

## Cash Flow Statement

1. Classify the following items under major heads and sub-heads (if any) in the Balance Sheet of the company as per Schedule III Part I of the Companies Act, 2013 : (2024)

(a) Long Term Loans from Bank

(b) Loose Tools

(c) Outstanding Expenses

Ans.

Item	Major Heads	Sub heads
(a) Long Term Loans from Bank	Non-Current Liabilities	Long Term Borrowings
(b) Loose Tools	Current Assets	Inventories
(c) Outstanding Expenses	Current Liabilities	Other Current Liabilities

2. From the given Balance Sheet of Geox Ltd., prepare Common Size Balance Sheet: (2024)

### Balance Sheet of Geox Ltd. as at 31<sup>st</sup> March, 2023

Particulars	Note No.	31.3.2023 ₹	31.3.2022 ₹
<b>I – Equity and Liabilities :</b>			
1. Shareholders' Funds			
(a) Share Capital		4,00,000	2,50,000
2. Non-Current Liabilities			
(a) Long-term Borrowings		2,00,000	1,50,000
3. Current Liabilities			
(a) Trade Payables		2,00,000	1,00,000
<b>Total</b>		<b>8,00,000</b>	<b>5,00,000</b>
<b>II – Assets :</b>			
1. Non-Current Assets			
(a) Fixed Assets/Property, Plant and Equipment and Intangible Assets		4,00,000	3,50,000
2. Current Assets			
(a) Inventories		2,00,000	70,000
(b) Trade Receivables		2,00,000	80,000
<b>Total</b>		<b>8,00,000</b>	<b>5,00,000</b>



Ans.

**Geox Ltd**

**Common size Balance Sheet**

As at March 31, 2022 and March 31, 2023

Particulars	Absolute Amounts		Percentage of Total Assets	
	31.3.2022 (₹)	31.3.2023 (₹)	31.3.2022 (%)	31.3.2023 (%)
I - Equity and Liabilities:				
1. Shareholders' Funds				
(a) Share Capital	2,50,000	4,00,000	50	50
2. Non- Current Liabilities				
(a) Long Term Borrowings	1,50,000	2,00,000	30	25
3. Current Liabilities				
(a) Trade Payables	1,00,000	2,00,000	20	25
TOTAL	5,00,000	8,00,000	100	100
II – Assets:				
1. Non – Current Assets				
(a) Fixed Assets/Property, Plant and Equipment and Intangible Assets	3,50,000	4,00,000	70	50
2. Current Assets				
(a) Inventories	70,000	2,00,000	14	25
(b) Trade Receivables	80,000	2,00,000	16	25
TOTAL	5,00,000	8,00,000	100	100

**3. From the following information, prepare a Comparative Statement of Profit and Loss for the year ended 31<sup>st</sup> March, 2022 and 2023 : (2024)**

Particulars	Note No.	2022 – 23 (₹)	2021 – 22 (₹)
Revenue from operations		10,00,000	8,00,000
Employee benefit expenses		2,50,000	1,00,000
Other expenses		5,50,000	4,00,000
Tax rate 50%			

Ans.

**Comparative Statement of Profit & Loss**

For the year ended March 31, 2023

Particulars	2021- 22 (₹)	2022-23 (₹)	Absolute Increase or Decrease (₹)	Percentage Increase or Decrease(%)
I Revenue from Operations	8,00,000	10,00,000	2,00,000	25
II Less: Expenses				
Employee Benefit Expenses	1,00,000	2,50,000	1,50,000	150
Other Expenses	4,00,000	5,50,000	1,50,000	37.5
III Profit before Tax	3,00,000	2,00,000	(1,00,000)	(33.3)
IV Less: Tax @ 50%	1,50,000	1,00,000	(50,000)	(33.3)
V Profit after Tax	1,50,000	1,00,000	(50,000)	(33.3)

## Previous Years' CBSE Board Questions

### 6.1 Objectives of Cash Flow Statement

**VSA** (1 mark)

1. State the primary objective of preparing cash flow statement. (2020, 2018, Delhi 2014) **R**

**SA I** (2 marks)

2. What is Cash Flow Statement? (NCERT, Term-II, 2021-22)

### 6.2 Benefits of Cash Flow Statement

**VSA** (1 mark)

3. State any two advantages of preparing cash flow statement. (Delhi 2017)

### 6.3 Cash and Cash Equivalents

**VSA** (1 mark)

4. Short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value are called \_\_\_\_\_. (2020)
5. 'Cheques and drafts in hand' are not considered while preparing cash flow statement, why? (Delhi 2017)
6. Give the meaning of 'Cash equivalents' for the purpose of preparing Cash Flow Statement. (Delhi 2016) **R**

### 6.4 Cash Flows

**MCQ**

7. which of the following transactions will not result in flow of cash:  
(a) cash withdrawn from the bank ₹7,000  
(b) issue of shares ₹20,00,000  
(c) purchase of investments ₹60,000  
(d) payment of wages ₹11,000 (2023)
8. Which of the following transactions will not result in flow of cash?  
(a) Purchase building of ₹12,75,000 for cash  
(b) Cash deposited into Bank ₹12,50,000  
(c) Issue of equity shares of ₹20,00,000 for cash  
(d) Redemption of 8% debentures of ₹7,50,000 for cash (2021 C)
9. Which of the following transactions will result into 'Flow of Cash'?  
(a) Deposited ₹ 10,000 into bank.  
(b) Withdraw cash from bank ₹ 14,500.  
(c) Sale of machinery of the book value of ₹ 74,000 at a loss of ₹ 9,000.

- (d) Converted ₹ 2,00,000, 9% debentures into equity shares. (Delhi 2015)

10. Which of the following transactions will result flow of cash?  
(a) Cash withdrawn from Bank ₹ 20,000  
(b) Issued ₹ 20,000, 9% debentures for the vendors of machinery.  
(c) Received ₹19,000 from debtors.  
(d) Deposited cheques of ₹ 10,000 into bank. (AI 2015) **Ap**

**VSA** (1 mark)

11. State giving reason, whether issue of shares for consideration other than cash will result into inflow, outflow or no flow of cash. (2020)
12. What is meant by 'Cash Flows'? (Delhi 2019)

**SA I** (2 marks)

13. State whether the following transactions will result in inflow, outflow or no flow of cash while preparing cash flow statement :  
(i) Issued bonus shares ₹5,00,000.  
(ii) Interest received in cash from loans and advances ₹80,000. (Term-II, 2021-22) **U**

### 6.6 Ascertaining Cash Flow from Operating Activities

**MCQ**

14. In case of a financial enterprise whose main business is lending and borrowing, "interest received" are classified as:  
(a) Operating activities  
(b) Investing activities  
(c) Financing activities  
(d) Cash equivalents. (2023)

**VSA** (1 mark)

15. What is meant by 'Operating Activities'? (2020)
16. 'Interest received and paid' is considered as which type of activity by a finance company while preparing a Cash Flow Statement? (2018)
17. 'An enterprise may hold securities and loans for dealing or trading purposes in which case they are similar to inventory acquired specifically for resale. Is the statement correct? Cash flow from such activities will be classified under which type of activity while preparing Cash Flow Statement ? (Delhi 2016, AI 2016)

18. From the following Balance Sheet of Jay Ltd. as at 31.2.2022, calculate 'Cash Flows from Operating Activities':  
Jay Ltd.

Balance Sheet as at 31.03.2022

Particulars	Note No.	31-03-2022 (₹)	31-03-2021 (₹)
<b>I. Equity and Liabilities:</b>			
1. Shareholders' Funds*			
(a) Share Capital	1	50,00,000	30,00,000
(b) Reserves and Surplus	2	10,00,000	6,00,000
2. Non-Current Liabilities:			
Long-term borrowings	3	8,00,000	4,00,000
3. Current Liabilities			
(a) Trade Payables		2,00,000	3,00,000
(b) Other Current Liabilities	4	3,00,000	1,00,000
(c) Short-term provisions	5	1,50,000	1,00,000
<b>Total</b>		<b>74,50,000</b>	<b>45,00,000</b>
<b>II. Assets</b>			
1. Non-Current Assets:			
Fixed Assets			
(i) Tangible Assets	6	60,00,000	40,00,000
(ii) Intangible Assets	7	4,00,000	4,00,000
2. Current Assets			
(a) Inventories		7,00,000	40,000
(b) Cash and Cash equivalents		3,50,000	60,000
<b>Total</b>		<b>74,50,000</b>	<b>45,00,000</b>

Notes of Accounts:

Note No.	Particulars	31-03-2022 (₹)	31-03-2021 (₹)
1.	<b>Share Capital:</b> Equity Share Capital	50,00,000	30,00,000
2.	<b>Reserves and Surplus:</b> Surplus i.e., balance in the statement of profit and loss	10,00,000	6,00,000
3.	<b>Long-term borrowings:</b> 10% debentures	8,00,000	4,00,000
4.	<b>Other Current Liabilities:</b> Outstanding rent	3,00,000	1,00,000
5.	<b>Short-term provisions:</b> Provision for tax	1,50,000	1,00,000
6.	<b>Tangible Assets:</b> Land	60,00,000	40,00,000
7.	<b>Intangible Assets:</b> Patents	4,00,000	4,00,000

Additional information:

₹4,00,000, 10% Debentures were issued on 31.03.2022

(Term-II, 2021-22)

## 6.7 Ascertainment of Cash Flow from Investing and Financing Activities

MCQ

19. Interest of ₹3,000 received in cash on loans and advances will result in :
- (a) cash inflow from operating activities

- (b) cash inflow from investing activities  
(c) cash inflow from financing activities  
(d) no change in cash or cash equivalents. (2023)

VSA (1 mark)

20. From the following information, calculate the amount of cash flow from investing activities. Acquired machinery for 10,00,000, paying 10% immediately in

cash and accepting a draft for the balance in favour of the vendor, payable after three months. (2020)

21. Give an example of an activity which is always financing with regards to the Cash Flow Statement (2020)
22. Give any two examples of investing activities of a finance company. (AI 2019)
23. K Ltd., a manufacturing company obtained a loan of ₹6,00,000, advanced a loan of ₹ 1,00,000 and

purchased machinery for ₹ 5,00,000. Calculate the amount of Cash Flow from financing and investing activities. (Delhi 2019)

24. While preparing the 'Cash Flow Statement' the accountant of Gulfam Ltd. a financing company showed 'Dividend received on Investments' as Investing Activity'. Was he correct in doing so? Given reason. (Delhi 2015) (Ap)

