Cash-Flow Statement

According to

Revised Schedule VI Part I of Companies Act, 1956

Cash-Flow Statement

QUESTION

Prepare a Cash Flow Statement from the following Balance Sheets of Gokaldas Exports Ltd.

Particulars	Note	31-3-2011	31-3-2012
	No.	67	`
. EQUITY AND LIABILIT	IES	12	5
1. Shareholders' Fui	nds	A ATIX 30	
(a) Share Capital		4,00,000	5,00,000
(b) Reserves and Surplu	us 15	2,35,000	3,25,000
2. Non-Current Liab	oilit <mark>ies Out</mark>		
(a) Long term borrowin	ngs 2	3,00,000	3,10,000
3. Current Liabilities			
(a) Trade Payables 8	80,000	95,000	
TO	TAL	10,15,000	12,30,000
ASSETS:			

B. **ASSETS:**

- 1. Non-Current Assets
- (a) Fixed Assets

(i) Tangible Assets	3	5,00,000	7,00,000
(b) Non-Current Investments		70,000	56,000
(c) Other Non-Current Assets	4	20,000	15,000
2. Current Assets			
(a) Inventories		2,10,000	2,80,000
(b)Trade Receivables		1,40,000	1,14,000
(c) Cash and Cash equivalents	5	70,000	60,000
(d) Other Current Assets	6	5,000	5,000
TOTAL		10,15,000	12,30,000

Total interest paid during the year amounted to 37,800.

Note 1

Note	1

Particulars	As on 31.3.2011	As on 31.3.2012
	() 0	(`)
General Reserve	1,25,000	1,35,000
Profit & Loss Baland	ce 1,10,000	1,90,000

Note 2

Particulars	As on 31.3.2011	As on 31.3.2012
	(`)	(`)
12% Debentures	2,00,000	1,50,000
14% Mortgage Loan	1,00,000	1,60,000

Note 3		
Particulars	As on 31.3.2011	As on 31.3.2012
	(')	()
(i) Tangible Assets		
Machinery	5,00,000	7,00,000
Note 4		Liv.
Particulars	As on 31.3.2011	As on 31.3.2012
	(')	-10 ()
Unmortised Expenses	20,000	15,000
		& RTY.
Note 5		.04
Particulars	As on 31.3.2011	As on 31.3.2012
	As on 31.3.2011	(`)
Cash	20,000	40,000
Bank	50,000	20,000
Note 6		
Particulars	As on 31.3.2011	As on 31.3.2012
	(`)	(`)
Unmortised Expenses	5,000	5,000

SOLUTION 9.

CASH FLOW STATEMENT (Indirect Method)

A. Cash flows from Operating Activities	:	•	`
Net profit before taxation			
Profit as per Profit & Loss Statement		20,000	
(`60,000–`40,000)			
Adjustments for:			
Goodwill written off		30,000	
Preliminary Expenses written off		8,000	
Interest Paid		9,000	
Operating profit before working capital	al change	67,000 363 BAN	
Add: Decrease in Current Assets:		ORTH CONTRACTOR	
Prepaid Expenses	2,000	04	
Add: Increase in Current Liabilities	45		
Trade Payables	15,000		
Outstanding Expenses	10,000	27,000	
		94,000	
Less: Increase in Current Assets:			
Inventories (Stock)	40,000		
Trade Receivables	70,000	1,10,000	
Net cash used in operating activities		(16,000)	(16,000)
B. Cash flows from Investing Activities:			
Purchase of Land & Buildings		(80,000)	

Purchase of Long-term Investments (25,000)

Net cash used in investing activities (1,05,000) (1,05,000)

C. Cash flows from Financing Activities:

Issue of shares	1	1,00,000	
Proceeds from Public Deposits		45,000	
Interest Paid		(9,000)	
Net cash from financing activities	1,36,000	1,36,000	
Net Increase in cash and cash equiva	alents	15,000	
Cash and cash equivalents at the be	ginning		
of the period (See Note 1)		6	45,000
Cash and cash equivalents at the end	d of	36,3	
the period (See Note 1)		AT T	60,000

Note: (1) Cash and cash equivalents include cash in hand, bank balance and short-term investments. Hence cash and cash equivalents in this question will amount to:

	976	2011	2012
		`	`
Cash		15,000	13,000
Bank		20,000	32,000
Short-term Investments		10,000	15,000
	45,000	60,000	

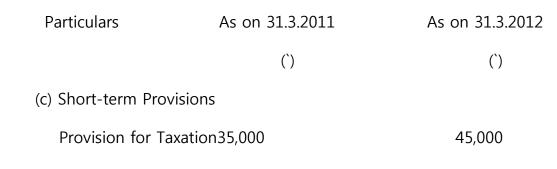
QUESTION

From the following Balance Sheets of Voltamp Ltd. as on 31.3.2011 and 31.3.2012, prepare a Cash Flow Statement:

