

10. CASH FLOW STATEMENTS**PROBLEM NO: 1**

X Ltd.

Cash Flow Statement for the year ended 31st March, 2015
(Using direct method)

(Rs. In '000)

Particulars	Rs. Amount	Rs Amount
Cash flows from operating activities		
Cash receipts from customers	2,800	
Cash payments to suppliers	(2,000)	
Cash paid to employees	(100)	
Cash payments for overheads	(200)	
Cash generated from operations	500	
Income tax paid	(250)	
<i>Net cash generated from operating activities</i>		250
Cash flows from investing activities		
Payments for purchase of fixed assets	(200)	
Proceeds from sale of fixed assets	100	
<i>Net cash used in investing activities</i>		(100)
Cash flows from financing activities		
Proceeds from issuance of equity shares	300	
Bank loan repaid	(300)	
Dividend paid	(50)	
<i>Net cash used in financing activities</i>		(50)
Net increase in cash		100
Cash at beginning of the period		(50)
Cash at end of the period		150

PROBLEM NO: 2

Cash flow statement of Raj Limited for the year ended 31.3.2015

Cash flow from operating activities:	Rs.	Rs.
Sales (Cash only)		48,00,000
Less: Cost of goods sold (75%)		<u>36,00,000</u>
G.P.		12,00,000
Less: Adm. & Selling Expenses		<u>3,60,000</u>
Operating Profit before W.C. Charges	1,00,000	8,40,000
Add: Increase in Creditors	(50,000)	
Increase in Investors		<u>50,000</u>
Cash generated from operation		8,90,000
Less: Tax paid		<u>1,50,000</u>
Net cash from operating activities		7,40,000
Cash flow from investing activities:		
Purchase of fixed assets	(6,00,000)	
Net cash used in investing activities		(6,00,000)
Cash flow from financing activities:		
Dividend Paid	(1,20,000)	
Net cash from financing activities		<u>(1,20,000)</u>
Add: Opening balance of Cash in Hand and at Bank		20,000
Cash in Hand and at Bank on 31.3.2015		<u>50,000</u>

PROBLEM NO: 3**Cash Flow Statement for the year ended 31st March, 2010**

	Rs.	Rs.
I. Cash flow from operating activities		
Cash receipts from customers (W.N.1)	32,03,000	
Less: Cash paid to suppliers and payment for expenses (W.N.3)	(20,43,000)	
Cash generated from operations	11,60,000	
Income tax paid (Rs.3,30,000 – Rs.22,500)	(3,07,500)	
<i>Net cash from operating activities</i>		8,52,500
II. Cash flows from investing activities		
Sale of furniture	12,000	
Purchase of machinery	(3,30,000)	
<i>Net cash used in investing activities</i>		(3,18,000)
III. Cash flow from financing activities		
Proceeds from issue of equity shares	7,20,000	
Redemption of 8% preference shares	(10,30,000)	
Dividend paid (Rs.40,000 + Rs.1,10,000)	(1,50,000)	
Dividend distribution tax paid	(22,500)	
<i>Net cash used in financing activities</i>		(4,82,500)
Net increase in cash and cash equivalents		52,000
Add: Cash and cash equivalents as on 31st March, 2009 (Bal. fig.)		73,000
Cash and cash equivalents as on 31st March, 2010		1,25,000

1. **Working Notes: 1. Cash receipt from customers:** Credit sales = Total sales Rs.32,00,000 – Cash sales Rs.11,50,000 = Rs.20,50,000

Total Debtors Account

	Rs.		Rs.
To Balance b/d	1,50,000	By Cash/Bank (Bal. fig.)	20,53,000
To Credit sales	20,50,000	By Balance c/d	1,47,000
	22,00,000		22,00,000

Total sale receipts = Rs.20,53,000 + Rs.11,50,000 = Rs.32,03,000

2. **Cash payment to suppliers:**

Credit Purchases = Total purchases Rs.8,00,000 – Cash purchases Rs.60,000 = Rs.7,40,000

Total Creditors Account

	Rs.		Rs.
To Cash/Bank (Bal. fig.)	7,35,000	By Balance b/d	78,000
To Balance c/d	83,000	By Credit purchases	7,40,000
	8,18,000		8,18,000