**LA1 (5/6 marks)**

25. Calculate 'Cash Flows from Investing Activities' and 'Cash Flows from Financing Activities' for the year ended 31<sup>st</sup> March, 2021 from the following Balance Sheet of Kamna Ltd. as at 31<sup>st</sup> March, 2021 showing your workings clearly:

**Kamna Ltd.**  
**Balance Sheet as at 31st March 2021**

Particulars	Note No.	31-03-2021 (₹)	31-03-2020 (₹)
<b>I. Equity and Liabilities</b>			
<b>1. Shareholders Funds</b>			
(a) Share Capital		12,00,000	11,00,000
(b) Reserves and Surplus	1	3,00,000	2,00,000
<b>2. Non-Current Liabilities</b>			
Long term Borrowings		2,40,000	1,70,000
<b>3. Current Liabilities</b>			
Trade Payables		2,20,000	2,81,000
<b>Total</b>		<b>19,60,000</b>	<b>17,51,000</b>
<b>II. Assets</b>			
<b>1. Non-Current Assets</b>			
(a) Fixed Assets			
(i) Tangible Assets	2	10,70,000	8,50,000
(ii) Intangible Assets	3	40,000	1,12,000
<b>2. Current Assets</b>			
(a) Current Investments		2,40,000	1,50,000
(b) Inventories		1,20,000	1,21,000
(c) Trade Receivables		1,70,000	1,43,000
(d) Cash and Cash Equivalents		3,20,000	3,75,000
<b>Total</b>		<b>19,60,000</b>	<b>17,51,000</b>

**Notes to Accounts :**

Note No.	Particulars	31-03-2021 (₹)	31-03-2020 (₹)
1	<b>Reserves and Surplus</b> Surplus i.e. Balance in Statement of Profit and Loss	3,00,000	2,00,000
2.	<b>Tangible Assets:</b> Machinery Accumulated Depreciation	12,70,000 (2,00,000) <b>10,70,000</b>	10,00,000 (1,50,000) <b>8,50,000</b>
3.	<b>Intangible Assets:</b> Goodwill	40,000	1,12,000

**Additional information :**

A piece of Machinery costing ₹24,000 on which accumulated depreciation was ₹16,000, was sold for ₹6,000.

(Term-II, 2021-22)

26. (i) From the following information, calculate cash flow from Investing Activities:

Particulars	31-03-2020 (₹)	31-03-2019 (₹)
Plant and Machinery	3,00,000	2,00,000
Goodwill	1,20,000	40,000

**Additional Information:**

A machine costing ₹50,000 (depreciation provided thereon ₹15,000) was sold for ₹40,000. Depreciation charged during the year was ₹50,000. Show your working notes clearly.

(ii) From the following information, calculate cash flow from Investing Activities:

Particulars	31-03-2022 (₹)	31-03-2021 (₹)
Equity Share Capital	18,00,000	10,00,000
12% Debentures	4,00,000	3,00,000
Securities Premium Reserve	1,40,000	1,00,000

**Additional Information:**

Interest paid on debentures was ₹36,000.

(2021 C)

27. (i) From the following information of Nova Ltd., calculate the cash flow from investing activities:

Particulars	31.3.2019 (₹)	31.3.2018 (₹)
Machinery (At cost)	5,00,000	3,00,000
Accumulated Depreciation on machinery	1,00,000	80,000
Goodwill	1,50,000	1,00,000
Land	70,000	1,00,000

**Additional Information :**

During the year, a machine costing ₹50,000 on which the accumulated depreciation was ₹35,000, was sold for ₹12,000.

(ii) The profit of Jova Ltd. for the year ended 31st March, 2019 after appropriation was ₹2,50,000.

**Additional Information:**

S. No.	Particulars	Amount (₹)
1.	Depreciation of Machinery	20,000
2.	Goodwill written off	9,000
3.	Loss on sale of Furniture	2,000
4.	Transfer to General Reserve	22,500

The following was the position of its Current Assets and Current Liabilities as at 31st March, 2018 and 2019.

Particulars	31.3.2018 (₹)	31.3.2019 (₹)
Income Received in Advance	8,000	-
Inventory	12,000	8,000

Calculate the Cash flow from operating activities.

(2020) Ap

## 6.8 Preparation of Cash Flow Statement

**VSA (1 mark)**

28. Why is separate disclosure of cash flow from investing activities important while preparing Cash Flow Statements?  
(AI 2014)

**LAI (5/6 marks)**

29. Cash flow from operating activities of Starline Ltd. for the year ended 31.03.2019 was ₹18,000. The Balance Sheet along with notes to accounts of Starline Ltd. as at 31.03.19 is given below :

**Starline Limited**  
**Balance Sheet as at 31st March, 2019**

Particulars	Note No.	31-03-2021 (₹)	31-03-2020 (₹)
<b>I. Equity and Liabilities:</b>			
<b>1. Shareholders Funds</b>			
(a) Share Capital		18,00,000	10,00,000
(b) Reserves and Surplus	1	50,000	40,000
<b>2. Non-Current Liabilities</b>			
Long term Borrowings	2	1,00,000	4,00,000
<b>3. Current Liabilities</b>			
Short term Provisions	3	2,50,000	3,60,000
<b>Total</b>		<b>22,00,000</b>	<b>18,00,000</b>
<b>II. Assets</b>			
<b>1. Non-Current Assets</b>			
Fixed Assets			
(i) Tangible Assets	5	9,80,000	6,35,000
(ii) Intangible Assets	6	2,68,000	1,70,000
<b>2. Current Assets</b>			
(a) Current Investments		1,40,000	70,000
(b) Trade Receivables		4,40,000	1,50,000
(c) Cash and Cash Equivalents		1,55,000	63,000
<b>Total</b>		<b>22,00,000</b>	<b>18,00,000</b>

**Notes to Accounts**

Note No.	Particulars	31-03-2019 (₹)	31-03-2018 (₹)
1	<b>Reserves and Surplus</b>	50,000	40,000
	Surplus (Balance in Statement of Profit and loss)	50,000	40,000
2.	<b>Long-term Borrowings</b>		
	8% Debentures	1,00,000	4,00,000
		1,00,000	4,00,000
3.	<b>Short term provisions</b>		
	Provision for tax	2,50,000	3,60,000
		2,50,000	3,60,000
4.	<b>Tangible Assets</b>		
	Plant and Machinery	15,20,000	10,90,000
	Less: Accumulated Depreciation	(1,20,000)	(90,000)
		14,00,000	10,00,000
5.	<b>Intangible Assets:</b>		
	Goodwill	1,80,000	70,000
		1,80,000	70,000

You are given the following additional information :

(a) A machinery of the book value of ₹40,000 (depreciation provided thereon ₹12,000) was sold at a loss of ₹6,000.

(b) 8% debentures were redeemed on 1st July 2018.

Prepare Cash Flow Statement.

(2020)

30. From the following Balance Sheet of Kiero Ltd. and the additional information on 31-3-2018, prepare a Cash Flow Statement :



**Kiero Ltd**  
**Balance Sheet as on 31.3.2018**

Particulars	Note No.	31-3-2018 (₹)	31-3-2017 (₹)
<b>I. Equity and Liabilities</b>			
(1) Shareholders Funds			
(a) Share Capital		7,90,000	5,80,000
(b) Reserves and Surplus	1	4,60,000	1,20,000
(2) Non-Current Liabilities			
Long term Borrowings	2	5,00,000	3,00,000
(3) Current Liabilities			
(a) Short term borrowings	3	1,15,000	42,000
(b) Short term Provisions	4	1,18,000	46,000
<b>Total</b>		<b>19,83,000</b>	<b>10,88,000</b>
<b>II. Assets</b>			
(1) Non-Current Assets			
Fixed Assets			
(i) Tangible Assets	5	9,80,000	6,35,000
(ii) Intangible Assets	6	2,68,000	1,70,000
(2) Current Assets			
(a) Current Investments		1,40,000	70,000
(b) Trade Receivables		4,40,000	1,50,000
(c) Cash and Cash Equivalents		1,55,000	63,000
<b>Total</b>		<b>19,83,000</b>	<b>10,88,000</b>

**Notes to Accounts**

Note No.	Particulars	31-3-2018 (₹)	31-3-2017 (₹)
1	<b>Reserves and Surplus</b>		
	Surplus (Balance in Statement of Profit & Loss)	3,20,000	60,000
	General Reserve	1,40,000	60,000
		<b>4,60,000</b>	<b>1,20,000</b>
2.	<b>Long-term Borrowings</b>		
	12% Debentures	5,00,000	3,00,000
		<b>5,00,000</b>	<b>3,00,000</b>
3.	<b>Short-term Borrowings</b>		
	Bank Overdraft	1,15,000	42,000
		<b>1,15,000</b>	<b>42,000</b>
4.	<b>Short-term Provisions</b>		
	Provision for Tax	1,18,000	46,000
		<b>1,18,000</b>	<b>46,000</b>
5.	<b>Tangible Assets</b>		
	Plant and Machinery	11,00,000	7,50,000
	Less Accumulated Depreciation	(1,20,000)	(1,15,000)
		<b>9,80,000</b>	<b>6,35,000</b>
6.	<b>Intangible Assets</b>		
	Goodwill	2,68,000	1,70,000
		<b>2,68,000</b>	<b>1,70,000</b>

**Additional Information :**

12% debentures were issued on 1<sup>st</sup> September, 2017.

(Delhi 2019)

31. From the following Balance Sheet of Axe Ltd. as at 31st March, 2018, prepare a Cash flow Statement :

Axe Ltd.

Balance Sheet as at 31.3.2018

Particulars	Note No.	31.3.2018 ₹	31.3.2017 ₹
<b>I. Equity and Liabilities</b>			
1. Shareholder's funds:			
(a) Share capital		6,30,000	5,60,000
(b) Reserves and Surplus	1	3,80,000	1,82,000
2. Current Liabilities :			
(a) Trade Payables		2,08,000	1,82,000
(b) Other Current Liabilities		14,000	28,000
<b>Total</b>		<b>12,32,000</b>	<b>9,52,000</b>
<b>II. Assets</b>			
1. Non-Current Assets:			
(a) Fixed Assets			
(i) Tangible Assets	2	3,92,000	2,80,000
2. Current Assets :			
(a) Inventories		1,26,000	1,80,000
(b) Trade Receivables		6,30,000	4,20,000
(c) Cash and Cash Equivalents		84,000	70,000
<b>Total</b>		<b>12,32,000</b>	<b>9,52,000</b>

Notes to Accounts :

Note No.	Particulars	31.3.2018 (₹)	31.3.2017 (₹)
1.	Reserves and Surplus : Balance in the Statements of Profit and Loss General Reserve	2,00,000 1,80,000	1,00,000 82,000
2.	Tangible Assets : Machinery Cost Accumulated Depreciation	4,50,000 (58,000)	3,60,000 (80,000)
		<b>3,92,000</b>	<b>2,80,000</b>

Additional Information :

An old machinery costing ₹ 42,000, on which accumulated depreciation was ₹ 28,000 was sold for ₹ 56,000.