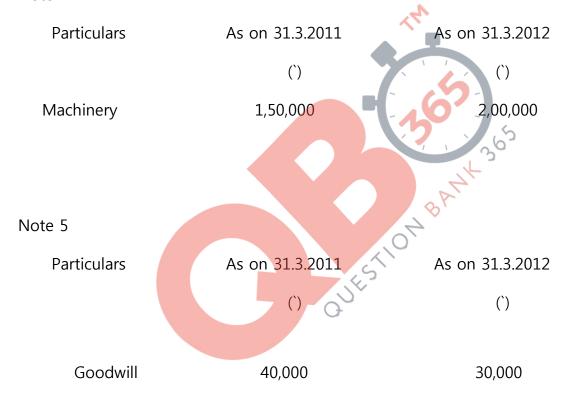
Particulars		Note	31-3-2011	31-3-2012
		No.	`	•
A. EQ	UITY AND LIAB	BILITIES	S	
1. Shareholders' Fu	ınds			
(a) Share Capital			2,00,000	2,00,000
(b) Reserves and Surpl	us	1	1,10,000	1,75,000
		7	10	5
2. Current Liabilities	S		30) ²
(a) Trade Payables 1,3	39,000		1,28,000	
(b) Other Current Liab	ilities 2	2	6,000	
(c) Short-term Provisio	ons	3.5	35,000	45,000
TC	OTAL G)	4,90,000	5,48,000
B. AS	SSETS:			
1. Non-Current Ass	ets			
(a) Fixed Assets				
(i) Tangible Assets		4	1,50,000	2,00,000
(i) Intangible Assets	S	5	40,000	30,000
(b) Other Non-Current	Assets	6	23,000	16,000
2. Current Assets				

(a) Current Investn	nents		12,000	15,000
(b) Inventories		, -	1,80,000	2,15,000
(c)Trade Receivable	S		60,000	50,000
(c) Cash and Cash ed	quivalents		8,000	10,000
(d) Short-term Loan	ns and advances 7	10	0,000	5,000
(d) Other Current As	sets	8	7,000	7,000
-	TOTAL		4,90,000	5,48,000
Note 1 Particulars	As on 31.3.2011 (')		As on 31	.3.2012 (`)
General Reserve	1,00,000		1,0	0,000
Profit & Loss B <mark>alanc</mark> e	10,000	ESTI	1,0 1,7	5,000
Note 2				
Particulars	As on 31.3.2011		As on 31	3.2012
	(`)			(`)
Outstanding Salaries	6,000			_

Note 3



Note 4



Note 6

Particulars	As on 31.3.2011	As on 31.3.2012
	(`)	(`)
Unmortised Expenses	23,000	16,000

Note 7

Particulars As on 31.3.2011 As on 31.3.2012

(`)

(`)

Prepaid Expenses 10,000 5,000

Note 6

Particulars As on 31.3.2011 As on 31.3.2012

(`)

(')

Unmortised Expenses 7,000 7,000

Additional Information:

- I. Machinery whose original cost was `50,000 was sold for `10,000 during the year. Accumulated depreciation on this machinery was `26,000.
- II. Depreciation on Machinery charged during the year `20,000.
- III. Dividend paid during the year @10% on Equity share Capital.

SOLUTION

CASH FLOW STATEMENT (Indirect Method)

A. Cash flows Operating Activities:

Net profit before taxation:

Increase in Reserves & Surplus 65,000

+Provision for Taxation for 2012 45,000

+Dividend paid (10% on

` 2,00,000) 20,000 1,30,000

Adjustments for:

Depreciation on Machinery 20,000

Loss on sale of Machinery 14,000

Goodwill written off 10,000

Preliminary Expenses written off 4,000

Underwriting commission

Written off 3,000 51,000

Operating profit before working 1,81,000

capital changes

Add: Decrease in Current Assets:

Trade Receivable 10,000

Prepaid Expenses 5,000 15,0

1.96,000

Less: Increase in Current Assets:

Inventory (Stock) 35,000

Less: Decrease in Current Liabilities:

Trade Payable 11,000

Outstanding Salaries 6,000 52,000

1,44,000

Payment of Tax (for 2011) 35,000

Net cash from operating activities 1,09,000 1,09,000

B. Cash flows from Investing Activities:

Purchase of Machinery (1) (94,000)

Sale of Machinery 10,000

Net cash used in investing activities (84,000) (84,000)

C. Cash flows from Financing Activities:

Dividend paid	(20,000)	(20,000)
Net increase in cash and cash equivalents	5,000	
Cash and cash equivalents at the beginning		
of the period (Bank`8,000+Short term		
Investments `12,000)	20,000	
Cash and cash equivalents at the end of		
the period (Bank ` 10,000 + Short term	1 kg	
Investments `15,000)	25,000	

Working Note:

1.

