

Cash Flow Statement (AS-3 Revised)

Cash Flow Statement ofCo. Ltd. for the year ended.....

| Particulars | Rs. | Rs. |
|--|------------|------------|
| (A) Cash Flows from Operating Activities: | | |
| Net Profit of the current year [Closing P&L less Opening P&L] | XXX | |
| Add: Transfer to Reserves | XXX | |
| : Proposed dividend for Current Year | XXX | |
| : Interim dividend paid during the year | XXX | |
| : Provision for tax made during the current year | XXX | |
| Less: Refund of tax | (XXX) | |
| Net Profit before Tax and Extraordinary Item | XXX | |
| Adjustments for non - cash and non - operating items: | | |
| Add: Depreciation on Fixed Assets | XXX | |
| : Amortisation of Intangible Assets | XXX | |
| : Other Non- Current assets written off | XXX | |
| : Interest on long-term borrowings | XXX | |
| : Loss on Sale of Land & Building | XXX | |
| Less: Interest / Dividend/ Rental Income | (XXX) | |
| : Profit on sale of Fixed Assets | (XXX) | |
| Operating Profit Before Working Capital Changes | XXX | |
| Add: Decrease in Current Assets: | XXX | |
| : Increase in Current Liabilities: | XXX | |
| Less: Increase in Current Assets: | (XXX) | |
| : Decrease in Current Liabilities: | (XXX) | |
| Cash Generated from Operations | XXX | |
| Less: Income Tax Paid | (XXX) | |
| Net Cash from (or used in) Operating Activities | | XXX |
| (B) Cash Flows from Investing Activities: | | |
| Add: Proceeds from Sale of Tangible Fixed Assets | XXX | |
| : Proceeds from Sale of Intangible Fixed Assets | XXX | |
| : Proceeds from Sale of Non-Current Investments | XXX | |
| : Interest / Dividend/ Rental Income Received | XXX | |
| Less: Purchase of Tangible Fixed Assets | (XXX) | |
| : Purchase of Intangible Fixed Assets | (XXX) | |
| : Purchase of Non-Current Investments | (XXX) | |
| Net Cash from (or used in) Investing Activities | | XXX |
| (C) Cash Flow from Financing Activities: | | |
| Add: Proceeds from issue of Equity and Preference Shares | XXX | |
| : Proceeds from Debentures / Long-term Borrowings | XXX | |
| Less: Final Dividend Paid | (XXX) | |
| : Interim Dividend Paid | (XXX) | |
| : Interest on Long-term borrowings paid | (XXX) | |
| : Repayment of Loan | (XXX) | |
| : Redemption of Debentures and Preference Shares | (XXX) | |
| Net Cash from (or used in) Financing Activities | | XXX |
| Net Increase (or Decrease) in Cash & Cash Equivalents (A+B+C) | | |
| (D) Add: Cash and Cash Equivalents in the beginning | | XXX |
| (E) Cash and cash Equivalents at the end of the year | | XXX |

Problem No.1: You are given the following information:

Balance Sheet of ABC Co. Ltd.

| Liabilities | 31/03/14 | 31/03/15 | Assets | 31/03/14 | 31/03/15 |
|----------------------|------------------|------------------|----------------------|------------------|------------------|
| Equity Share Capital | 2,25,000 | 3,40,000 | Goodwill | 1,50,000 | 1,00,000 |
| P&L Account | 1,00,000 | 1,75,000 | Plant & Machinery | 2,50,000 | 5,50,000 |
| Reserves | 50,000 | 75,000 | Debtors | 2,30,000 | 3,00,000 |
| Long Term loans | 3,00,000 | 2,00,000 | Stock | 2,20,000 | 1,00,000 |
| Creditors | 3,00,000 | 4,38,000 | Preliminary Expenses | 15,000 | 10,000 |
| Bills Payable | 25,000 | 22,000 | Cash | 1,35,000 | 1,90,000 |
| Total | 10,00,000 | 12,50,000 | Total | 10,00,000 | 12,50,000 |

Additional Information: Depreciation of Rs. 60,000 on P&M was charged to P&L account.

Prepare:

- [i] Cash Flow Statement as per Revised Accounting Standard-3
- [ii] Machinery Account

Problem No.2: You are given the following information:

Balance Sheet of XYZ Co. Ltd.

| Liabilities | 31/03/14 | 31/03/15 | Assets | 31/03/14 | 31/03/15 |
|------------------------|------------------|------------------|--------------------|------------------|------------------|
| Preference Shares | 5,25,000 | 4,40,000 | Trade Marks | 2,70,000 | 2,40,000 |
| P&L Account | 2,50,000 | 1,75,000 | Land & Building | 5,50,000 | 6,50,000 |
| Bank Loans | 1,50,000 | 3,20,000 | Trade Receivables | 3,80,000 | 5,00,000 |
| Public Deposits | 2,00,000 | 2,40,000 | Inventory | 1,20,000 | 90,000 |
| Trade Payables | 3,80,000 | 4,28,000 | Discount on Shares | 15,000 | 10,000 |
| Depreciation Provision | 45,000 | 75,000 | Cash | 2,15,000 | 1,88,000 |
| Total | 15,50,000 | 16,78,000 | Total | 15,50,000 | 16,78,000 |

Additional Information: A part of the Land & Building, costing Rs.1,10,000 (accumulated depreciation -Rs. 37,000) was sold for Rs.54,000

Prepare:

- [i] Cash Flow Statement as per Revised Accounting Standard-3
- [ii] Land & Building account
- [iii] Land & Building sold account
- [iv] Provision for Depreciation account

Problem No.3: You are given the following information:

Balance Sheet of PQR Co. Ltd.