(AI 2019) 

32. From the following Balance Sheet of JY Ltd. as at 31<sup>st</sup> March 2017, prepare a Cash Flow Statement :

(Balance sheet of JY Ltd. as at 31.3.2017)

Particulars	Note No.	31.3.2017 (₹)	31.3.2016 (₹)
<b>I - Equity and Liabilities</b>			
1. Shareholder's Funds :			
(a) Share Capital		5,00,000	5,00,000
(b) Reserves and Surplus	1	1,00,000	(25,000)
2. Non-Current Liabilities :			
Long-term Borrowings	2	2,50,000	1,50,000
3. Current Liabilities :			
(a) Short-term Borrowings	3	1,50,000	1,00,000
(b) Short-term Provisions	4	2,00,000	1,25,000
<b>Total</b>		<b>12,00,000</b>	<b>8,50,000</b>

II - Assets				
<b>1. Non-Current Assets :</b>				
<b>(a) Fixed Assets :</b>				
	(i) Tangible	5	6,00,000	4,50,000
<b>2. Current Assets :</b>				
	(a) Trade Receivables		2,75,000	2,25,000
	(b) Cash and Cash Equivalents		1,25,000	75,000
	(c) Short-term Loans and Advances		2,00,000	1,00,000
<b>Total</b>			<b>12,00,000</b>	<b>8,50,000</b>

**Notes to Accounts :**

Note No.	Particulars	31.3.2017 (₹)	31.3.2016 (₹)
1.	<b>Reserves and Surplus :</b> (Surplus, i.e., Balance in the Statement of Profit and Loss)	1,00,000	(25,000)
		1,00,000	(25,000)
2.	<b>Long-term Borrowings :</b> 10% Debentures	2,50,000	1,50,000
		2,50,000	1,50,000
3.	<b>Short-term Borrowings :</b> Bank Overdraft	1,50,000	1,00,000
		1,50,000	1,00,000
4.	<b>Short-term Provisions :</b> (i) Proposed Dividend (ii) Provision for Tax	75,000 1,25,000	50,000 75,000
		2,00,000	1,25,000
5.	<b>Tangible Assets :</b> Machinery Accumulated Depreciation	7,37,500 (1,37,500)	5,25,000 (75,000)
		6,00,000	4,50,000

Note: Proposed Dividend for the years ended 31st March, 2016 and 2017 are ₹ 50,000 and ₹ 75,000 respectively.

**Additional Information :**

₹ 1,00,000, 10% debentures were issue on 31.3.2017.

(2018)

33. Following is the Balance Sheet of R.S. Ltd. as at 31<sup>st</sup> March, 2016 :

**R.S. Ltd. Balance Sheet as at 31-3-2016**

Particulars	Note no.	31-3-2016 (₹)	31-3-2015 (₹)
<b>I. Equity and Liabilities</b>			
<b>(1) Shareholder's Funds</b>			
(a) Share Capital		9,00,000	7,00,000
(b) Reserves and Surplus	1	2,50,000	1,00,000
<b>(2) Non-current Liabilities</b>			
Long-term borrowings	2	4,50,000	3,50,000
<b>(3) Current Liabilities</b>			
(a) Short-term borrowings	3	1,50,000	75,000
(b) Short-term provisions	4	2,00,000	1,25,000
<b>Total</b>		<b>19,50,000</b>	<b>13,50,000</b>
<b>II. Assets</b>			
<b>(1) Non-current Assets</b>			
<b>(a) Fixed Assets</b>			
(i) Tangible	5	14,65,000	9,15,000
(ii) Intangible	6	1,00,000	1,50,000
(b) Non-current Investments		1,50,000	1,00,000
<b>(2) Current Assets</b>			
(a) Current Investments		40,000	70,000
(b) Inventories	7	1,22,000	70,000
(c) Cash and Cash Equivalents		73,000	43,000
<b>Total</b>		<b>19,50,000</b>	<b>13,50,000</b>

Notes to Accounts :

Note No.	Particulars	31-3-2016 (₹)	31-3-2015 (₹)
1.	Reserves and Surplus (Surplus i.e. Balance in the statement of profit and Loss)	2,50,000	1,00,000
		2,50,000	1,00,000
2.	Long-term borrowing – 12% Debentures	4,50,000	3,50,000
		4,50,000	3,50,000
3.	Short-term borrowing – Bank overdraft	1,50,000	75,000
		1,50,000	75,000
4.	Short-term provisions – Proposed Dividend	2,00,000	1,25,000
		2,00,000	1,25,000
5.	Tangible Assets		
	Machinery	16,75,000	10,55,000
	Accumulated Depreciation	(2,10,000)	(1,40,000)
		14,65,000	9,15,000
6.	Intangible Assets		
		Goodwill	1,00,000
		1,00,000	1,50,000
7.	Inventories		
		Stock in trade	1,22,000
		1,22,000	72,000

Additional Information :

(i) ₹ 1,00,000, 12% Debentures were issued on 31-3-2016.

(ii) During the year a piece of machinery costing ₹ 80,000 on which accumulated depreciation was ₹ 40,000, was sold at a loss of ₹ 10,000.

Prepare a Cash Flow Statement.

(Delhi 2017)

34. Following is the Balance Sheet of K.K. Ltd. as at 31-3-2015 :

K.K. Ltd. Balance Sheet as at 31-3-2015

Particulars	Note No.	31-3-2015 (₹)	31.3.2014 (₹)
<b>I. Equity and Liabilities</b>			
1. Shareholders' Funds :			
(a) Share Capital		10,00,000	8,00,000
(b) Reserves and Surplus	1	4,00,000	(1,00,000)
2. Non-current Liabilities :			
Long-term Borrowings	2	9,00,000	10,00,000
3. Current Liabilities			
(a) Short-term Borrowing	3	3,00,000	1,00,000
(b) Short-term Provisions	4	1,40,000	1,80,000
<b>Total</b>		<b>27,40,000</b>	<b>19,80,000</b>
<b>II. Assets</b>			
1. Non-current Assets			
(a) Fixed Assets			
(i) Tangible	5	20,06,000	14,40,000
(ii) Intangible	6	40,000	60,000
(b) Non-current Investment		2,00,000	1,50,000
2. Current Assets :			
(a) Current Investment		1,00,000	1,20,000
(b) Inventories	7	2,14,000	90,000
(c) Cash and Cash Equivalents		1,80,000	1,20,000
<b>Total</b>		<b>27,40,000</b>	<b>19,80,000</b>

Notes to Accounts :

Note No.	Particulars	31-3-2015 (₹)	31-3-2014 (₹)
1.	Reserve and Surplus (Surplus i.e., Balance in statement of Profit and Loss)	4,00,000	(1,00,000)
2.	Long-term Borrowing : 12% Debentures	9,00,000	10,00,000
		9,00,000	10,00,000
3.	Short-term provisions Bank Overdraft	3,00,000	1,00,000
		3,00,000	1,00,000
4.	Short-term Borrowings : Provision for tax	1,40,000	1,80,000
		1,40,000	1,80,000
5.	Tangible Assets Machinery	24,06,000	16,42,000
	Accumulated Depreciation	(4,00,000)	(2,02,000)
		20,06,000	14,40,000
6.	Intangible Assets : Goodwill	40,000	60,000
		40,000	60,000
7.	Inventories Stock in trade		
		2,14,000	90,000
		2,14,000	90,000

Additional Information :

- (i) 12% Debentures were redeemed on 31-3-2015.  
(ii) Tax ₹ 1,40,000 was paid during the year.

Prepare Cash Flow Statement.

(Delhi 2016) Cr

35. Following is the Balancing Sheet of M.M Ltd. as at 31-3-2015 :

M.M. Ltd. Balance Sheet as at 31-3-2015

Particulars	Note No.	31-3-2015 (₹)	31.3.2014 (₹)
<b>I. Equity and Liabilities</b>			
1. Shareholders' Funds :			
(a) Share Capital		5,00,000	4,00,000
(b) Reserves and Surplus	1	2,00,000	(50,000)
2. Non-current Liabilities :			
Long-term Borrowings	2	4,50,000	5,00,000
3. Current Liabilities			
(a) Trade Payables	3	1,50,000	50,000
(b) Short-term Provision	4	70,000	90,000
<b>Total</b>		<b>13,70,000</b>	<b>9,90,000</b>
<b>II. Assets</b>			
1. Non-current Assets			
(a) Fixed Assets			
(i) Tangible	5	10,03,000	7,20,000
(ii) Intangible	6	20,000	30,000
(b) Non-current Investment		1,00,000	75,000
2. Current Assets :			
(a) Current Investment		50,000	60,000
(b) Inventories		1,07,000	45,000
(c) Cash and Cash Equivalent	7	90,000	60,000
<b>Total</b>		<b>13,70,000</b>	<b>9,90,000</b>

Notes to Accounts :

Note No.	Particulars	31-3-2015 (₹)	31-3-2014 (₹)
1.	Reserve and Surplus Balance in statement of Profit and Loss	2,00,000	(50,000)
		2,00,000	(50,000)
2.	Long-term Borrowing : 12% Debentures	4,50,000	5,00,000
		4,50,000	5,00,000
3.	Short-term provisions Bank Overdraft	1,50,000	50,000
		1,50,000	50,000
4.	Short-term provisions : Provision for tax	70,000	90,000
		70,000	90,000
5.	Tangible Assets Machinery Accumulated Depreciations	12,03,000 (2,00,000)	8,21,000 (1,01,000)
		10,03,000	7,20,000
6.	Intangible Assets : Goodwill	20,000	30,000
		20,000	30,000
7.	Inventories Stock in trade	1,07,000	45,000
		1,07,000	45,000

Additional Information :

(i) 12% Debentures were redeemed on 31-3-2015, (ii) Tax ₹ 70,000 was paid during the year. Prepare Cash Flow Statement. (AI 2016)