Total payments to suppliers = Rs.7,35,000 + Rs.60,000 = Rs.7,95,000

3. **Cash paid to suppliers and payment for expenses**

	Rs.
Outstanding expenses as on 31.3.2009	63,000
Add: Expenses charged to profit and loss account	12,40,000
	13,03,000
Less: Outstanding expenses as on 31.3.2010	55,000
Payment on account of expenses	12,48,000

Total of payment to suppliers and payment for expenses = Rs.7,95,000 + Rs.12,48,000 = Rs.20,43,000

PROBLEM NO: 4

Cash flow statement for the year ended 31st March, 2015

	(Rs. In crores)	(Rs. In crores)
Cash flow from operating activities		
Cash sales	131	
Cash collected from credit customers	67	
Less: Cash paid to suppliers for goods & services and to employees	(159)	
Cash from operations	39	
Less: Income tax paid	(13)	
Net cash generated from operating activities		26.00
Cash flow from investing activities		
Payment for purchase of Machine	(40.00)	
Proceeds from sale of Machine	20.70	
Net cash used in investing activities		(19.30)
Cash flow from financing activities		
Redemption of Preference shares	(16.00)	
Proceeds from issue of Equity shares	20.00	
Debenture interest paid	(1.00)	
Dividend Paid	(11.70)	
Net cash used in financing activities		(8.70)
Net decrease in cash and cash equivalent		(8.70)
Add: Cash and cash equivalents as on 1.04.2014		(2.00)
Cash and cash equivalents as on 31.3.2015		9.00
		7.00

PROBLEM NO: 5

Bell Co. Ltd.

Cash Flow Statement for the year ended 31st March, 2013

	Rs. in millions	Rs. in millions
Cash flows from operating activities		
Net profit	3.30	
Add: Depreciation and amortization	0.75	
Loss from disposal of assets	1.20	
Operating profit before working capital changes	5.25	
Less: Increase in accounts receivables	(1.50)	
Net cash generated from operating activities		3.75
Cash flows from investing activities		
Capital expenditure	(9.90)	
Proceeds from sale of fixed assets	1.60	
Net cash used in investing activities		(8.30)
Cash flows from financing activities		
Proceeds from issue of additional shares	6.50	
Dividend paid	(0.50)	
Redemption of 4.5% debentures	(2.50)	
Net cash generated from financing activities		3.50
Net decrease in cash and cash equivalents		(1.05)
Cash and cash equivalents at beginning of the period		1.55
Cash and cash equivalents at end of the period (Balancing figure)		0.50

PROBLEM NO: 6

Generally, the performance of any business organization is determined by cash generating ability. The cash generating ability of enterprise can be identified from the following *three* activities.

- a) Cash Flow from Operating Activities,
- b) Cash Flow from Investing,
- c) Cash Flow from Financing.

The organization which generates more cash from Operating Activities than Investing & Financing is said to be better cash generating ability.

In the given Case,

ACTIVITIES	TOTAL CF Of A Ltd.	TOTAL CF Of B Ltd.
Operating	5000	30000
Investing	20000	3000
Financing	20000	3000
TOTAL	45000	36000

Even though cumulative cash flow of A Ltd is higher than cumulative cash flow of B Ltd, But the Operating Cash Flow of A Ltd is less than Operating Cash Flow of B Ltd.

There by, B Ltd has better cash generating capacity.

PROBLEM NO: 7**Computation of Cash Flow from Operating Activities**

	(Rs. in lakhs)	(Rs. in lakhs)
Cash Receipts:		
Cash sales and collection from Trade receivables		
Sales + Opening Trade receivables – Closing Trade receivables (A)	4,150 + 250 – 400	4,000
Cash payments:		
Cash purchases & payment to Trade payables		
Purchases + Opening Trade payables – Closing Trade payables	2,400 + 230 – 250	2,380
Wages and salaries paid	800 + 40 – 50	790
Cash expenses	200 + 10 – 20	190
		195
Taxes paid – Advance tax		3,555
(B)		445
Cash flow from operating activities (A – B)		
By indirect method		
Profit before tax		710
Add: Non-cash items : Depreciation		100
Add: Interest : Financing cash outflow		60
Less: Interest and Dividend : Investment cash inflow		(100)
Less: Tax paid		(195)
Working capital adjustments	250 – 400 (150)	
Trade receivables	180 – 200 (20)	
Inventories	250 – 230 20	