| Liabilities | 31/03/14 | 31/03/15 | Assets | 31/03/14 | 31/03/15 |
|----------------------|------------------|------------------|----------------------|------------------|------------------|
| Equity Shares | 4,25,000 | 6,40,000 | Furniture & Fixtures | 1,70,000 | 6,40,000 |
| P&L Account | 2,50,000 | 3,75,000 | Computer Software | 5,00,000 | 4,50,000 |
| Bank Loans | 1,70,000 | 2,90,000 | Sundry Debtors | 4,20,000 | 5,00,000 |
| Fixed Deposits | 2,00,000 | 1,28,000 | Loose Tools | 1,20,000 | 90,000 |
| Bills Payable | 2,70,000 | 4,00,000 | Cash | 15,000 | 10,000 |
| Outstanding Salaries | 25,000 | 45,000 | Cash at Bank | 1,15,000 | 1,88,000 |
| Total | 13,40,000 | 18,78,000 | Total | 13,40,000 | 18,78,000 |

Additional Information:

- [i] Provision for Depreciation against Furniture & Fixtures as on 31st March,2014 and 31st March,2015 were Rs. 30,000 and 52,000 respectively.
- [ii] A part of the Furniture & Fixtures, costing Rs.30,000 (accumulated depreciation -Rs. 4,500) was sold for Rs.15,000

Prepare:

- [i] Cash Flow Statement as per Revised Accounting Standard-3
- [ii] Furniture & Fixtures account
- [iii] Furniture & Fixtures sold account
- [iv] Provision for Depreciation account

Problem No.4: You are given the following information:

Balance Sheet of ABC Co. Ltd.

| Liabilities | 31/03/14 | 31/03/15 | | 31/03/14 | 31/03/15 |
|----------------------|------------------|------------------|-------------------|------------------|------------------|
| Equity Share Capital | 5,45,000 | 7,90,000 | Machinery | 2,90,000 | 7,60,000 |
| P&L Account | 3,70,000 | 4,65,000 | Trade Marks | 6,20,000 | 5,70,000 |
| Reserves | 2,80,000 | 4,10,000 | Sundry Debtors | 5,80,000 | 6,08,000 |
| Loan from SBI | 3,30,000 | 2,48,000 | Closing Stock | 2,00,000 | 2,20,000 |
| Bills Payable | 3,90,000 | 5,20,000 | Prepaid Insurance | 33,000 | 10,000 |
| Outstanding Rent | 45,000 | 35,000 | Cash at Bank | 2,37,000 | 3,00,000 |
| Total | 19,60,000 | 24,68,000 | Total | 19,60,000 | 24,68,000 |

Additional Information:

- [i] Depreciation of Rs. 37,000 on P&M was charged to P&L account.
- [ii] A part of the Machinery, having a book value of Rs.37,500 was sold for Rs.23,800

Prepare:

- [i] Cash Flow Statement as per Revised Accounting Standard-3
- [ii] Machinery Account

Problem No.5: You are given the following information:

Balance Sheet of ABC Co. Ltd.

| Liabilities | 31/03/14 | 31/03/15 | | 31/03/14 | 31/03/15 |
|----------------------|-----------------|-----------------|-------------------|-----------------|-----------------|
| Equity Share Capital | 2,15,000 | 3,70,000 | Machinery | 3,90,000 | 4,60,000 |
| P&L Account | 1,70,000 | 2,65,000 | Copy Rights | 70,000 | 60,000 |
| Reserves | 80,000 | 1,10,000 | Sundry Debtors | 2,80,000 | 1,08,000 |
| 8% p.a Debentures | 3,00,000 | 1,48,000 | Closing Stock | 80,000 | 1,52,000 |
| Bills Payable | 90,000 | 20,000 | Prepaid Insurance | 3,000 | 2,000 |
| Provision For Tax | 5,000 | 9,000 | Cash at Bank | 37,000 | 1,40,000 |
| Total | 8,60,000 | 9,22,000 | Total | 8,60,000 | 9,22,000 |

Additional Information:

- [i] Income tax paid during the year was Rs.8,000.
- [ii] Depreciation Rs. 25,000 was charged to P& L account

Prepare:

- [i] Cash Flow Statement as per Revised Accounting Standard-3
- [ii] Provision For Tax account

Problem No.6: You are given the following information:

Balance Sheet of XYZ Co. Ltd.

| Liabilities | 31/03/14 | 31/03/15 | | 31/03/14 | 31/03/15 |
|----------------------|------------------|------------------|-----------------------------|------------------|------------------|
| Equity Share Capital | 4,00,000 | 4,70,000 | Machinery | 5,90,000 | 7,90,000 |
| 8% Preference Shares | 3,00,000 | 2,00,000 | Goodwill | 90,000 | 80,000 |
| Reserves | 1,40,000 | 1,50,000 | Trade Receivable | 2,80,000 | 1,88,000 |
| P&L Account | 2,50,000 | 3,90,000 | Inventory | 1,00,000 | 1,82,000 |
| Bank Overdraft | 60,000 | 30,000 | Discount on Issue of Shares | 13,000 | 8,000 |
| Trade Payables | 7,000 | 8,000 | Cash at Bank | 84,000 | 0 |
| Total | 11,57,000 | 12,48,000 | Total | 11,57,000 | 12,48,000 |

Additional Information:

- [i] Income tax paid during the year was Rs.7,000
- [ii] Depreciation Rs. 30,000 was charged to P& L account
- [iii] Bank Overdraft is to be treated as current liability

Prepare:

- [i] Cash Flow Statement as per Revised Accounting Standard-3
- [ii] Machinery account

Problem No.7: You are given the following information:

Balance Sheet of XYZ Co. Ltd.

| Liabilities | 31/03/14 | 31/03/15 | | 31/03/14 | 31/03/15 |
|----------------------|-----------------|------------------|-----------------------------|-----------------|------------------|
| Equity Share Capital | 2,10,000 | 3,70,000 | Machinery | 1,94,000 | 1,76,500 |
| 10 %p.a. debentures | 1,00,000 | 2,50,000 | Goodwill | 30,000 | 45,000 |
| Reserves | 80,000 | 1,50,000 | Trade Receivable | 76,000 | 1,58,000 |
| P&L Account | 2,80,000 | 3,80,000 | Non – Current Investments | 2,00,000 | 6,83,500 |
| Trade Payables | 60,000 | 37,000 | Inventory | 1,40,000 | 82,000 |
| Provision for Tax | 7,000 | 8,000 | Discount on Issue of Shares | 14,000 | 20,000 |
| | | | Cash at Bank | 83,000 | 30,000 |
| Total | 7,37,000 | 11,95,000 | Total | 7,37,000 | 11,95,000 |

Additional Information:

- [i] Income tax provided during the year was Rs.7,800
- [ii] Depreciation Rs.17,500 was charged to P& L account

Prepare:

- [i] Cash Flow Statement as per Revised Accounting Standard-3
- [ii] Provision for Tax account
- [iii] Machinery account

Problem No.8: You are given the following information:

Balance Sheet of PQR Co. Ltd.

| Liabilities | 31/03/14 | 31/03/15 | | 31/03/14 | 31/03/15 |
|----------------------|-----------------|-----------------|---------------------------|-----------------|-----------------|
| Equity Share Capital | 2,00,000 | 3,00,000 | Machinery | 3,70,000 | 7,70,000 |
| Securities Premium | | 80,000 | Non – Current Investments | 30,000 | |
| P&L Account | 1,10,000 | 2,30,000 | Bills Receivable | 50,000 | 30,000 |
| Long Term Loans | 1,90,000 | | Inventory | 1,00,000 | 1,70,000 |
| Provision for Tax | 30,000 | 48,000 | Cash | 5,000 | |
| Loan from Bank | 15,000 | 1,42,000 | Bank | 45,000 | |
| Bills Payable | 55,000 | 80,000 | | | |
| Bank Overdraft | | 90,000 | | | |
| Total | 6,00,000 | 9,70,000 | Total | 6,00,000 | 9,70,000 |

Additional Information:

- [i] Dividend paid during the year was Rs.30,000
- [ii] Depreciation Rs.65,000 was charged to P& L account
- [iii] Bank Overdraft is to be treated as cash equivalent
- [iv] Non – Current Investments realised book value.

Prepare:

- [i] Cash Flow Statement as per Revised Accounting Standard-3
- [ii] Machinery account

Problem No.9

You are given the following information:

Balance Sheet of PQR Co. Ltd.

| Liabilities | 31/03/14 | 31/03/15 | | 31/03/14 | 31/03/15 |
|----------------------|------------------|------------------|----------------------|------------------|------------------|
| Equity Share Capital | 5,00,000 | 7,00,000 | Machinery | 4,50,000 | 4,00,000 |
| Securities Premium | | 50,000 | Goodwill | 50,000 | 5,40,000 |
| P&L Account | 3,00,000 | 4,30,000 | Trade Receivable | 3,00,000 | 3,73,000 |
| 8% p.a. Debentures | 1,90,000 | 1,50,000 | Inventory | 2,10,000 | 1,00,000 |
| Proposed Dividend | 80,000 | 1,10,000 | Cash | 1,32,000 | 70,000 |
| Trade Payable | 75,000 | 36,000 | Preliminary Expenses | 3,000 | |
| Outstanding Expenses | | 7,000 | | | |
| | | | | | |
| Total | 11,45,000 | 14,83,000 | Total | 11,45,000 | 14,83,000 |

Additional Information:

- [i] Provision for Dividend made during the year was Rs.40,000
- [ii] Depreciation Rs.50,000 was charged to P& L account
- [iii] Debentures were redeemed on 30th September, 2014

Prepare:

- [i] Cash Flow Statement as per Revised Accounting Standard-3
- [ii] Proposed Dividend account

Problem No.10:

You are given the following information:

Balance Sheet of XYZ Co. Ltd.

| Liabilities | 31/03/15 | 31/03/14 | | 31/03/15 | 31/03/14 |
|----------------------|------------------|-----------------|-----------------------|------------------|-----------------|
| Equity Share Capital | 6,00,000 | 4,00,000 | Furniture | 5,70,000 | 4,00,000 |
| Reserves & Surplus | 1,75,000 | 2,00,000 | Goodwill | 37,000 | 43,000 |
| Debentures | 2,20,000 | 1,75,000 | Marketable Securities | 1,00,000 | 50,000 |
| Sundry Creditors | 18,000 | 20,000 | Sundry Debtors | 1,53,000 | 1,05,000 |
| Bills Payable | 12,000 | 5,000 | Inventory | 2,000 | 10,000 |
| | | | Cash | 1,63,000 | 1,85,000 |
| | | | Preliminary Expenses | | 7,000 |
| Total | 10,25,000 | 8,00,000 | Total | 10,25,000 | 8,00,000 |

Additional Information:

- [i] The company paid interest Rs.20,000 on Debentures.
- [ii] Depreciation Rs.60,000 was charged to P& L account

Prepare:

- [i] Cash Flow Statement as per Revised Accounting Standard-3
- [ii] Furniture account

Solution to Problem No. 1:

Cash Flow Statement of ABC Co. Ltd. for the year ended 31/03/15

| Particulars | Rs. | Rs. |
|--|------------|------------|
| (A) Cash Flows from Operating Activities: | | |
| Net Profit of the current year [1,75,000 – 1,00,000] | 75,000 | |
| Add: - Transfer to reserves | 25,000 | |
| Net Profit before Tax and Extraordinary Item | 1,00,000 | |
| Adjustments for non cash and non - operating items: | | |
| Add: Depreciation on Plant & Machinery | 60,000 | |
| : Amortisation of Goodwill | 50,000 | |
| : Preliminary Expenses written off | 5,000 | |
| Operating Profit before Working Capital Changes | 2,15,000 | |
| Add: Decrease in current Assets: | | |
| Stock | 1,20,000 | |
| : Increase in Current Liabilities: | | |
| Creditors | 1,38,000 | |
| Less: Increase in current Assets: | | |
| Debtors | (70,000) | |
| : Decrease in Current Liabilities: | | |
| Bills Payable | (3,000) | |
| Cash Generated from operations | 4,00,000 | |
| Less: Income Tax Paid | (Nil) | |
| Net Cash from (or used in) Operating Activities | | 4,00,000 |
| (B) Cash Flows from Investing Activities: | | |
| LESS: Purchase of Plant & Machinery | (3,60,000) | |
| Net Cash from (or used in) Investing Activities | | (3,60,000) |
| (C) Cash Flow from Financing Activities: | | |
| ADD: Proceeds from issue of Equity Shares | 1,15,000 | |
| LESS: Repayment of Long Term Loan | (1,00,000) | |
| Net Cash from (or used in) Financing Activities | | 15,000 |
| Net Increase (or Decrease) in Cash & Cash Equivalents (A+B+C) | | 55,000 |
| (D) ADD: Cash and Cash Equivalents in the beginning | | 1,35,000 |
| (E) Cash and cash Equivalents at the end of the year | | 1,90,000 |

Working Note No.1:

| Dr. | | Plant & Machinery Account | | Cr. | |
|--------------------------------------|----------|---------------------------|----------|-----|--|
| Particulars | Rs. | Particulars | Rs. | | |
| To, Balance b/d | 2,50,000 | By, Depreciation | 60,000 | | |
| | | | | | |
| To, Cash/ Bank [purchase of New P&M] | 3,60,000 | | | | |
| | | By, Balance c/d | 5,50,000 | | |
| Total | 6,10,000 | Total | 6,10,000 | | |

Solution to Problem No.2:

Cash Flow Statement of XYZ Co. Ltd. for the year ended 31/03/15

| Particulars | Rs. | Rs. |
|--|------------|------------|
| (A) Cash Flows from Operating Activities: | | |
| Net Profit before Tax and Extraordinary Item (1,75,000 – 2,50,000) | (75,000) | |
| Adjustments for non - cash and non - operating items: | | |
| Add: Depreciation on Land & Building | 67,000 | |
| : Amortisation of Trade Marks | 30,000 | |
| : Discount on Shares written off | 5,000 | |
| : Loss on Sale of Land & Building | 19,000 | |
| Operating Profit before Working Capital Changes | 46,000 | |
| Add: Decrease in current Assets: Inventory | 30,000 | |
| : Increase in Current Liabilities: Trade Payables | 48,000 | |
| Less: Increase in current Assets: Trade Receivables | (1,20,000) | |
| : Decrease in Current Liabilities: | (Nil) | |
| Cash Generated from operations | 4,000 | |
| Less: Income Tax Paid | (Nil) | |
| Net Cash from (or used in) Operating Activities | | 4,000 |
| (B) Cash Flows from Investing Activities: | | |
| ADD: Proceeds from Sale of Land & Building | 54,000 | |
| LESS: Purchase of Land & Building | (2,10,000) | |
| Net Cash from (or used in) Investing Activities | | (1,56,000) |
| (C) Cash Flow from Financing Activities: | | |
| ADD: Proceeds from issue of Public Deposits | 40,000 | |
| : Bank Loan Taken | 1,70,000 | |
| LESS: Redemption of Preference Shares | (85,000) | |
| Net Cash from (or used in) Financing Activities | | 1,25,000 |
| Net Increase (or Decrease) in Cash & Cash Equivalents (A+B+C) | | (27,000) |
| (D) ADD: Cash and Cash Equivalents in the beginning | | 2,15,000 |
| (E) Cash and cash Equivalents at the end of the year | | 1,88,000 |

Working Note No.1:

| Dr. | | Land & Building Account | | Cr. | |
|---|----------|----------------------------------|-----|----------|--|
| Particulars | Rs. | Particulars | Rs. | | |
| To, Balance b/d | 5,50,000 | By, Land & Building Sold Account | | 1,10,000 | |
| To, Cash/ Bank [purchase of New Land & Building] | 2,10,000 | By, Balance c/d | | 6,50,000 | |
| Total | 7,60,000 | Total | | 7,60,000 | |

Working Note No.2:

| Dr. | | Land & Building Sold Account | | Cr. | |
|---------------------|----------|---------------------------------|-----|----------|--|
| Particulars | Rs. | Particulars | Rs. | | |
| To, Land & Building | 1,10,000 | By, Provision for Depreciation | | 37,000 | |
| | | By, Cash/ Bank | | 54,000 | |
| | | By, P& L account [loss on sale] | | 19,000 | |
| Total | 1,10,000 | Total | | 1,10,000 | |