36. Following is the Balance Sheet of Thermal Power Ltd. as at 31-3-2014 :

**Thermal Power Ltd.**  
**Balance Sheet as at 31-3-2014**

Particulars	Note No.	31-3-2015 (₹)	31.3.2014 (₹)
<b>I. Equity and Liabilities</b>			
1. Shareholders' Funds :			
(a) Share Capital		12,00,000	11,00,000
(b) Reserves and Surplus	1	3,00,000	2,00,000
2. Non-current Liabilities :			
Long-term Borrowings		2,40,000	1,70,000
3. Current Liabilities			
(a) Trade Payables		1,79,000	2,04,000
(b) Short-term Provisions		50,000	77,000
<b>Total</b>		<b>19,69,000</b>	<b>17,51,000</b>
<b>II. Assets</b>			
1. Non-current Assets			
(a) Fixed Assets			
(i) Tangible	2	10,70,000	8,50,000
(ii) Intangible	3	40,000	1,12,000
(b) Non-current Investment			
2. Current Assets :			
(a) Current Investment		2,40,000	1,50,000
(b) Inventories		1,29,000	1,21,000
(c) Trade Receivable		1,70,000	1,43,000
(d) Cash and Cash Equivalents		3,20,000	3,75,000
<b>Total</b>		<b>19,69,000</b>	<b>17,51,000</b>

**Notes to Accounts :**

S. No.	Particulars	2013-14 (₹)	2012-13 (₹)
1.	Reserve and Surplus Surplus (balance in statement of Profit and Loss)	3,00,000	2,00,000
2.	Tangible Assets Machinery	12,70,000	10,00,000
	Less : Accumulated Depreciation	(2,00,000)	(1,50,000)
3.	Intangible Assets Goodwill	40,000	1,12,000

**Additional Information :**

During the year a piece of machinery, costing ₹ 24,000 on which accumulated depreciation was ₹ 16,000, was sold for ₹ 6,000.

Prepare Cash Flow Statement.

(Delhi 2015) 

**37. Balance Sheet of Solar Ltd as at 31.3.2014**

Particulars	Note No.	31-3-2015 (₹)	31.3.2014 (₹)
<b>I. Equity and Liabilities</b>			
<b>1. Shareholders' Funds :</b>			
(a) Share Capital		24,00,000	22,00,000
(b) Reserves and Surplus	1	6,00,000	4,00,000
<b>2. Non-current Liabilities :</b>			
Long-term Borrowings		4,80,000	3,40,000
<b>3. Current Liabilities</b>			
(a) Trade Payables		3,58,000	4,08,000
(b) Short-term Provisions		1,00,000	1,54,000
<b>Total</b>		<b>39,38,000</b>	<b>35,02,000</b>
<b>II. Assets :</b>			
<b>1. Non-current Assets</b>			
<b>(a) Fixed Assets</b>			
(i) Tangible	2	21,40,000	17,00,000
(ii) Intangible	3	80,000	2,24,000
<b>2. Current Assets :</b>			
(a) Current Investment		4,80,000	3,00,000
(b) Inventories		2,58,000	2,42,000
(c) Trade Receivable		3,40,000	2,86,000
(d) Cash and Cash Equivalents		6,40,000	7,50,000
<b>Total</b>		<b>39,38,000</b>	<b>35,02,000</b>

**Notes to Accounts :**

S. No.	Particulars	As on 31.3.2014 (₹)	As on 31.3.2013 (₹)
1.	Reserve and Surplus Surplus (balance in statement of Profit and Loss)	6,00,000	4,00,000
2.	Tangible Assets Machinery	25,40,000	20,00,000
	Less : Accumulated Depreciation	(4,00,000)	(3,00,000)
3.	Intangible Assets Goodwill	80,000	2,24,000

**Additional Information :**

During the year a piece of machinery costing ₹ 48,000 on which accumulated depreciation was ₹ 32,000 was sold for ₹ 12,000.

Prepare Cash Flow Statement.

(AI 2015)

38. Prepare as cash flow Statement on the basis of the information given in the Balance Sheet of Liva Ltd. as at 31-3-2013 and 31-3-2012 :

Particulars	Note No.	31-3-2013 (₹)	31.3.2012 (₹)
<b>I. Equity and Liabilities</b>			
1. Shareholders' Funds :			
(a) Share Capital	1	2,10,000	1,80,000
(b) Reserves and Surplus		1,32,000	24,000
2. Non-current Liabilities :			
Long-term Borrowings		1,50,000	1,50,000
3. Current Liabilities			
(a) Trade Payables		75,000	27,000
<b>Total</b>		<b>5,67,000</b>	<b>3,81,000</b>
<b>II. Assets</b>			
1. Non-current Assets			
(a) Fixed Assets			
(i) Tangible		2,94,000	2,52,000
(ii) Intangible		48,000	18,000
2. Current Assets :			
(a) Current Investment		54,000	60,000
(b) Inventories		1,07,000	24,000
(c) Trade Receivable		40,000	17,500
(d) Cash and Cash Equivalents		24,000	9,500
<b>Total</b>		<b>5,67,000</b>	<b>3,81,000</b>

Notes to Accounts :

Particulars	2013 (₹)	2012 (₹)
Reserve and Surplus (Balance in statement of Profit and Loss)	1,32,000	24,000

(Delhi 2014)

39. Prepare as cash flow Statement on the basis of the information given in the Balance Sheets of Sim. Co. as at 31-3-2013 and 31-3-2012 :

Particulars	Note No.	31-3-2013 (₹)	31.3.2012 (₹)
<b>I. Equity and Liabilities</b>			
1. Shareholders' Funds :			
(a) Share Capital		2,00,000	1,50,000
(b) Reserves and Surplus		90,000	75,000
2. Non-Current Liabilities :			
Long-term Borrowings		87,500	87,500
3. Current Liabilities			
Trade Payables		10,000	76,000
<b>Total</b>		<b>3,87,500</b>	<b>3,88,500</b>
<b>II. Assets</b>			
1. Non-current Assets			
(a) Fixed Assets			
(i) Tangible Assets		1,87,500	1,40,000
(b) Non-Current Investment		1,05,500	1,02,500
2. Current Assets :			
(a) Current Investment (Marketable)		12,500	33,500
(b) Inventories		4,000	5,500
(c) Trade Receivable		9,500	23,000
(d) Cash and Cash Equivalents		68,500	84,000
<b>Total</b>		<b>3,87,500</b>	<b>3,88,500</b>

Notes to Accounts :

Particulars	2013 (₹)	2012 (₹)
Reserve and Surplus (balance in statement of Profit and Loss)	90,000	75,000

(AI 2014) (Ap)



## CBSE Sample Questions

### 6.4 Cash Flows

#### MCQ

1. From the following information find out the inflow of Cash by sale of Office equipment's

	31 <sup>st</sup> March, 2022	31 <sup>st</sup> March, 2021
Office Equipment	₹ 2,00,000	₹ 3,00,000

Additional Information:

Depreciation for the year 2021-22 was ₹ 40,000.

Office Equipment purchased during the year ₹ 30,000. Part of Office Equipment sold at a profit of ₹ 12,000.

- (a) ₹1,00,000                      (b) ₹1,02,000  
(c) ₹90,000                        (d) ₹1,12,000 (2022-23)

#### SA I (2 marks)

2. State whether the following transactions will result in inflow, outflow or no flow of cash while preparing cash flow statement:

- (i) Decrease in outstanding employees benefits by ₹3000  
(ii) Increase in Current Investment by ₹6,000.

(Term-II, 2021-22) (Ev)

### 6.7 Ascertainment of Cash Flow from Investing and Financing Activities

#### MCQ

3. **Balance Sheet (Extract)**

Equity and Liabilities	31.3.2020	31.3.2021
12% Debentures	2,00,000	1,60,000

Additional Information :

Interest on debentures is paid on half yearly basis on 30th September and 31st March each year.

Debentures were redeemed on 30th September 2019. How much amount (related to above information) will be shown in Financing Activity for Cash Flow Statement prepared on 31st March 2020?

- (a) Outflow ₹40,000.              (b) Inflow ₹42,600.  
(c) Outflow ₹61,600.              (d) Outflow ₹64,000  
(2020-21)

4. Which of the following is not an investing cash flow?  
(a) Purchase of marketable securities for ₹25,000 cash.  
(b) Sale of land for ₹28,000 cash.  
(c) Sale of 2,500 shares (held as investment) for ₹15 each.  
(d) Purchase of equipment for ₹500 cash. (2020-21)

#### LA I (5/6 marks)

5. Read the following hypothetical text and answer the given questions on the basis of the same:

Aashna, an alumna of CBSE School, initiated her start up Smartpay, in 2015. Smartpay is a service platform that processes payments via UPI and POS, and provides credit or loans to their clients. During the year 2021-22, Smartpay issued bonus shares in the ratio of 5:1 by capitalising reserves. The profits of Smartpay in the year 2021-22 after all appropriations was ₹7,50,000. This profit was arrived after taking into consideration the following items :

Particulars	Amount (₹)
Interim dividend paid during the year	90,000
Depreciation on machinery	40,000
Loss of machinery due to fire	20,000
Insurance claim received for loss of machinery due to fire	10,000
Interest on non-current investments received	30,000
Tax refund	20,000

Additional Information:

Particulars	31.3.2022 (₹)	31.3.2021 (₹)
Equity Share Capital	12,00,000	10,00,000
Securities Premium Account	3,00,000	5,00,000
General Reserve	1,50,000	1,50,000
Investment in Marketable Securities	1,50,000	1,00,000
Cash in hand	2,00,000	3,00,000
Machinery	3,00,000	2,00,000
10% Non-Current Investments	4,00,000	3,00,000
Bank Overdraft	2,50,000	2,00,000
Goodwill	30,000	80,000
Provision for Tax	80,000	60,000

- (i) Goodwill purchased during the year was ₹ 20,000.  
(ii) Proposed Dividend for the year ended March 31, 2021 was ₹ 1,60,000 and for the year ended March 31, 2022 was ₹ 2,00,000.

You are required to:

- (i) Calculate Net Profit before tax and extraordinary items.  
(ii) Calculate Operating profit before working capital changes.  
(iii) Calculate Cash flow from Investing activities.  
(iv) Calculate Cash flow from Financing activities.  
(v) Calculate closing cash and cash equivalents.