Trade payables	5040 10	
Outstanding wages	2010 10	
Outstanding expenses		(130)
Cash flow from operating activities		445

PROBLEM NO: 8

**Cash Flow Statement of Mr. Zen as per AS 3
for the year ended 31.3.2015**

		Rs.
(i) Cash flow from operating activities		
Net Profit (given)		3,60,000
Adjustments for		
Depreciation on Plant & Machinery	1,44,000	
Loss on Sale of Machinery	16,000	
Operating Profit before working capital changes		1,60,000
Decrease in inventories	80,000	
Increase in trade receivables	(1,60,000)	
Increase in trade payables	32,000	
Net cash generated from operating activities		(48,000)
(ii) Cash flow from investing activities		4,72,000
Sale of Machinery	40,000	
Purchase of Land	(2,80,000)	
Net cash used in investing activities		(2,40,000)
(iii) Cash flow from financing activities		
Repayment of Mrs. Zen's Loan	(2,00,000)	
Drawings	(1,36,000)	
Loan from Bank	80,000	
Net cash used in financing activities		
Net decrease in cash		(2,56,000)
Opening balance as on 1.4.2014		(24,000)
Cash balance as on 31.3.2015		80,000
		56,000

Working Notes:**1. Plant & Machinery A/c**

Particulars	Rs	Particulars	Rs
To Balance b/d (6,40,000 + 2,00,000)	8,40,000	By Cash – Sales	40,000
		By Provision for Depreciation A/c	24,000
		By Profit & Loss A/c – Loss on Sale (80,000 – 64,000)	16,000
		By Balance c/d (4,40,000+3,20,000)	7,60,000
	8,40,000		8,40,000

2. Provision for depreciation on Plant and Machinery A/c

Particulars	Rs	Particulars	Rs
To Plant and Machinery A/c	24,000	By Balance b/d	2,00,000
To Balance c/d	3,20,000	By Profit & Loss A/c (Bal. fig.)	1,44,000
	3,44,000		3,44,000

3. To find out Mr. Zen's drawings:

	Rs.
Opening Capital	10,00,000
Add: Net Profit	3,60,000
	13,60,000
Less: Closing Capital	(12,24,000)
Drawings	1,36,000

PROBLEM NO: 9

Grow More Ltd

Cash Flow Statement

for the year ended 31st March, 2015

Cash Flow from Operating Activities		
Increase in balance of Profit and Loss Account	40,000	
Dividend payable	2,00,000	
Provision for taxation	80,000	
Transfer to General Reserve	50,000	
Depreciation	1,25,000	
Profit on sale of Plant and Machinery	(15,000)	
Operating Profit before Working Capital changes	4,80,000	
Increase in Inventories	(2,00,000)	
Decrease in Trade receivables	2,00,000	
Decrease in Trade payables	(1,20,000)	
Cash generated from operations	3,60,000	
Income tax paid	(50,000)	
Net Cash from operating activities		3,10,000
Cash Flow from Investing Activities		
Purchase of fixed assets	(3,45,000)	
Expenses on building	(2,00,000)	
Increase in investments	(1,00,000)	
Sale of old machine	35,000	
Net Cash used in investing activities		(6,10,000)
Cash Flow from Financing activities		
Proceeds from issue of shares	2,00,000	
Proceeds from issue of debentures	2,00,000	
Dividend paid	(1,00,000)	
Net cash used in financing activities		3,00,000
Net increase in cash or cash equivalents		NIL
Cash and Cash equivalents at the beginning of the year		2,00,000
Cash and Cash equivalents at the end of the year		2,00,000

Working Notes:

Provision for taxation account

	Rs.		Rs.
To Cash (Paid)	50,000	By Balance b/d	70,000
To Balance c/d	1,00,000	By Profit and Loss A/c (Balancing figure)	80,000
	1,50,000		1,50,000

Plant and Machinery account

	Rs.		Rs.
To Balance b/d	5,00,000	By Depreciation	1,25,000
To Profit and Loss A/c(profit on sale of machine)	15000	By Cash (sale of machine)	35,000
To Cash (Balancing figure)	3,45,000	By Balance c/d	7,00,000
	8,60,000		8,60,000

