8,000	9,500

Working Note:

**1. Income taxes paid**

Particulars	Amount (Rs.)
Income tax expense for the year	1,500
<b>Add:</b> Income tax liability at the beginning of the year	1,000
	2,500
<b>Less:</b> Income tax liability at the end of the year	(1,500)
	1,000

**2. Dividend paid**

Particulars	Amount (Rs.)
Declared dividend for the year	2,000
<b>Add:</b> Amount payable at the beginning of the year	1,000
	3,000
<b>Less:</b> Amount payable at the end of the year	(2,000)
	1,000

**3. Fixed Assets Acquisitions**

Particulars	Fixtures	Vehicles
W.D.V. at 31.3.20X1	17,000	12,500
<b>Add back:</b>		
Depreciation for the year	1,000	2,500
Disposals	-	1,000
	18,000	16,000
<b>Less:</b> W.D.V. at 31.12.20X0	(11,000)	(8,000)
Acquisitions during 20X0-20X1	7,000	8,000

**PROBLEM NO: 4**

Cash flow Statement for the year ending 31<sup>st</sup> March, 2016

	Particulars	Rs.	Rs.
<b>1.</b>	<b>Cash Flow from Operating Activities</b>		
	Closing balance as per Profit and Loss Account (A)		27,000
	<b>Less:</b> Opening balance as per Profit and Loss Account		(18,000)
	<b>Add:</b> Dividend declared during the year		37,000

	Add: Interim dividend paid during the year		10,000
	Add: Transfer to reserve		10,000
	Add: Provision for Tax		32,000
	Net profit before taxation, and extraordinary item (B)		98,000
	Add: Items to be added (C)		
	Depreciation	18,000	
	Loss on sale of Plant	3,000	
	Goodwill written off	13,000	34,000
	Less: Dividend Income (D)		(1,500)
	Operating profit before working capital changes [B + C - D] = E		1,30,500
	Add: Decrease in Current Assets and Increase in current Liabilities (F)		
	Decrease in Inventories	7,000	
	Increase in Trade Payables	21,000	28,000
	Less: Increase in Trade Receivables (Gross) (G)		(33,000)
	Cash generated from operations (E+F-G) = H		1,25,500
	Less: Income taxes paid (I)		(28,000)
	Net Cash from operating activities (J)		97,500
2.	<b>Cash Flows from investing activities:</b>		
	Purchase of Plant		(1,34,000)
	Sale of Land		50,000
	Sale of plant		12,000
	Purchase of investments		(25,600)
	Dividend Received		2,100
	Net cash used in investing activities		(95,500)
3.	<b>Cash Flows from Financing Activities:</b>		
	Proceeds from issuance of share capital		1,00,000
	Redemption of preference shares		(50,000)
	Interim Dividend paid		(10,000)
	Final dividend paid		(27,000)
	Net cash from financing activities		13,000
4.	<b>Net increase in cash and cash equivalents (I+II+III)</b>		<b>15,000</b>
5.	<b>Cash and cash equivalents at beginning of Period</b>		<b>17,000</b>
6.	<b>Cash and cash equivalents at end of period (IV+V)</b>		<b>32,000</b>

1. Dr. Cr.  
**Land and Building Account**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Balance b/d	1,00,000	By Bank A/c (Sale)	50,000
To Capital Reserve A/c(Profit on sale/revaluation)	25,000	By Balance c/d	75,000
	1,25,000		1,25,000

2. Dr. Cr.  
**Plant and Machinery Account**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Balance b/d	90,000	By Depreciation A/c	18,000
To Bank A/c (Purchase)	1,34,000	By Bank A/c (sale)	12,000
		By Profit and Loss A/c(Loss on sale)	3,000
		By Balance c/d	1,91,000
	2,24,000		2,24,000

3. Dr. Cr.  
**Investment Account**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Balance b/d	10,000	By bank A/c (Div. received)	600
To bank A/c (Purchase)	25,600	By Balance c/d	35,000
Total	35,600		35,600