(2022-23)

6. On the basis of information given by Aradhana Ltd., prepare Cash Flow Statement for the year ending 31st March, 2021:

**Aradhana Ltd.**

**Balance Sheet as on 31st March, 2021**

Particulars	Note No.	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2021
<b>I. Equity and Liabilities</b>			
<b>1. Shareholder's Funds</b>			
(a) Share Capital		5,00,000	7,30,000
(b) Reserves and Surplus	1	3,50,000	3,70,000
<b>2. Non-current Liabilities</b>			
Long-term Borrowings	2	4,00,000	2,00,000
<b>3. Current Liabilities</b>			
(a) Trade Payables	3	3,60,000	4,60,000
(b) Short Term provisions	4	3,25,000	3,20,000
<b>Total</b>		<b>19,35,000</b>	<b>20,80,000</b>
<b>II. Assets</b>			
<b>1. Non-current Assets</b>			
(a) Fixed Assets			
(i) Tangible Assets	5	4,50,000	5,00,000
(ii) Intangible Assets	6	3,10,000	3,02,000
(b) Long-term Loans and Advances		4,00,000	4,30,000
<b>2. Current Assets</b>			
(a) Inventories		2,70,000	2,90,000
(b) Trade Receivables		2,40,000	2,60,000
(c) Cash and Cash Equivalents		2,65,000	2,98,000
<b>Total</b>		<b>19,35,000</b>	<b>20,80,000</b>

**Note to Accounts :**

Particulars	31 <sup>st</sup> March 2020	31 <sup>st</sup> March 2021
<b>1. Reserves and Surplus</b>		
Statement of Profit and loss	3,50,000	3,70,000
<b>2. Long-term Borrowings</b>		
10% Debentures	4,00,000	2,00,000
<b>3. Trade Payables</b>		
Creditors	2,40,000	2,60,000
Bills Payable	1,20,000	2,00,000
	<b>3,60,000</b>	<b>4,60,000</b>
<b>4. Short-Term Provisions</b>		
Provision for Tax	3,25,000	3,20,000
<b>5. Tangible Fixed Assets</b>		
Machinery	5,50,000	6,60,000
Less: Provision for Depreciation	1,00,000	1,60,000
	<b>4,50,000</b>	<b>5,00,000</b>
<b>6. Intangible Fixed Assets</b>		
Patents	3,10,000	3,02,000

**Additional Information:**

- (i) Debentures were redeemed on 1st April, 2020.  
(ii) Tax paid during the year ₹2,80,000.

(Term-II, 2021-22)

7. Prepare Cash Flow Statement on the basis of information given in the Balance Sheets of Relga Ltd. as at 31st March, 2019 and 31st March, 2020:


Particulars	Note No.	31 <sup>st</sup> March 2019	31 <sup>st</sup> March 2020
<b>I. Equity and Liabilities</b>			
<b>1. Shareholder's Funds</b>			
(a) Share Capital		2,00,000	2,50,000
(b) Reserves and Surplus	1	50,000	70,000
<b>2. Non-current Liabilities</b>			
Long-term Borrowings	2	1,00,000	80,000
<b>3. Current Liabilities</b>			
(a) Trade Payables	3	60,000	1,60,000
(b) Other Current Liabilities	4	25,000	20,000
<b>Total</b>		<b>4,35,000</b>	<b>5,80,000</b>
<b>II. Assets</b>			
<b>1. Non-current Assets</b>			
(a) Fixed Assets			
(i) Tangible Assets	5	1,50,000	2,00,000
(ii) Intangible Assets	6	10,000	2,000
(b) Long-term Loans and Advances		1,00,000	1,30,000
<b>2. Current Assets</b>			
(a) Inventories		70,000	90,000
(b) Trade Receivables		40,000	60,000
(c) Cash and Cash Equivalents		65,000	98,000
<b>Total</b>		<b>4,35,000</b>	<b>5,80,000</b>

**Note to Accounts:**

Particulars	31 <sup>st</sup> March 2019	31 <sup>st</sup> March 2020
<b>1. Reserves and Surplus</b>		
General Reserve	50,000	70,000
<b>2. Long-term Borrowings</b>		
12% Debentures	1,00,000	80,000
<b>3. Trade Payables</b>		
Creditors	40,000	60,000
Bills Payable	<u>20,000</u>	<u>1,00,000</u>
	<u>60,000</u>	<u>1,60,000</u>
<b>4. Other Current Liabilities</b>		
Outstanding Expenses	25,000	20,000
<b>5. Tangible Fixed Assets</b>		
Machinery	2,00,000	2,60,000
Less: Provision for Depreciation	<u>(50,000)</u>	<u>(60,000)</u>
	<u>1,50,000</u>	<u>2,00,000</u>
<b>6. Intangible Fixed Assets</b>		
Goodwill	10,000	2,000

**Additional Information :**

- (i) During the year, a piece of machinery with a book value of ₹ 30,000; provision for depreciation on it ₹ 10,000 was sold at a loss of 50% on book value.
- (ii) Debentures were redeemed on 31st March 2020.

(2020-21) 

# Detailed SOLUTIONS

## Previous Years' CBSE Board Questions

1. The primary objective of cash flow statement is to provide useful information about cash flows (inflows and outflows) of an enterprise during a particular period under various heads, i.e., operating activities, investing activities and financing activities.

2.

Cash flow statement is a statement showing inflow & outflow of cash for an organisation during an accounting period.

Cash outflow is when cash is paid for some purpose. For example, purchase of machinery leads to outflow of cash.

Cash inflow is when cash is received for some purpose. For example, payment made by debtors leads to inflow of cash.

It shows inflow and outflow of cash from Operating, Investing and Financing activities.

[Topper's Answer, 2022]

3. Advantages of preparing cash flow statements :

(i) Cash flow information is useful in assessing the ability of the enterprise to generate cash and cash equivalents and enables users to develop models to assess and compare the present value of the future cash flows of different enterprises.

(ii) Efficient cash management : Cash flow provides information regarding surplus or deficit of cash. So it helps management to take timely decisions.

4. Short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value are called cash equivalents.

### Related Theory

⇒ Current investments or marketable securities is a part of cash and cash equivalent as per As-3 (revised). If both are given separately than marketable securities will be considered as cash equivalent and remaining current investment will be considered in investing activities.

5. Cheques and drafts in hand are not considered while preparing cash flow statement because they don't show inflow or outflow of cash and cash equivalent.

6. Cash equivalents are short term highly liquid investment that are readily convertible into known

amount of cash and which are subject to an insignificant risk of change in value.

7. (a) : cash withdrawn from the bank ₹ 7,000

8. (b) : Cash deposited into Bank ₹ 1,250,000

9. (c) : Sale of machinery of the book value of ₹ 74,000 at a loss of ₹ 9,000 will result into flow of cash.

10. (c) : Received ₹ 19,000 from debtors.

11. Issue of shares for consideration other than cash will result in no flow of cash as it involves settling business transactions by paying through issue of shares to the vendor.

12. Cash Flows imply movement of cash in and out due to some non cash items.

13. (i) No flow of cash as bonus shares are issued out of the reserves available with the company.

(ii) Inflow of cash as it is an income received by the company.

14. (a) : Operating activities

15. Operating Activities are the principle/core revenue producing activities of an enterprise.

16. In case of a finance company 'interest received and paid' is an operating activity.

17. Yes, the given statement is correct and it will be classified Operating Activity.

Particulars	Details	Amount
<b>A. Operating Activities</b>		
* Net profit after tax & extraordinary items		4,00,000
Add: T- Provision for tax	1,50,000	1,50,000
* Net profit before tax & extraordinary items		5,50,000
Adjustment for non-cash & non-operating items		
Add: Interest on debentures	40,000	40,000
* Operating profit before WC changes		5,90,000
less: Decrease in Trade payables	(1,00,000)	
Add: Increase in other CI	2,00,000	
less: Increase in Inventories	(6,60,000)	(5,60,000)
* Operating profit after WC changes		30,000
less: Tax paid	(1,00,000)	
Cash flow from operating Activities		(70,000)
<b>B. Investing Activities</b>		
less: Purchase of land	(20,00,000)	

[Topper's Answer, 2022]

19. (b): cash inflow from investing activities

20. The cash outflow from investing activities will be ₹10,00,000 as draft is a part of cash & cash equivalents.

21. Dividend paid by a company be it a financial or a non-financial enterprise, will always be classified as a financing activity in the Cash Flow Statement.

22. (i) Purchase of Building (ii) Purchase of Patents

23. **Cash Flows from Financing Activities**

Particulars	Details (₹)	Amount (₹)
Loan raised	<u>6,00,000</u>	
Net Cash Inflows from Financing Activities		6,00,000

**Cash Flows from Investing activities**

Particulars	Details (₹)	Amount (₹)
Loan Advanced	(1,00,000)	
Machinery Purchased	<u>(5,00,000)</u>	
Net Cash used in Investing Activities		(6,00,000)

24. No, he is not correct.

Reason: As Gulfam Ltd. is a financing company, so dividend received is an Operating Activity for it.

25.

In the books of Kamna Ltd.

## Cash Flow statement (Extract) for the year ending 31st March 2021

Particulars	Details (₹)	Amount (₹)
<b>A. Cash Flow from Investing Activities :</b>		
Sale of Machinery	6,000	
Purchase of Machinery (W1N1)	(2,94,000)	
Cash used in Investing Activities		(2,88,000)
<b>B. Cash flow from Financing Activities :</b>		
Proceeds from issue of shares	1,00,000	
Proceeds from Long-term Borrowings	70,000	
Cash Flow from Financing Activities		1,70,000

Note: Decrease in goodwill has been assumed on account of amortisation.

Working Notes:

## Machinery A/c

Particulars	Amount (₹)	Particulars	Amount (₹)
To balance b/d	10,00,000	By Bank A/c (Sale)	6,000
To bank A/c (Purchase) (Bal. Fig.)	2,94,000	By Accumulated Depreciation A/c	16,000
		By Statement of P & L (Loss)	2,000
		By Balance c/d	12,70,000
	12,94,000		12,94,000

26. (i)

## Cash Flows from Investing Activities

Particulars	Amount (₹)
Proceeds from Sale of Plant and Machinery	40,000
Purchase of Plant and machinery	(1,85,000)
Goodwill Purchased	(80,000)
<b>Cash Used in Investing Activities</b>	<b>(2,25,000)</b>

Dr.