PROBLEM NO: 10

Cash Flow Statement as per AS 3

Cash flows from operating activities	Rs. in lacs	Rs. in lacs
Net profit before tax provision		36,000
Add: Non-cash expenditures		
Depreciation	24,000	
Loss on sale of assets	48	
Interest expenditure	12,000	36,048
		72,048
Less: Non-cash income		
Amortisation of capital grant received	(10)	
Profit on sale of investments	(120)	
Interest income from investment	(3,000)	(3,130)
Operating profit		68,918
Less: Increase in working capital		(67,290)
Cash from operations		1,628
Less: Income tax paid		(5,100)
Net cash used in operating activities		(3,472)
Cash flows from investing activities		
Sale of assets (222 – 48)	174	
Sale of investments (33,318+120)	33,438	
Interest income from investments	3,000	
Purchase of fixed assets	(22,092)	
Expenditure on construction work	(41,688)	
Net cash used in investing activities		(27,168)

Cash flows from financing activities		
Grants for capital projects	18	
Long term borrowings	55,866	
Interest paid	(13,042)	
Dividend paid	(10,202)	
Net cash from financing activities		32,640
Net increase in cash		2,000
Add: Cash and bank balance as on 1.4.2006		6,000
Cash and bank balance as on 31.3.2007		8,000

Note: For calculating cash flows from operating activities, 'net profit before tax provision' has been considered for calculation. Therefore, no effect for 'provision for income tax debited in P & L A/c' has been given.

PROBLEM NO: 11

Cash Flow Statement for the year ended 31st March, 2015

		Rs
(A)	Cash flow from operating activities	
	Net profit before tax	780
	Add: Adjustment for depreciation	880

	Loss on sale of fixed assets	280	
	Interest on debentures	126	
	Operating profit before changes in working capital	2,066	
	<i>Less:</i> Increase in trade receivables	(260)	
	<i>Less:</i> Increase in Inventories	(400)	
	<i>Add:</i> Increase in trade payables	80	
	Cash generated from operations	1,486	
	<i>Less:</i> Income tax paid (W.N.1)	(140)	
	<i>Net cash from operating activities</i>		1,346
(B)	Cash flow from investing activities		
	Purchase of fixed assets	(1,200)	
	Sale of fixed assets	40	
	Purchase of investments	(200)	
	<i>Net cash used in investing activities</i>		(1,360)
(C)	Cash flow from financing activities		
	Proceeds from issue of shares including premium (400 + 40)	440	
	Proceeds from issue of 14% debentures (900 – 800)	100	
	Proceeds from long term borrowings	60	
	Interest on debentures	(126)	
	Payment of dividend	(300)	
	<i>Net cash from financing activities</i>		174
	Net increase in cash and cash equivalents (A+B+C)		160
	Cash and cash equivalents at the beginning of the year		100
	Cash and cash equivalents at the end of the year		260

Working Notes:

	Rs
1. Calculation of Income tax paid during the year	
Income tax expense for the year	160
<i>Add:</i> Income tax liability at the beginning of the year	20
	180
<i>Less:</i> Income tax liability at the end of the year	(40)
Income tax paid during the year	140
2. Calculation of Fixed assets purchased during the year	
Closing balance of gross block of fixed assets	4,000
<i>Add:</i> Cost of assets discarded during the year	400
	4,400
<i>Less:</i> Opening balance of gross block of fixed assets	(3,200)
Fixed assets purchased during the year	1,200
3. Calculation of Depreciation charged during the year	
Closing balance of accumulated depreciation	1,440
<i>Add:</i> Depreciation charged on assets discarded during the year	80
	1,520
<i>Less:</i> Opening balance of accumulated depreciation	(640)
Depreciation charged during the year	880

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PROBLEM NO: 12

Cash flow statement of cotus Ltd for the year ended 31.03.15

Particulars	Amount (Rs.)	Amount (Rs.)
i. Cash flows from operating activities		
Net profit before tax & extraordinary items	1,35,000	
Add: Depreciation on L & B	20,000	
Depreciation on P & M	55,000	
Operating profit before working capital changes	2,10,000	
Decrease in trade release (5,00,000 – 4,00,000)	(1,00,000)	
Decrease in inventory (300,000 – 2,80,000)	20,000	
Increase in trade receivable (4,20,000 – 4,00,000)	(20,000)	
Cash generated from operations	1,10,000	
(-) Income – Tax Paid	(45,000)	
Cash flow before extraordinary items	65,000	
Extraordinary Items	-	
Cash inflow from operating activities		65,000
ii. Cash flows from investing activities		
Sales of Investments	60,000	
purchase of machinery	(1,25,000)	(65,000)
Net cash out flow from Investing activities		
iii. Cash flows from financing activities		
Proceeds from issue of equity share capital	1,50,000	
Re payment of long term loan	(1,00,000)	
Net cash inflow from financing activities		50,000