Working Note No.3:

| Dr. | | Provision for Depreciation on Land & Building Account | | Cr. | |
|----------------------------------|----------|---|-----|----------|--|
| Particulars | Rs. | Particulars | Rs. | | |
| To, Land & Building Sold Account | 37,000 | By, Balance b/d | | 45,000 | |
| To, Balance c/d | 75,000 | By, P&L account [Current Dep.] | | 67,000 | |
| Total | 1,12,000 | Total | | 1,12,000 | |

Solution to Problem No.3:

Cash Flow Statement of PQR Co. Ltd. for the year ended 31st March, 2015

| Particulars | Rs. | Rs. |
|--|------------|------------|
| (A) Cash Flows from Operating Activities: | | |
| Net Profit before Tax and Extraordinary Item [3,75,000 – 2,50,000] | 1,25,000 | |
| Adjustments for non - cash and non - operating items: | | |
| Add: Depreciation on Furniture & Fixtures | 26,500 | |
| : Amortisation of Computer Software | 50,000 | |
| : Loss on Sale of Furniture & Fixtures | 10,500 | |
| Operating Profit Before Working Capital Changes | 2,12,000 | |
| Add: Decrease in Current Assets: Loose Tools | 30,000 | |
| : Increase in Current Liabilities: Bills Payable | 1,30,000 | |
| Outstanding Salaries | 20,000 | |
| | 1,50,000 | |
| Less: Increase in Current Assets: Sundry Debtors | (80,000) | |
| : Decrease in Current Liabilities: | Nil | |
| Cash Generated from Operations | 3,12,000 | |
| Less: Income Tax Paid | Nil | |
| Net Cash from (or used in) Operating Activities | | 3,12,000 |
| (B) Cash Flows from Investing Activities: | | |
| ADD: Proceeds from Sale of Furniture & Fixtures | 15,000 | |
| LESS: Purchase of Furniture & Fixtures | (5,22,000) | |
| Net Cash from (or used in) Investing Activities | | (5,07,000) |
| (C) Cash Flow from Financing Activities: | | |
| ADD: Proceeds from issue of Equity Shares | 2,15,000 | |
| : Bank Loans | 1,20,000 | |
| LESS: Repayment of Fixed Deposits | (72,000) | |
| Net Cash from (or used in) Financing Activities | | 2,63,000 |
| Net Increase (or Decrease) in Cash & Cash Equivalents (A+B+C) | | 68,000 |
| (D) ADD: Cash and Cash Equivalents in the beginning | | 1,30,000 |
| (E) Cash and cash Equivalents at the end of the year | | 1,98,000 |

Working Note No.1:

| Dr. | | Furniture & Fixture Account | | Cr. | |
|---|----------|---------------------------------|----------|-----|--|
| Particulars | Rs. | Particulars | Rs. | | |
| To, Balance b/d | 2,00,000 | By, Land & Building SoldAccount | 30,000 | | |
| To, Cash/ Bank [purchase of New Furniture & Fixtures] | 5,22,000 | By, Balance c/d | 6,92,000 | | |
| Total | 7,22,000 | Total | 7,22,000 | | |

Working Note No.2:

| Dr. | | Furniture & Fixture Sold Account | | Cr. | |
|--------------------------|--------|----------------------------------|--------|-----|--|
| Particulars | Rs. | Particulars | Rs. | | |
| To, Furniture & Fixtures | 30,000 | By, Provision for Depreciation | 4,500 | | |
| | | By, Cash/ Bank | 15,000 | | |
| | | By, P& L account [loss on sale] | 10,500 | | |
| Total | 30,000 | Total | 30,000 | | |

Working Note No.3:

| Dr. | | Provision for Depreciation on Furniture & Fixture Account | | Cr. | |
|----------------------------------|--------|---|--------|-----|--|
| Particulars | Rs. | Particulars | Rs. | | |
| To, Furniture & Fixture Sold a/c | 4,500 | By, Balance b/d | 30,000 | | |
| To, Balance c/d | 52,000 | By, P&L account [Current Dep.] | 26,500 | | |
| Total | 56,500 | Total | 56,500 | | |

Solution to Problem No.4:

Cash Flow Statement of ABC Co. Ltd. for the year ended 31st March, 2015

| Particulars | Rs. | Rs. |
|--|------------|------------|
| (A) Cash Flows from Operating Activities: | | |
| Net Profit of the current year [4,65,000 – 3,70,000] | 95,000 | |
| Add: - Transfer to reserves | 1,30,000 | |
| Net Profit before Tax and Extraordinary Item [See Note No.1] | 2,25,000 | |
| Adjustments for non - cash and non - operating items: | | |
| Add: Depreciation on Machinery | 37,000 | |
| : Amortisation of Trade Marks | 50,000 | |
| : Loss on Sale of Machinery | 13,700 | |
| Operating Profit Before Working Capital Changes | 3,25,700 | |
| Add: Decrease in Current Assets: Prepaid Insurance | 23,000 | |
| : Increase in Current Liabilities: Bills Payable | 1,30,000 | |
| Less: Increase in Current Assets: Sundry Debtors (28,000) | | |
| Stock (20,000) | (48,000) | |
| : Decrease in Current Liabilities: Outstanding Rent | (10,000) | |
| Cash Generated from Operations | 4,20,700 | |
| Less: Income Tax Paid | [Nil] | |
| Net Cash from (or used in) Operating Activities | | 4,20,700 |
| (B) Cash Flows from Investing Activities: | | |
| ADD: Proceeds from Sale of Machinery | 23,800 | |
| : Interest / Dividend/ Rental Income Received | | |
| LESS: Purchase of Machinery | (5,44,500) | |
| Net Cash from (or used in) Investing Activities | | (5,20,700) |
| (C) Cash Flow from Financing Activities: | | |
| ADD: Proceeds from issue of Equity Share Capital | 2,45,000 | |
| LESS: Repayment of Loan from SBI | (82,000) | |
| Net Cash from (or used in) Financing Activities | | 1,63,000 |
| Net Increase (or Decrease) in Cash & Cash Equivalents (A+B+C) | | 63,000 |
| (D) ADD: Cash and Cash Equivalents in the beginning | | 2,37,000 |
| (E) Cash and cash Equivalents at the end of the year | | 3,00,000 |