## Plant and Machinery A/c

Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To balance b/d	2,00,000	By Bank A/c -sale	40,000
To Profit and Loss A/c -(Gain on sale of machinery)	5,000	By Deprecation	50,000
To Bank A/c	1,85,000	By balance c/d	3,00,000
	3,90,000		3,90,000

(ii)

## Cash Flows from Investing Activities

Particulars	Amount (₹)
Proceeds from Issue of Shares (Including Securities Premium Reserve)	8,40,000
Issue of Debentures	1,00,000
Interest paid on Debentures	(36,000)
<b>Cash Flows from Financing Activities</b>	<b>9,04,000</b>

27. (i)

An Extract of Cash Flow statement of Nova Ltd.  
for the year ending 31st March 2019

Particulars	Details (₹)	Amount (₹)
<b>Cash Flow from Investing Activities</b>		
Purchase of Machinery	(2,50,000)	
Sale of Machinery	12,000	
Purchase of Goodwill	(50,000)	
Sale of Land	30,000	
<b>Cash used in Investing Activities</b>		<b>(2,58,000)</b>
		<b>(2,58,000)</b>



**Working Notes:**

**Machinery A/c**

Particulars	Amount (₹)	Particulars	Amount (₹)
To balance b/d	3,00,000	By Accumulated depreciation A/c	35,000
To Bank A/c (Purchase) (Balancing Fig.)	2,50,000	By Statement of Profit & Loss	3,000
		By Bank A/c (Sale)	12,000
		By balance c/d	5,00,000
	<b>5,50,000</b>		<b>5,50,000</b>

**Accumulated Depreciation A/c**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Machinery A/c (Dep. on asset sold)	3,00,000	By balance b/d	80,000
To balance c/d	2,50,000	By statement of Profit & Loss (Dep. Charged during the year)	55,000
	<b>1,35,000</b>		<b>1,35,000</b>

(ii) **An Extract of Cash Flow Statement of Jova Ltd.  
for the year ending 31<sup>st</sup> March 2019**

Particulars	Details (₹)	Amount (₹)
<b>Cash Flow from Operating Activities</b>		
Balance as per Statement of Profit and Loss	2,50,000	
Add: Transfer to General Reserve	22,500	
Net Profit before Tax and Extraordinary Items	2,72,500	
Adjustments for non-cash and non-operating items:		
Add: Depreciation on Machinery	20,000	
Goodwill written off	9,000	
Loss on Sale of Furniture	2,000	
Operating Profit before working capital changes	3,03,500	
Less: Decrease In Current Liability (Income in advance)	8,000	
Add: Decrease In Current Assets (Inventory)	4,000	
<b>Cash Flow from Operating Activities</b>		<b>2,99,500</b>
		<b>2,99,500</b>

28. Separate disclosure of cash flow arising from investing activities is important because the cash flow represent the extent to which expenditure have been made for resources invented to generate future income and Cash flows.

29. **Cash Flow Statement of Starline Ltd.  
for the year ended 31<sup>st</sup> March 2018 and 31<sup>st</sup> March 2019**

Particulars	Details (₹)	Amount (₹)
<b>A. Cash Used in Operating Activities :</b>		(18,000)*
<b>B. Cash Flow from Investing Activities :</b>		
Purchase of Plant & Machinery	(4,70,000)	
Sale of Plant & Machinery	22,000	
Purchase of Goodwill	(1,10,000)	
<b>Cash used in Investing Activities</b>		<b>(5,58,000)</b>
<b>C. Cash flow from Financing Activities :</b>		
Proceeds from issue of shares	8,00,000	
Redemption of debentures	(3,00,000)	
Interest Paid on debentures (8,000 + 6,000)	(14,000)	
<b>Cash Flow from Financing Activities</b>		<b>4,86,000</b>
<b>Net Increase in Cash and Cash Equivalents (A- B + C)</b>		<b>(90,000)</b>
Add: Opening Balance of Cash and cash equivalents	2,30,000	
Opening Balance of Current Investments	1,90,000	
<b>Cash and Cash equivalents at the end of the period</b>		
Closing Balance of Cash and cash equivalents	3,00,000	
Closing Balance of Current Investments	30,000	<b>3,30,000</b>
		<b>3,30,000</b>

**Working Notes:**

Dr.		Plant & Machinery A/c		Cr.
Particulars	Amount (₹)	Particulars	Amount (₹)	
To balance b/d	10,90,000	By Accumulated depreciation A/c	12,000	
To Bank A/c (Purchase)	4,70,000	By Statement of Profit & Loss	6,000	
(Balancing Fig.)		By Bank A/c (Sale)	22,000	
		By balance c/d	15,20,000	
	<b>15,60,000</b>		<b>15,60,000</b>	

Dr.		Accumulated Depreciation A/c		Cr.
Particulars	Amount (₹)	Particulars	Amount (₹)	
To Plant & Machinery A/c (Dep. on asset sold)	12,000	By balance b/d	90,000	
To balance c/d	1,20,000	By statement of Profit & Loss (Dep. Charged during the year)	42,000	
	<b>1,32,000</b>		<b>1,32,000</b>	

**30. Cash Flow Statement of Kiero Ltd.  
For the year ended 31st March 2018**

Particulars	Amount (₹)	Amount (₹)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Profit before Tax	4,58,000	
Add: depreciation on Plant and Machinery	5,000	
Interest on 12% Debentures	<u>50,000</u>	
Operating profit before Working Capital changes	5,13,000	
Less: Increase in Trade receivables	<u>(2,90,000)</u>	
Cash generated from operations	2,23,000	
Less: tax paid	<u>(46,000)</u>	
Cash Inflows from Operating activities		1,77,000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Plant and Machinery	(3,50,000)	
Purchase of Goodwill	<u>(98,000)</u>	
Cash used in Investing activities		(4,48,000)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issue of Shares	2,10,000	
Issue of 12% Debentures	2,00,000	
Bank overdraft raised	73,000	
Interest paid on 12% Debentures	<u>(50,000)</u>	
Cash Inflows from Financing activities		<u>4,33,000</u>
Net increase in Cash and Cash equivalents		1,62,000
Add Opening balance of cash and equivalents		
Current investments	70,000	
Cash and Cash equivalents	<u>63,000</u>	<u>1,33,000</u>
Closing balance of cash and cash equivalents		
Current Investments	1,40,000	
Cash and Cash equivalents	<u>1,55,000</u>	<u>2,95,000</u>



Working Notes :

Calculation of Net Profit before Tax :

	₹
Net Profit	2,60,000
Add Amount transferred to reserve	80,000
Add Provision for Tax	<u>1,18,000</u>
	<u>4,58,000</u>

**Answer Tips**

While preparing cash flow statement, first decide the nature of enterprise whether it is financial or non-financial.

31. Cash Flow Statement as at 31-3-18

Particulars	₹	₹
<b>I. Cash flow from operating Activities</b>		
Net profit before tax and extraordinary item	198000	
Add : Depreciation	6000	
Less : Gain on sale of Machinery	(42000)	
Net profit before working capital	1620000	
Add : Decreases in current Assets increase in current liabilities Inventories		
Trade Payables	56000	
Less : Increase in current Assets	26000	
Decrease in current liabilities		
Trader receivables	(210000)	
Other current Liabilities	(14000)	
Cash generated from operating Activities	20000	
Less : Tax paid	—	
Cash flow from operating Activities (I)	20000	20000
<b>II. Cash flow from investing Activity</b>		
Machinery sold	56000	
Machinery purchased	(132000)	
Cash used for investing Activities (II)	(76000)	(76000)
<b>III. Cash flow from financing activity (III)</b>		
Issue of share capital	70000	70000
Net increase/decrease in cash and cash equivalent		14000
Opening cash and cash equivalent		70000
Closing cash and cash equivalent		<u>84000</u>

Working Notes :

Dr.	Machinery A/c		Cr.
	Amount		Amount
To Balance b/d	3,60,000	By Accumulated Depreciation	28,000
To Statement of Profit & Loss	42,000	By Bank	56,000
To Bank (Purchase Balancing Figure)	1,32,000	By bal c/d	4,50,000
	<u>5,34,000</u>		<u>5,34,000</u>

Dr.	Accumulated Depreciation A/c		Cr.
	Amount		Amount
To Machinery A/c	28,000	By balance b/d	80,000
To Balance c/d	58,000	By depreciation (bal. Figure)	6,000
	<u>86,000</u>		<u>86,000</u>

**Cash flow statement of JY Ltd.  
for the year ended 31.3.2017**

	Particulars	Amount (₹)	Amount (₹)
<b>A.</b>	<b>Cash flow from operating activities :</b> Profit before tax (working note-1) <b>Adjustment for non cash and non operating :</b> Add : Depreciation on Machinery Interest on debentures Operating profit before working capital changes Less : Increase in Debtors  Payment of Tax (2016) Net cash from operating activities.	3,25,000  62,500 15,000 4,02,500 <u>50,000</u> 3,52,500  75,000 <u>2,77,500</u>	          2,77,500
<b>B</b>	<b>Cash flow from investing activities :</b> Purchase of machinery Increase in short term loans and advances Net cash used in investing activities	(2,12,500) (1,00,000) <u>(3,12,500)</u>	   (3,12,500)
<b>C.</b>	<b>Cash flow from financing activities :</b> Dividend paid Issue of debentures Payment of interest on debentures. Increase in Bank overdraft Net cash flow from financing activity Net Increase in cash and cash equivalents Add : cash and cash equivalents in the Beginning Cash and cash equivalents at the end	(50,000) 1,00,000 (15,000) 50,000 <u>85,000</u>  50,000 75,000 <u>1,25,000</u>	      85,000 50,000 75,000 <u>1,25,000</u>

**Working Note**

1.	P & L Balance as on 31.3.2016 P & L Balance as on 31.3.2017  Add: Provision for tax Proposed dividend Net Profit before tax	(25,000) 1,00,000 1,25,000 1,25,000 75,000 <u>3,25,000</u>
----	--	---

Dr.		Machinery A/c		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)		
To Balance b/d	5,25,000	By Balance c/d	7,37,500		
To Bank (Purchase)	2,12,500				
	<u>7,37,500</u>		<u>7,37,500</u>		

**Accumulated depreciation A/c**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance c/d	1,37,500	By Balance b/d	75,000
	<u>1,37,500</u>	By profit & loss A/c (Balancing figure)	62,500
			<u>1,37,500</u>

33.