WORKING NOTES:**1. Computation of net profit before tax and extraordinary items**

Net profit for current year after appropriations [4,80,000 – 4,00,000]	=	Rs. 80,000
Add Appropriations	=	-
Net profit before appropriations	=	Rs. 80,000
Add provision for tax made during the current year	=	Rs. 55,000
	=	Rs. 1,35,000

2. Investment A/c

Dr.		Cr.	
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Bal b/d	1,00,000	By Bank A/c (Bal. Fig)	60,000
To Capital Reserve (Profit on sales)	10,000	By Bal C/d	50,000
	1,10,000		1,10,000

To Bal b/d 50,000

3. Prov. taxation A/c for

Dr.		Cr.	
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To bank a/c (Bal. Fig)	45,000	By bal b/d	50,000
		By P & C A/c	55,000
To Bal C/d	60,000	By Bal b/d	1,05,000
	1,05,000		60,000

4. Land & Building A/C

Dr.		Cr.	
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Bal b/d	4,00,000	By Depreciation A/c	20,000
		By Bal C/d	3,80,000
	4,00,000		4,00,000
To bal b/d	3,80,000		

5. Machinery A/c

Dr.		Cr.	
Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To bal b/d	7,50,000	By depreciation A/c (Bal. fig)	55,000
To Bank a/c	1,25,000		
To Equity sales capital	1,00,000	By bal C/d	9,20,000
	9,75,000		9,75,000
To Bal b/d	9,20,000		

PROBLEM NO: 13**Cash Flow Statement for the year ending on March 31, 2015**

I. Cash flows from Operating Activities	Rs	Rs
Net profit made during the year (W.N.1)	2,60,000	
Adjustment for depreciation on Machinery (W.N.2)	55,000	
Adjustment for depreciation on Land & Building	20,000	
Operating profit before change in Working Capital	3,35,000	
Decrease in inventory	20,000	
Increase in trade receivables	(20,000)	
Decrease in trade payables	(1,00,000)	
Income-tax paid	(45,000)	
Net cash from operating activities		1,90,000
II. Cash flows from Investing Activities		
Purchase on Machinery	(1,25,000)	
Sale of Investments	60,000	(65,000)
III. Cash flows from Financing Activities		
Issue of equity shares (1,50,000-1,00,000)	50,000	
Dividend paid	(1,00,000)	(50,000)
Net increase in cash and cash equivalent		75,000
Cash and cash equivalents at the beginning of the period		5,00,000
Cash and cash equivalents at the end of the period		5,75,000

WORKING NOTES:

(i) Net Profit made during the year ended 31.3.2015

	Rs.
Increase in P & L (Cr.) Balance	30,000
Add: Transfer to general reserve	50,000
Add: Provision for taxation made during the year	55,000
Add: Dividend payable during the year	1,25,000
	2,60,000

(ii) **Machinery Account**

Particulars	Amount	Particulars	Amount
To Balance b/d	7,50,000	By Depreciation (Bal. Fig.)	55,000
To Bank	1,25,000	By Balance c/d	9,20,000
To Equity share capital	<u>1,00,000</u> <u>9,75,000</u>		<u>9,75,000</u>

(iii) **Provision for Taxation Account**

Particulars	Amount	Particulars	Amount
To Cash (Bal. Fig.)	45,000	By Balance b/d	50,000
To Balance c/d	60,000	By P & L A/c	55,000
	1,05,000		1,05,000

(iv) **Dividend payable Account**

Particulars	Amount	Particulars	Amount
To Bank	1,00,000	By Balance b/d	1,00,000
To Balance c/d	1,25,000	By P & L A/c (Bal. Fig.)	1,25,000
	2,25,000		2,25,000

(v) **Investment Account**

Particulars	Amount	Particulars	Amount
To Balance b/d	1,00,000	By Bank A/c (Balancing figure for investment sold)	60,000
To Capital Reserve A/c (Profit on sale of investment)	1,00,000	By Balance c/d	50,000
	1,10,000		1,10,000

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THE END