Working Note No.1:

| Dr. | | Machinery Account | | Cr. | |
|--|----------|------------------------------------|----------|-----|--|
| Particulars | Rs. | Particulars | Rs. | | |
| To, Balance b/d | 2,90,000 | By, Depreciation | 37,000 | | |
| | | By, Cash/ Bank | 23,800 | | |
| To, Cash/ Bank [purchase of New Machinery] | 5,44,500 | By, P& L account [37,500 – 23,800] | 13,700 | | |
| | | By, Balance c/d | 7,60,000 | | |
| Total | 8,34,500 | Total | 8,34,500 | | |

Solution to Problem No.5:

Cash Flow Statement of ABC Co. Ltd. for the year ended 31st March, 2015

| Particulars | Rs. | Rs. |
|--|-----------------|----------|
| (A) Cash Flows from Operating Activities: | | |
| Net Profit of the current year [2,65,000 – 1,70,000] | 95,000 | |
| Add: - Transfer to reserves | 30,000 | |
| - Provision For Tax | 12,000 | |
| Net Profit before Tax and Extraordinary Item | 1,37,000 | |
| Adjustments for non - cash and non - operating items: | | |
| Add: Depreciation on Machinery | 25,000 | |
| : Amortisation of Copy Rights | 10,000 | |
| : Interest on Debentures | 11,840 | |
| Operating Profit Before Working Capital Changes | 1,83,840 | |
| Add: Decrease in Current Assets: | | |
| Debtors 1,72,000 | | |
| Prepaid Insurance 1,000 | 1,73,000 | |
| : Increase in Current Liabilities: | Nil | |
| Less: Increase in Current Assets: | | |
| Closing Stock | (72,000) | |
| : Decrease in Current Liabilities: | | |
| Bills Payable | (70,000) | |
| Cash Generated from Operations | 2,14,840 | |
| Less: Income Tax Paid | (8,000) | |
| Net Cash from (or used in) Operating Activities | | 2,06,840 |
| (B) Cash Flows from Investing Activities: | | |
| LESS: Purchase of Machinery | (95,000) | |
| Net Cash from (or used in) Investing Activities | | (95,000) |
| (C) Cash Flow from Financing Activities: | | |
| ADD: Proceeds from issue of Equity Shares | 1,55,000 | |
| LESS: Interest on Debentures | (11,840) | |
| : Redemption of Debentures | (1,52,000) | |
| Net Cash from (or used in) Financing Activities | | (8,840) |
| Net Increase (or Decrease) in Cash & Cash Equivalents (A+B+C) | | 1,03,000 |
| (D) ADD: Cash and Cash Equivalents in the beginning | | 37,000 |
| (E) Cash and cash Equivalents at the end of the year | | 1,40,000 |

Working Notes:

| Dr. | | Provision for Tax Account | | Cr. | |
|----------------------------|--------|-----------------------------------|--------|-----|--|
| Particulars | Rs. | Particulars | Rs. | | |
| To, Cash / Bank [Tax paid] | 8,000 | By, Balance b/d | 5,000 | | |
| To, Balance c/d | 9,000 | By, Profit & Loss account [Prov.] | 12,000 | | |
| Total | 17,000 | Total | 17,000 | | |

| Dr. | | Machinery Account | | Cr. | |
|---|----------|--------------------------|----------|-----|--|
| Particulars | Rs. | Particulars | Rs. | | |
| To, Balance b/d | 3,90,000 | By, Depreciation account | 25,000 | | |
| To, Cash/ Bank [Purchase of New Machinery] | 95,000 | By, Balance c/d | 4,60,000 | | |
| Total | 4,85,000 | Total | 4,85,000 | | |

Solution to Problem No.6:

Cash Flow Statement of XYZ Co. Ltd. for the year ended 31st March, 2015

| Particulars | Rs. | Rs. |
|--|------------|------------|
| (A) Cash Flows from Operating Activities: | | |
| Net Profit of the current year [3,90,000 – 2,50,000] | 1,40,000 | |
| Add: - Transfer to Reserves | 10,000 | |
| - Provision For Tax | 7,000 | |
| : Dividend on 8% Preference shares | 16,000 | |
| Net Profit before Tax and Extraordinary Item | 1,73,000 | |
| Adjustments for non - cash and non - operating items: | | |
| Add: Depreciation on Machinery | 30,000 | |
| : Amortisation of Goodwill | 10,000 | |
| : Other Non- Current assets written off - Discount on Issue of Shares | 5,000 | |
| Operating Profit Before Working Capital Changes | 2,18,000 | |
| Add: Decrease in Current Assets: Trade Receivable | 92,000 | |
| : Increase in Current Liabilities: Trade Payable | 1,000 | |
| Less: Increase in Current Assets: Inventory | (82,000) | |
| : Decrease in Current Liabilities: Bank Overdraft | (30,000) | |
| Cash Generated from Operations | 1,99,000 | |
| Less: Income Tax Paid | (7,000) | |
| Net Cash from (or used in) Operating Activities | | 1,92,000 |
| (B) Cash Flows from Investing Activities: | | |
| Less: Purchase of Machinery | (2,30,000) | |
| Net Cash from (or used in) Investing Activities | | (2,30,000) |
| (C) Cash Flow from Financing Activities: | | |
| Add: Proceeds from issue of Equity Shares | 70000 | |
| Less: Interest on 8% Preference shares | (16,000) | |
| : Redemption of Preference Shares | (1,00,000) | |
| Net Cash from (or used in) Financing Activities | | (46,000) |
| Net Increase (or Decrease) in Cash & Cash Equivalents (A+B+C) | | (84,000) |
| (D) Add: Cash and Cash Equivalents in the beginning | | 84,000 |
| (E) Cash and cash Equivalents at the end of the year | | 0 |