**Cash flow statement of R.S Ltd.  
for the year ended 31st March 2016**

	Particulars	Amount (₹)
<b>A.</b>	Cash flow from Operating Activities	
	Net profit before Tax and Extra-ordinary items (WN 1)	3,50,000
	Add : Non-cash items and non-operating items :	
	(+) Depreciation on Machinery	1,10,000
	(+) Loss on Sale of machinery	10,000
	(+) Goodwill written off	50,000
	<u>42,000</u>	
	Operating Profit before Working Capital changes	5,62,000
	Add : Decrease in Current Assets and increase in Current Liabilities	NIL
	Less : Increase in Current Assets and decrease in Current Liabilities	
	Inventories	50,000
	Cash flow from Operating activity	5,12,000
<b>B.</b>	Cash flow from Investing activity	
	(-) Purchase of Machinery	(7,00,000)
	(+) Sale of Machinery	30,000
	(-) Purchase of Non-current investments	(50,000)
	Cash used in Investing Activity	(7,20,000)
<b>C.</b>	Cash flow from Financing Activity	
	(+) Proceeds from Issue of shares	2,00,000
	(+) Proceeds from Issue of debentures	1,00,000
	(+) Bank overdraft raised	75,000
	(-) Proposed Dividend	(1,25,000)
	(-) Interest on Debentures Paid	(42,000)
	Cash flow from financing activity	2,08,000
<b>D.</b>	Net increase/Decrease in Cash and Cash Equivalents (A + B + C)	NIL
	Add : Opening balance of Cash and Cash Equivalents (43,000 + 70,000)	1,13,000
<b>E.</b>	Closing balance of Cash and Cash Equivalents	<u>1,13,000</u>

**Working Note :**

Calculation of Profit before tax and Extra ordinary items :

Net Profit (Closing -opening) = ₹1,50,000

Add : Proposed Dividend = ₹2,00,000

(Current year) ₹ 3,50,000

Dr.		Machinery A/c		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)		
To Balance b/d	10,55,000	By Bank A/c	30,000		
To Bank A/c	7,00,000	By Accumulated depreciation	40,000		
(Purchase Balancing figure)		By Profit and Loss A/c (loss)	10,000		
		By Balance c/d	16,75,000		
	<u>17,55,000</u>		<u>17,55,000</u>		

Dr.		Accumulated Depreciation A/c		Cr.	
Particulars	Amount	Particulars	Amount		
To Machinery A/c	40,000	By Balance b/d	1,40,000		
To Balance c/d	2,10,000	By Profit and loss A/c	1,10,000		
	<u>2,50,000</u>	(Dep. charged during the year bal. fig.)	2,50,000		



**Cash Flow Statement of K.K Ltd.**  
for the year ended 31-3-2015

Particulars	Amount (₹)	Amount (₹)
<b>I. Cash from Operating Activities</b>		
Net Profit before Tax and Extraordinary items	6,00,000	
<b>Add : Adjustment for Non-cash and Non-Operating Expenses</b>		
Depreciation	1,98,000	
Interest on Debenture (12% of 10,00,000)	1,20,000	
Goodwill written off	20,000	
Operating Profit before working Capital Changes		9,38,000
<b>Add : Decrease in Current Assets/Increase in Current Liabilities</b>		NIL
<b>Less : Increases in Current Assets/Decrease in Current Liabilities</b>		
Inventories	(1,24,000)	
Operating profit after working Capital changes		
<b>Less : Income Tax Paid</b>	(1,40,000)	(2,64,000)
<b>Net Cash from operating Activities</b>	<b>6,74,000</b>	<b>6,74,000</b>
<b>II. Cash Flow from Investing Activities :</b>		
Purchase of Fixed Assets (Tangible)	(7,64,000)	
Purchase of Non-current Investments	(50,000)	
<b>Net Cash used in Investing Activities</b>	<b>(8,14,000)</b>	<b>(8,14,000)</b>
<b>III. Cash from Financing Activities :</b>		
Proceeds from Issue of share Capital	2,00,000	
Redemption of Debentures	(1,00,000)	
Payment of Interest on Debenture	(1,20,000)	
Increase in Bank Overdraft	2,00,000	
<b>Net Cash from Financing Activities</b>	<b>1,80,000</b>	<b>1,80,000</b>
<b>Net Increase in Cash + Cash Equivalents</b>		<b>40,000</b>
<b>Add : Opening Cash + Cash Equivalents (I + II + III)</b>		<b>2,40,000</b>
(Including Current Investment ₹ 1,20,000)		
<b>Closing Cash + Cash Equivalents</b>		<b>2,80,000</b>
(Including current Investment ₹ 1,00,000)		

**Working Notes :**

Dr. Provision for Tax A/c Cr.			
Particulars	₹	Particulars	₹
To Bank (Tax Paid)	1,40,000	By Bal. b/d	1,80,000
To Bal c/d	1,40,000	By Statement of P and L A/c	1,00,000
	<b>2,80,000</b>		<b>2,80,000</b>

Dr. Machinery A/c Cr.			
Particulars	₹	Particulars	₹
To Bal. b/d	16,42,000	By Bal. c/d	24,06,000
To Bank (Purchase)	7,64,000		
	<b>24,06,000</b>		<b>24,06,000</b>

Dr. Accumulated Depreciation A/c Cr.			
Particulars	₹	Particulars	₹
To Bal. c/d	4,00,000	By Bal. b/d	2,02,000
		By Depreciation (Balancing figure)	1,98,000
	<b>4,00,000</b>		<b>4,00,000</b>

Profit during the year [4,00,000 - (1,00,000)] = 5,00,000 ₹  
**Add : Provision for Tax** 1,00,000 ₹  
**Net Profit before Tax and Extra-ordinary items** 6,00,000 ₹

**Commonly Made Mistake** ⚠️

❌ Bank overdraft and cash credit will be considered in financial activity not under working capital changes in operating activities.

**Cash Flow Statement of M.M Ltd.  
for the year ended 31-3-2015**

Particulars	Amount (₹)	Amount (₹)
<b>I. Cash from Operating Activities</b>		
Net Profit before Tax and extraordinary items	3,00,000	
Add : Adjustment for Non cash item and Non Operating items Depreciation	99,000	
Interest on Debenture (12% of 5,00,000)	60,000	
Goodwill written off	10,000	4,69,000
Operating Profit before working Capital Changes		
Add : Decrease in Current Assets/Increase in Current Liabilities	4,69,000	
Less : Increases in Current Assets/Decrease in Current Liabilities	-	NIL
Inventories		
Operating profit after working Capital change	(62,000)	
Less : Income Tax Paid		4,07,000
Net Cash from operating Activities	(70,000)	70,000
<b>II. Cash Flow from Investing Activities :</b>		3,37,000
Purchase of Fixed Assets (Tangible)		
Purchase of Non-current Investments	(3,82,000)	
Net Cash used in Investing Activities	(25,000)	
<b>III. Cash from Financing Activities :</b>		
Proceeds from Issue of share Capital		
Redemption of Debentures	(4,07,000)	(4,07,000)
Payment of Interest on Debenture		
Increase in Bank Overdraft	1,00,000	
	(50,000)	
	(60,000)	
Net Cash from Financing Activities	1,00,000	
	90,000	90,000
Net Increase in Cash + Cash Equivalents		
Add : Opening Cash + Cash Equivalents (I + II + III)		20,000
(Including Current Investment ₹ 60,000 + 60,000)		1,20,000
Closing Cash + Cash Equivalents		
(Including current Investment ₹ 50,000)		1,40,000

**Working Notes :**

Dr.		Provision for Tax		Cr.
Particulars	₹	Particulars	₹	
To Bank (Tax Paid)	70,000	By Bal. b/d	90,000	
To Bal c/d	70,000	By St. of P and L A/c	50,000	
	1,40,000		1,40,000	

Dr.		Machinery A/c		Cr.
Particulars	₹	Particulars	₹	
To Bal. b/d	8,21,000	By Bal. c/d	12,03,000	
To Bank (Purchase)	3,82,000			
	12,03,000		12,03,000	

Dr.		Accumulated Depreciation A/c		Cr.
Particulars	₹	Particulars	₹	
To Bal. c/d	2,00,000	By Bal. b/d	1,01,000	
		By Depreciation	99,000	
	2,00,000		2,00,000	

Profit during the year  $(2,00,000 - 50,000) = 2,50,000 ₹$   
Add : Provision for Tax  $= 50,000 ₹$   
Net Profit before Tax and Extra ordinary items  $= 3,00,000 ₹$

36.

**Cash Flow Statement of Thermal Power Ltd.**  
(For the year ended 31st March, 2014 as per AS-3 (Revised))

Particulars	Amount (₹)	Amount (₹)
Cash Flows from operating Activities :		
Net Profit before tax & Extraordinary items	1,00,000	
<b>Add : Non-Cash and Non-Operating Charges</b>		
Goodwill written off	72,000	
Depreciation of Machinery	66,000	
Loss on Sale of Machinery	2,000	
Operating profit before working capital changes		
<b>Less : Increase in Current Assets</b>		2,40,000
Increase in Trade Receivables	(27,000)	
Increase in Inventories	(8,000)	
<b>Less : Decrease in Current Liabilities</b>		
Decrease in Trade Payables	(25,000)	
Decrease in Short-term Provisions (I)	(27,000)	
		(87,000)
Cash generated from Operating Activities		1,53,000
Cash Flows from Investing Activities :	(2,94,000)	
Purchase of machinery	6,000	
Sale of machinery		
Cash used in investing activities		(2,88,000)
Cash Flows from Financing Activities :		
Issue of Share Capital	1,00,000	
Money raised from borrowings	70,000	
Cash from financing activities		1,70,000
<b>Net increase in Cash and Cash equivalents (A + B + C)</b>		35,000
<b>Add : Opening balance of Cash and Cash Equivalents :</b>		5,25,000
Closing Balance of Cash and Cash Equivalents :	2,40,000	
	3,20,000	
Cash and Cash Equivalents at the end of period		5,60,000

**Working Notes :**

1.

Dr.		Machinery A/c		Cr.	
Particulars	₹	Particulars	₹		
To Bal. b/d	10,00,000	By Bank A/c	6,000		
To Bank A/c (Bal. Figure)	2,94,000	By Accumulated Depreciation	16,000		
		By Loss on Sale of Machinery	2,000		
		By Balance c/d	12,70,000		
	12,94,000		12,94,000		

Dr.		Accumulated Depreciation A/c		Cr.	
Particulars	₹	Particulars	₹		
To Machinery A/c	16,000	To Balance b/d	1,50,000		
To Balance c/d	2,00,000	By Depreciation A/c (Bal. Figure)	66,000		
	2,16,000		2,16,000		



37.

