

## CASH FLOW STATEMENT

### VERY SHORT ANSWER QUESTIONS

1. What do you mean by Cash Flow statement?
2. What are the various activities classified as per AS-3(revised) related to Cash flow statement?
3. State one objective of Cash flow Statement.
4. What do you mean by cash equivalents?

Ans. Short-term highly liquid investments which are readily convertible into known amount of cash and which are subject to an insignificant risk of change in the value.

- 5.State the category of the following items for a financial as well as non-financial company

- |                       |                       |                   |     |
|-----------------------|-----------------------|-------------------|-----|
| (a) Dividend received | (b) Interest received | (c) Interest paid | (d) |
| Dividend paid         |                       |                   |     |

Ans.

company	Financial company	Non-financial
(a) Dividend received activity	Operating activity	Investing
(b) Interest received activity	Operating activity	Investing
(c) Interest paid activity	Operating activity	financing
(d) Dividend paid activity	Financing activity	financing

6. Calculate the net amount of cash flow if a fixed asset costing Rs. 32,000 (having a book value of Rs. 24,000) is sold at a loss of Rs. 8,000.

Solution: Cash Inflow from Investing activities = Rs. 16,000  
 (Book value-loss=Amount received from sale)  
 (Rs. 24,000-Rs.8,000=Rs. 16,000)

7. Calculate Cash Flow from Operating Activities from the following information:

Particulars	Amount (Rs.)
Profit for the year 2013-2014	1,00,000
Transfer to General Reserve during the year	20,000
Depreciation provided during the year	40,000
Profit on sale of furniture	10,000
Loss on sale of Machine	20,000
Preliminary Expenses written off during the year	20,000

Additional Information:

Particulars	March(2013)	March(2014)
Debtors	20,000	30,000
Bills Receivable	14,000	10,000
Stock	30,000	36,000
Prepaid Expenses	4,000	6,000
Creditors	40,000	36,000
Bills Payables	30,000	50,000
Outstanding Expenses	6,000	8,000

(Ans. 1,94,000)

8. Following balances appeared in the Machinery Account and Accumulated Depreciation Account in the books of JB Ltd.

Particulars	March (2013)	March (2014)
Machinery A/c	17,78,985	26,55,450
Accumulated depreciation A/c	3,40,795	4,75,690

## Additional Information:

Machinery costing 2,65,000 on which accumulated depreciation was Rs. 1,00,000 was sold for Rs. 75,000. You are required to

Compute the amount of Machinery purchased, depreciation charged for the year and loss on sale of Machinery.

How shall each of the items related to Machinery be shown in Cash Flow Statement.

Hint: Purchase of Machinery= Rs. 11,41,465

Sale of Machinery = Rs. 75,000

Depreciation Provided = Rs. 2,34,895

Loss on sale of machinery = Rs. 90,000

9. From the following information, prepare a Cash Flow Statement:

Balance Sheet as at

Particulars	Not e no.	31.03.14 Rs.	31.03.13 Rs.
<b>I. Equity and Liabilities</b>			
(1) Shareholders' Funds			
(a) Share capital	1	1,30,000	90,000
(b) Reserves and Surplus	2	85,000	50,000
(2) Non-Current Liabilities			
(3) Current Liabilities			
Trade Payables			
<b>Total</b>		<u>22,000</u>	<u>17,400</u>
<b>II. ASSETS</b>		<u>2,37,000</u>	<u>1,57,400</u>
(1) Non-Current Assets			
Tangible Fixed Assets			
Intangible Assets(Goodwill)			93,400
(2) Current Assets			1,000
Inventories			
Trade Receivables		21,000	22,000
Cash & Cash Equivalents		39,000	36,000
Short-term Loans & Advances (Adv. Tax)		6,000	5,000
<b>Total</b>		<u>5,000</u>	
		<u>2,37,000</u>	<u>1,57,400</u>

## Note 1. SHARE CAPITAL

Particulars	31.03.14	31.03.13
Equity shares of Rs. 10 each	1,30,000	90,000

## Note 2. RESERVES AND SURPLUS

General Reserve	55,000	30,000
Profit and loss A/c	30,000	20,000

Additional Information: During the year Depreciation charged on fixed assets was Rs. 20,000 and Income Tax Rs. 5,000 was paid in advance.