Working Notes:

| Dr. | Machinery Account | | Cr. |
|---|-------------------|--------------------------|----------|
| Particulars | Rs. | Particulars | Rs. |
| To, Balance b/d | 5,90,000 | By, Depreciation account | 30,000 |
| To, Cash/ Bank [Purchase of New Machinery] | 2,30,000 | By, Balance c/d | 7,90,000 |
| Total | 8,20,000 | Total | 8,20,000 |

Solution to Problem No.7:

Cash Flow Statement of XYZ Co. Ltd. for the year ended 31st March, 2015

| Particulars | Rs. | Rs. |
|---|------------|------------|
| (A) Cash Flows from Operating Activities: | | |
| Net Profit of the current year (after appropriations) [3,80,000 – 2,80,000] | 1,00,000 | |
| Add: - Transfer to Reserves | 70,000 | |
| - Provision For Tax | 7,800 | |
| Net Profit before Tax and Extraordinary Item | 1,77,800 | |
| Adjustments for non - cash and non - operating items: | | |
| Add: Depreciation on Machinery | 17,500 | |
| : Interest paid on Debentures | 25,000 | |
| Operating Profit Before Working Capital Changes | 2,20,300 | |
| Add: Decrease in Current Assets: Inventory | 58,000 | |
| Less: Increase in Current Assets: | (82,000) | |
| : Decrease in Current Liabilities: Trade payables | (23,000) | |
| Cash Generated from Operations | 1,73,300 | |
| Less: Income Tax Paid | (6,800) | |
| Net Cash from (or used in) Operating Activities | | 1,66,500 |
| (B) Cash Flows from Investing Activities: | | |
| LESS: Purchase of Non – Current Investments | (4,83,500) | |
| : Purchase of Intangible Fixed Assets : Goodwill | (15,000) | |
| Net Cash from (or used in) Investing Activities | | (4,98,500) |
| (C) Cash Flow from Financing Activities: | | |
| ADD: Proceeds from issue of Equity Shares [1,60,000 -6,000] | 1,54,000 | |
| : Proceeds from Debentures | 1,50,000 | |
| LESS: Interest paid on Debentures | (25,000) | |
| Net Cash from (or used in) Financing Activities | | 2,79,000 |
| Net Increase (or Decrease) in Cash & Cash Equivalents (A+B+C) | | (53,000) |
| (D) ADD: Cash and Cash Equivalents in the beginning | | 83,000 |
| (E) Cash and cash Equivalents at the end of the year | | 30,000 |

Working Note:

| Dr. | | Provision for Tax Account | | Cr. | |
|----------------------------|--------|-----------------------------------|-----|--------|--|
| Particulars | Rs. | Particulars | Rs. | | |
| To, Cash / Bank [Tax paid] | 6,800 | By, Balance b/d | | 7,000 | |
| To, Balance c/d | 8,000 | By, Profit & Loss account [Prov.] | | 7,800 | |
| Total | 14,800 | Total | | 14,800 | |

Solution to Problem No.8:

Cash Flow Statement of XYZ Co. Ltd. for the year ended 31st March, 2015

| Particulars | Rs. | Rs. |
|--|------------|------------|
| (A) Cash Flows from Operating Activities: | | |
| Net Profit of the current year [2,30,000 – 1,10,000] | 1,20,000 | |
| Add: - Provision for Dividend | 30,000 | |
| - Provision For Tax | 48,000 | |
| Net Profit before Tax and Extraordinary Item | 1,98,000 | |
| Adjustments for non - cash and non - operating items: | | |
| Add: Depreciation on Machinery | 65,000 | |
| Operating Profit Before Working Capital Changes | 2,63,000 | |
| Add: Decrease in Current Assets: Bills Receivable | 20,000 | |
| : Increase in Current Liabilities: Bills Payable | 25,000 | |
| Less: Increase in Current Assets: Inventory | (70,000) | |
| : Decrease in Current Liabilities: | Nil | |
| Cash Generated from Operations | 2,38,000 | |
| Less: Income Tax Paid | (30,000) | |
| Net Cash from (or used in) Operating Activities | | 2,08,000 |
| (B) Cash Flows from Investing Activities: | | |
| ADD: Proceeds from Sale of Non-Current Investments | 30,000 | |
| LESS: Purchase of Tangible Fixed Assets | (4,65,000) | |
| Net Cash from (or used in) Investing Activities | | (4,35,000) |
| (C) Cash Flow from Financing Activities: | | |
| ADD: Proceeds from issue of Equity Shares | 1,00,000 | |
| : Proceeds from Securities Premium | 80,000 | |
| : Increase in Loan from Bank | 1,27,000 | |
| LESS: Final Dividend Paid | (30,000) | |
| : Repayment of Long Term Loan | (1,90,000) | |
| : Redemption of Debentures and Preference Shares | | |
| Net Cash from (or used in) Financing Activities | | 87,000 |
| Net Increase (or Decrease) in Cash & Cash Equivalents (A+B+C) | | (1,40,000) |
| (D) ADD: Cash and Cash Equivalents in the beginning | | 50,000 |
| (E) Cash and cash Equivalents at the end of the year | | (90,000) |