**Cash Flow Statement of Solar Power Ltd.**  
(For the year ended 31st March, 2014 as per As-3 (Revised))

Particulars	Amount (₹)	Amount (₹)
<b>Cash Flows from operating Activities :</b>		
Net Profit before tax & Extraordinary items	2,00,000	
<b>Add : Non-Cash and Non-Operating Charges</b>		
Goodwill written off	1,44,000	
Depreciation of Machinery	1,32,000	
Loss on Sale of machinery	4,000	
<b>Operating profit before working capital changes</b>		4,80,000
<b>Less : Increase in Current Assets</b>		
Increase in Trade Receivables	(54,000)	
Increase in Inventories	(16,000)	
<b>Less : Decrease in Current Liabilities</b>		
Decrease in Trade Payables	(50,000)	(1,74,000)
Decrease in Short-term Provisions	(54,000)	
<b>Cash generated from Operating Activities (A)</b>		3,06,000
<b>Cash Flows from Investing Activities :</b>		
Purchase of machinery	(5,88,000)	
Sale of machinery	12,000	
<b>Cash used in investing activities (B)</b>		(5,76,000)
<b>Cash Flows from Financing Activities :</b>		
Issue of Share Capital	2,00,000	
Money raised from borrowings	1,40,000	
<b>Cash from financing activities (C)</b>		3,40,000
<b>Net increase in Cash and Cash equivalents (A + B + C)</b>		70,000
<b>Add : Opening balance of :</b>		
Current Investment	3,00,000	
<b>Cash and Cash Equivalents</b>	7,50,000	10,50,000
<b>Closing Balance of :</b>		
Current Investments	4,80,000	11,20,000
<b>Cash and Cash Equivalents</b>	6,40,000	11,20,000

**Working Notes :**

1.

Machinery A/c			
Dr.	₹	Cr.	₹
To Bal. b/d	20,00,000	By Bank A/c (Sale)	12,000
To Bank A/c (Balancing Fig. purchase)	5,88,000	By Accumulated Depreciation	32,000
		By Loss on Sale Machinery	4,000
		By Balance c/d	25,40,000
	25,88,000		25,88,000

2.

Accumulated Depreciation A/c			
Dr.	₹	Cr.	₹
To Machinery A/c	32,000	By Balance b/d	3,00,000
To Balance c/d	4,00,000	By Depreciation A/c	1,32,000
	4,32,000		4,32,000

3. Short-term provision is treated as provision for doubtful debts. It may be treated as provision for tax. If short-term provision is treated as proposed dividend then cash flow from operating activities will be ₹ 4,60,000 and financing activities will be ₹ 1,86,000.

38.

## Cash flow Statement of Liva Ltd.

(For the year ended 31st March, 2013 as per As-3 (Revised))

Particulars	Amount (₹)	Amount (₹)
<b>Cash Flows from operating Activities :</b>		
Net Profit before Tax & Extraordinary items	1,08,000	
<b>Operating Profit before Working Capital Changes</b>		1,08,000
<b>Add : Increase in Current Liabilities :</b>		
Increase in Trade Payables	48,000	
<b>Less : Increase in Current Assets :</b>		
Increase in Trade Receivables	(22,500)	
Increase in Inventories	(83,000)	(57,500)
<b>Cash generated from Operating Activities (A)</b>		50,500
<b>Cash flows from Investing Activities :</b>		
Purchase of Fixed Assets	(42,000)	
Purchase of Non-Current Asset	(30,000)	
<b>Cash used in Investing Activities (B)</b>		(72,000)
<b>Cash flows from Financing Activities</b>		
Issue of Share Capital	30,000	
<b>Cash from Financing Activities (C)</b>		30,000
<b>Net increase in Cash and Cash Equivalents</b>		8,500
<b>Add : Opening Balance of Cash and Cash Equivalents :</b>		
Marketable securities	60,000	
Cash and cash equivalents	9,500	69,500
<b>Closing Balance of Cash and Cash Equivalents :</b>		
Marketable Securities	54,000	
Cash and Cash equivalents	24,000	78,000

39.

## Cash Flow Statement of Sim. Co. Ltd.

For the year ended 31st March, 2013

Particulars	Amount (₹)	Amount (₹)
<b>Cash Flows from operating Activities :</b>		
Net Profit before Tax & Extraordinary items	15,000	
<b>Operating profit before working capital changes</b>		15,000
<b>Add : Decrease in current assets :</b>		
Inventories	1,500	
Trade Receivables	13,500	
<b>Less : Decrease in Current liabilities :</b>		
Trade Payable	(66,000)	(51,000)
<b>Cash used in Operating activities(A)</b>		(36,000)
<b>Cash flows from Investing Activities</b>		
Purchase of Fixed Assets	(47,500)	
Purchase of Non-currents Investments	(3,000)	
<b>Cash used in Investing activities (B)</b>		(50,500)
<b>Cash flows from Financing Activities :</b>		
Issue of share capital	50,000	50,000
<b>Net Decrease in cash and Cash equivalents :</b>		(36,500)
<b>Add : Opening balance of Cash and Cash equivalents :</b>		
Marketable Investment	33,500	
Cash and cash equivalents	84,000	1,17,500
<b>Closing balance of cash and cash equivalents :</b>		
Marketable Investment	12,500	
Cash and cash equivalents	68,500	81,000





**CBSE Sample Questions**

1. (b) : ₹ 1,02,000 (1)
2. (i) Outflow  
(ii) No Flow (1 × 2)
3. (c) : Outflow ₹61,600. (1)
4. (a) : Purchase of marketable securities for ₹25,000 cash. (1)
5. (i) Net Profit before tax and extraordinary items = Net Profit for the year + Interim Dividend + Loss of assets due to fire + Provision for Tax + Proposed Dividend - Insurance claim received for Loss due to Fire - Tax refund  
= 7,50,000 + 90,000 + 20,000 + 80,000 + 1,60,000 - 10,000 - 20,000 = ₹ 10,70,000 (1)
- (ii) Operating profit before working capital changes = Net Profit before tax and extraordinary items +

Adjustments for non-cash and non-operating expenses and goodwill amortised - Adjustments for non-cash and non-operating incomes (1)

= 10,70,000 + 40,000 + 70,000\*\* - 30,000 = 11,50,000  
\*\* Goodwill amortised = Opening goodwill + Goodwill purchased - Closing goodwill

(iii) Cash flow from Investing Activities = Interest on Non-Current Investments + Insurance claim for loss of assets due to fire - Purchase of Investments - Purchase of Machinery - Goodwill purchased  
= 30,000 + 10,000 - 1,00,000 - 1,60,000 - 20,000 = ₹ (2,40,000) Outflow (1)

(iv) Cash flow from Financing Activities: Raise of Bank overdraft - Interim Dividend Paid - Final Dividend paid = 50,000 - 90,000 - 1,60,000 = ₹ (2,00,000) Outflow (1)

(v) Closing Cash and Cash Equivalents : Cash in Hand + Investment in Marketable Securities = 2,00,000 + 1,50,000 = 3,50,000 (1)

**Aradhana Ltd.**

**Cash Flow statement for the year ended 31.3.21**

Particulars	Details	Amount (₹)
(A) Cash flow from Operating Activities		
Net Profit Before Tax and Extraordinary Items (W. Note No. 1)	2,95,000	
Adjustments for non-cash and non-operating items		
Add :- Depreciation of the year	60,000	
Amortisation of patents	8,000	
Interest on Debentures	<u>20,000</u>	
Operating Profit Before working capital changes	3,83,000	
Add:- Increase in creditors	20,000	
Increase in Bills Payable	80,000	
Less:- Increase in Inventories	20,000	
Increase in Trade Receivables	20,000	
	60,000	
Cash generated from operations	4,43,000	
Less:- Payment of Tax	(2,80,000)	
Cash Flow from operating Activities (A)		1,63,000
(B) Cash Flow From Investing Activities		
Purchase of Machinery	(1,10,000)	
Investment in long term loans and advances	(30,000)	
Cash used in Investing Activities (B)		(1,40,000)
(C) Cash Flow From Financing Activities		
Issue of Equity shares	2,30,000	
Payment of Interest	(20,000)	
Redemption of Debentures	(2,00,000)	
		10,000
(D) Net Increase in cash and cash equivalents (A + B + C)		33,000
Add:- Opening Cash and Cash Equivalents		2,65,000
Closing Cash and Cash Equivalents		2,98,000

(1/3 × 15 = 5)

**Working Notes:-**

1. Net Profit as per statement of Profit and Loss	20,000
Add: Tax provided during the year	2,75,000
Net profit before tax and extraordinary items	2,95,000

2.

Dr.

## Provision for Tax A/c

Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
Bank A/c	2,80,000	Balance b/d	3,25,000
Balance c/d	3,20,000	Statement of Profit and Loss	2,75,000
	6,00,000		6,00,000

7.

## Cash flow Statement of Relga Ltd.

(As per As-3 revised)

Particulars		Amount (₹)
<b>Operating Activities</b>		
Profit before Tax and Extra-ordinary items	20,000	
<b>Non-Operating and Non-cash items</b>		
Loss on Sale of Machinery	15,000	
Depreciation Charged on Machinery	20,000	
Goodwill amortised	8,000	
Interest on Debentures	12,000	
<b>Operating profit before changes in working capital</b>	75,000	
<b>Changes in working Capital</b>		
Increase in creditors	20,000	
Increase in Bills Payable	80,000	
Decrease in outstanding expenses	(5,000)	
Increase in inventories	(20,000)	
Increase in trade receivables	(20,000)	
<b>Cash inflow from operating activities</b>		1,30,000
<b>Investing Activities</b>		
Sale of Machinery	15,000	
Purchase of Machinery	(1,00,000)	
Loans advanced	(30,000)	
<b>Cash used in investing activities</b>		(1,15,000)
<b>Financing Activities</b>		
Issue of shares	50,000	
Debentures Redeemed	(20,000)	
Interest on Debentures	(12,000)	
<b>Cash from financing activities</b>		18,000
Net Cash inflow during the year		33,000
Add: opening Cash and cash equivalents		65,000
Closing Cash and Cash equivalents		98,000

Dr.

## Machinery A/c

Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	2,00,000	By Bank A/c	15,000
To Bank A/c (balancing figure)	1,00,000	By Profit & Loss A/c	15,000
		By Provision for Depreciation A/c	10,000
		By Balance c/d	2,60,000
	3,00,000		3,00,000

Dr.

## Provision for Depreciation A/c

Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Machinery A/c	10,000	By Balance b/d	50,000
To Balance c/d	60,000	By Depreciation A/c (balancing figure)	20,000
	70,000		70,000

(6)