(Ans. Purchase of fixed Asset = 92,600)

10. From the following information prepare Cash Flow statement:

Particulars	31.03.14	31.03.13
<b>I. EQUITY AND LIABILITIES</b>		
(1) Shareholders' funds		
Share capital	1,00,000	1,00,000
Reserves & Surplus (P&L A/c)	60,000	30,000
	80,000	60,000
(2) Non-Current Liabilities (6% Debentures)		
(3) Current Liabilities	35,000	30,000
Trade Payables	65,000	70,000
Other Current Liabilities		
<b>Total</b>	<b>3,30,000</b>	<b>2,90,000</b>
<b>II. ASSETS</b>		
(1) Non-Current Assets		
Tangible Fixed Assets	1,90,000	1,50,000
Non-Current Investments	30,000	40,000

	55,000	40,000
(2) Current Assets	45,000	40,000
Inventories	10,000	20,000
Trade Receivables		
Cash & Cash Equivalents	3,30,000	2,90,000
<b>Total</b>		

**Additional Information:**

- (i) A piece of Machinery costing Rs. 5,000 on which depreciation of Rs. 2,000 had been charged was sold for Rs. 1,000. Depreciation charged during the year was Rs. 17,000.
- (ii) During the Current year New Debentures have been issued on 1<sup>st</sup> Aug.

(Ans. Operating Activities = 23,400, Investing Activities = (49,000), Financing Activities = 15,600)

11. From the following information prepare a Cash flow Statement:

**BALANCE SHEET as at**

Particulars	No te no.	31.03.14	31.03.13
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholders' Funds</b>			
(a) Share Capital	1	1,00,000	1,00,000
(b) Reserves and Surplus	2	31,000	30,000
<b>(2) Current Liabilities</b>			
Trade Payables		6,200	9,200
Short-term Provisions(for Taxation)		18,000	16,000
<b>Total</b>		1,55,200	1,55,200
<b>II. ASSETS</b>			
<b>(1) Non-current Assets</b>			
Tangible fixed Assets		72,000	77,000
Intangible Assets (goodwill)		12,000	12,000
Non-current Investments (10% Investments)		11,000	10,000

<b>(2) Current Assets</b>			
Inventories		23,400	30,000
Trade Receivables		22,200	20,000
Provision for Doubtful Debt		(600)	(400)
Cash & Cash Equivalents		15,200	6,600
<b>Total</b>		1,55,200	1,55,200

**Note No. 1****Share Capital**

Equity shares of Rs. 10 each	1,00,000
1,00,000	

**Note NO. 2****Reserves and Surplus**

General Reserve	18,000	14,000
Profit & Loss A/c	13,000	16,000

Additional Information: Depreciation charges Rs. 8,000. Provision for taxation of Rs. 19,000 made during the year.

(Ans. Operating activities = 11,600; Investing Activities = (3,000))

12. From the following information, prepare a Cash Flow Statement:

Balance Sheets as at

Particulars	Note no.	31.03.14	31.03.13
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholders' Funds</b>			
(a) Share Capital	1	50,000	45,000
(b) Reserves and Surplus	2	29,950	28,275
<b>(2) Non-Current Liabilities (10% Loan on Mortgage)</b>		40,000	

<b>(3) Current Liabilities</b>		
Trade Payables		
Other current liabilities	15,000	18,000
<b>Total</b>	10,000	7,500
<b>(c) ASSETS</b>		
<b>(3) Non-current Assets</b>	<b>1,44,950</b>	<b>1,38,775</b>
Tangible fixed Assets		
Accumulated Depreciation		
Non-current Investments (10% Sinking fund Investments)	78,000	77,000
	(15,200)	(11,400)
<b>(4) Current Assets</b>		
Inventories	16,000	12,000
Trade Receivables		
Provision for Doubtful Debt		
Cash & Cash Equivalents	35,000	30,600
<b>Total</b>	21,300	23,500
	(1,350)	(1,425)
	11,200	8,500
	<b>1,44,950</b>	<b>1,38,775</b>

**Note No. 1**

Equity shares of Rs. 10 each	50,000	45,000
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**Note No. 2**

Sinking fund	16,000	12,000
Retained Earnings	13,950	16,275

**Additional Information:**

Dividend amounting to Rs. 5,000 was paid during the year.

(Ans. Operating Activities = 10,500; Investing Activities = (3,800); Financing Activities = (4,000))