Working Notes:

| Dr. | Machinery Account | | Cr. |
|---|-------------------|--------------------------|----------|
| Particulars | Rs. | Particulars | Rs. |
| To, Balance b/d | 3,70,000 | By, Depreciation account | 65,000 |
| To, Cash/ Bank [Purchase of New Machinery] | 4,65,000 | By, Balance c/d | 7,70,000 |
| Total | 8,35,000 | Total | 8,35,000 |

Solution to Problem No.9:

Cash Flow Statement of XYZ Co. Ltd. for the year ended 31st March, 2015

| Particulars | Rs. | Rs. |
|--|------------|------------|
| (A) Cash Flows from Operating Activities: | | |
| Net Profit for the year | 1,30,000 | |
| Add: Proposed Dividend | 40,000 | |
| Net Profit before Tax and Extraordinary Item | 1,70,000 | |
| Adjustments for non - cash and non - operating items: | | |
| Add: Depreciation on Machinery | 50,000 | |
| : Amortisation of Preliminary Expenses | 3,000 | |
| : Interest on Debentures | 13,600 | |
| Operating Profit Before Working Capital Changes | 2,36,600 | |
| Add: Decrease in Current Assets: Inventory | 1,10,000 | |
| : Increase in Current Liabilities: Outstanding Expenses | 7,000 | |
| Less: Increase in Current Assets: Trade Receivable | (73,000) | |
| : Decrease in Current Liabilities: Trade Payable | (39,000) | |
| Cash Generated from Operations | 2,41,600 | |
| Less: Income Tax Paid | Nil | |
| Net Cash from (or used in) Operating Activities | | 2,41,600 |
| (B) Cash Flows from Investing Activities: | | |
| LESS: Purchase of Goodwill | (4,90,000) | |
| Net Cash from (or used in) Investing Activities | | (4,90,000) |
| (C) Cash Flow from Financing Activities: | | |
| ADD: Proceeds from issue of Equity Shares | 2,00,000 | |
| : Increase in Securities Premium | 50,000 | |
| LESS: Final Dividend Paid | (10,000) | |
| : Interest on Debentures paid | (13,600) | |
| : Redemption of Debentures | (40,000) | |
| Net Cash from (or used in) Financing Activities | | 1,86,400 |
| Net Increase (or Decrease) in Cash & Cash Equivalents (A+B+C) | | (62,000) |
| (D) ADD: Cash and Cash Equivalents in the beginning | | 1,32,000 |
| (E) Cash and cash Equivalents at the end of the year | | 70,000 |

Working Note:

| Dr. | | Proposed Dividend Account | | Cr. | |
|---------------------------------|----------|-----------------------------------|----------|-----|--|
| Particulars | Rs. | Particulars | Rs. | | |
| To, Cash / Bank [Dividend paid] | 10,000 | By, Balance b/d | 80,000 | | |
| To, Balance c/d | 1,10,000 | By, Profit & Loss account [Prov.] | 40,000 | | |
| Total | 1,20,000 | Total | 1,20,000 | | |

Calculation of Interest on Debentures:

$$1,90,000 \times 8\% \times 6/12 = 7,600$$

$$1,50,000 \times 8\% \times 6/12 = 6,000$$

$$\text{Total} = 13,600$$

Solution to Problem No.10:

Cash Flow Statement of PQR Co. Ltd. for the year ended 31st March, 2015

| Particulars | Rs. | Rs. |
|--|------------|------------|
| (A) Cash Flows from Operating Activities: | | |
| Net Profit before Tax and Extraordinary Item | (25,000) | |
| Adjustments for non - cash and non - operating items: | | |
| Add: Depreciation on Furniture | 60,000 | |
| : Amortisation of Goodwill | 6,000 | |
| : Preliminary Expenses written off | 7,000 | |
| : Interest on Debentures | 20,000 | |
| Operating Profit Before Working Capital Changes | 68,000 | |
| Add: Decrease in Current Assets: Inventory | 8,000 | |
| : Increase in Current Liabilities: Bills Payable | 7,000 | |
| Less: Increase in Current Assets: Sundry Debtors | (48,000) | |
| : Decrease in Current Liabilities: Sundry Creditors | (2,000) | |
| Cash Generated from Operations | 33,000 | |
| Less: Income Tax Paid | Nil | |
| Net Cash from (or used in) Operating Activities | | 37,000 |
| (B) Cash Flows from Investing Activities: | | |
| LESS: Purchase of Furniture | (2,30,000) | |
| Net Cash from (or used in) Investing Activities | | (2,30,000) |
| (C) Cash Flow from Financing Activities: | | |
| ADD: Proceeds from issue of Equity Shares | 2,00,000 | |
| : Proceeds from Debentures | 45,000 | |
| LESS: Interest on Debentures paid | (20,000) | |
| Net Cash from (or used in) Financing Activities | | 2,25,000 |
| Net Increase (or Decrease) in Cash & Cash Equivalents (A+B+C) | | 32,000 |
| (D) ADD: Cash and Cash Equivalents in the beginning | | 2,35,000 |
| (E) Cash and cash Equivalents at the end of the year | | 2,63,000 |

Working Note:

| Dr. | | Furniture Account | | Cr. | |
|--|----------|--------------------------|----------|-----|--|
| Particulars | Rs. | Particulars | Rs. | | |
| To, Balance b/d | 4,00,000 | By, Depreciation account | 60,000 | | |
| To, Cash/ Bank [Purchase of New Furniture] | 2,30,000 | | | | |
| | | By, Balance c/d | 5,70,000 | | |
| Total | 6,30,000 | Total | 6,30,000 | | |