**PROBLEM NO: 5**Cash Flow Statement of X Ltd. for the year ended 31<sup>st</sup> March, 2015

Particulars	Amount (Rs.)	Amount (Rs.)
<b>Cash flow from Operating Activities</b>		
Net profit before income tax and extraordinary items:		20,00,000
Adjustments for:		
Depreciation on fixed assets	5,00,000	
Discount on issue of debentures	30,000	
Interest on debentures paid	3,50,000	
Interest on investments received	(60,000)	
Profit on sale of investments	(20,000)	8,00,000
Operating profit before working capital changes		28,00,000
Adjustments for:		
Increase in inventory	(1,18,000)	
Decrease in trade receivable	4,900	
Increase in trade payables	300	
Increase in outstanding expenses	6,800	(1,06,000)
Cash generated from operations		26,94,000
Income tax paid		(10,50,000)
		16,44,000
Cash flow from extraordinary items:		
Compensation received in a suit filed		90,000
Net cash flow from operating activities		17,34,000
<b>Cash flow from Investing Activities</b>		
Sale proceeds of investments	3,20,000	
Interest received on investments	60,000	
Net cash flow from investing activities		3,80,000
<b>Cash flow from Financing Activities</b>		
Proceeds by issue of equity shares at 20% premium	6,00,000	
Redemption of preference shares at 5% premium	(15,75,000)	
Preference dividend paid	(1,50,000)	
Interest on debentures paid	(3,50,000)	
Dividend paid (5,00,000 + 3,00,000)	(8,00,000)	
Net cash used in financing activities		(22,75,000)
<b>Net decrease in cash and cash equivalents during the year</b>		<b>(1,61,000)</b>
<b>Add: Cash and cash equivalents as on 31.3.2014</b>		<b>1,96,300</b>
<b>Cash and cash equivalents as on 31.3.2015</b>		<b>35,300</b>

**Note:** Purchase of land in exchange of equity shares (issued at 20% premium) has not been considered in the cash flow statement as it does not involve any cash transaction.

### **PROBLEM NO: 6**

#### **Cash from operating activities:**

Particulars	Amount (Rs.)	Amount (Rs.)
Net profit	76,500	
<b>Add:</b> Interest on debentures	2,000	
<b>Less:</b> Profit on sale of plant and machinery	(2,500)	
<b>Add:</b> Depreciation	27,900	
Operating profit before working capital changes	1,03,900	
<b>Add:</b> Working capital changes		
Increase in debtors	(50,000)	
Increase in stock	(38,500)	
Increase in creditors	11,800	
Increase in provision for bad and doubtful debts	3,300	30,500

#### **Cash flow from investing activities:**

Particulars	Amount (Rs.)	Amount (Rs.)
Purchase of plant and machinery	(78,000)	

Sale of old plant and machinery	7,000	
Purchase of trade investment	(47,000)	
Sale of Free hold property	<u>6,200</u>	(1,11,800)

**Cash flow from financing activities:**

Particulars	Amount	Amount
Issue of debentures at discount	49,000	
Payment of dividend	(30,000)	
Payment of interest on debentures (50,000 x 6/12 x 8%)	<u>(2,000)</u>	17,000

Net decrease in cash and cash equivalents (64,300)

Bank borrowings 64,300

**Working Notes:**Dr. **Plant and Machinery Account** Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Bank A/c	78,000	By Asset disposal A/c	18,000
		By Balance c/d	60,000
	<u>78,000</u>		<u>78,000</u>

Dr. **Asset Disposal Account** Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Plant & Machinery A/c	18,000	By Provision for depreciation A/c	13,500
To Profit and Loss A/c	2,500	By Bank A/c	7,000
	<u>20,500</u>		<u>20,500</u>

Dr. **Provision for Depreciation Account** Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Asset disposal A/c	13,500	By Profit and Loss A/c	27,900
To Balance c/d	14,400		
	<u>27,900</u>		<u>27,900</u>

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**THE END**