MACHINERY ACCOUNT

(On written down value)				
			OT	`
To Balanced b/d		1,50,000	By Bank (Sale)	10,000
To Bank A/c (Balancing By P & L A/c (Loss)				
Fig. being purchase)		94,000	By Current Year's Depreciation	20,000
			By Balanced c/d	2,00,000
		2,44,000		2,44,000

QUESTION

From the following Balance Sheets of Virgo Global Media Limited, as on 31.3.2011 and 31.3.2012, prepare a Cash Flow Statement:

Particulars	Note	31-3-2011	31-3-2012
	No.	`	`
A. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital		90,000	1,30,000
(b) Reserves and Surplus	1	50,000	85,000
		KA.	
2. Current Liabilities			
(a) Trade Payables 17,400		22,000	
TOTAL	16	1,57,400	2,37,000
B. ASSETS:		TH 3	J
1. Non-Current Assets		BA	
(a) Fixed Assets	JEST	07	
(i) Tangible Assets	JES,	93,400	1,66,000
(b) Other Non-Current Assets	2	1,000	
2. Current Assets			
(a) Inventories		22,000	26,000
(b)Trade Receivables		36,000	39,000
(c) Cash and Cash equivalents		4,000	5,000
(d) Other Current Assets	3	1,000	1,000
TOTAL		1,57,400	2,37,000

Note 1

Particulars	As on 31.3.2011	As on 31.3.2012
	(`)	(`)
General Reserve	30,000	55,000
Profit & Loss Balance	20,000	30,000



Additional Information:

- I. Depreciation charged on fixed assets for the year 2011-2012 was 20,000.
- II. Income Tax $\hat{\,}$ 5,000 has been paid during the year.

(C.B.S.E. 2011, Outside Delhi)

SOLUTION

CASH FLOW STATEMENT

For the year ended 31st March, 2012

		`	`
A.	Cash flows from Operating Activities:		
	Net Profit before tax:		
	Profit as per Balance Sheet (`30,000 – `20,000) 10,000		
	+ Income Tax Paid 5,000		
	+ Transfer to Reserve 25,000		
	Add: Item to be added (Non-cash items)	21,000	
	Depreciation 20,000	61,000	
	Preliminary Expenses written off 1,000	4,600	
	Operating profit before Working Capital Changes	65,600	
	Add: Increases in Trade Payables		
		7,000	53,000
	Less: Increase in Inventory 4,000	58,600	
	Increase in Trade Receivables 3,000	5,000	
	Cash Flow from Operating Activities before Tax		(92,600)
	Cash Flow from Operating Activities before Tax Less: Income Tax Paid Cash Flow from Operating Activities after Tax Cash flows from Investing Activities: Purchase of fixed assets (None 1) Net Cash used in Investing Activities		
	Cash Flow from Operating Activities after Tax	(92,600)	
B.	Cash flows from Investing Activities:		40,000
	Purchase of fixed assets (None 1)		1,000
	Net Cash used in Investing Activities	40,000	4,000
C.	Cash flows from Financing Activities		5,000
	Issue of Share Capital		
	Cash flow from Financing Activities		
D.	Net Increase in Cash & Cash Equivalents (A + B + C)		
	Add: Cash & Cash Equivalents at the Beginning of the period		
	Cash & Cash Equivalents at the end of the period		

Working Note: (1)

Particulars	`	Particulars	`
To Balance b/d	93,400	By Depreciation A/c	20,000
To Bank A/c (Purchases)		By Balance c/d	1,66,000
(Balancing figure)	92,600		
	1,86,000		1,86,000

QUESTION

From the following information, prepare Cash Flow Statement:

Balance Sheet

as at 31.03.2012 and 31.03.2011

Particulars	Note	31-3-2012	31-3-2011
	No.		•
A. EQUITY AND LIABILITIES		467	
1. Shareholders' Funds		7	Ś
(a) Share Capital	1	1,00,000	80,000
(b) Reserves and Surplus	2	6,400	6,000
2. Non-Current Liabilities(a) Long-term Borrowings	Q3EST	14,000	12,000
2. Current Liabilities			
(a) Trade Payables 22,000		24,000	
(b) Short-term Provisions	4	20,000	16,000
TOTAL		1,62,400	1,38,000

B. ASSETS:

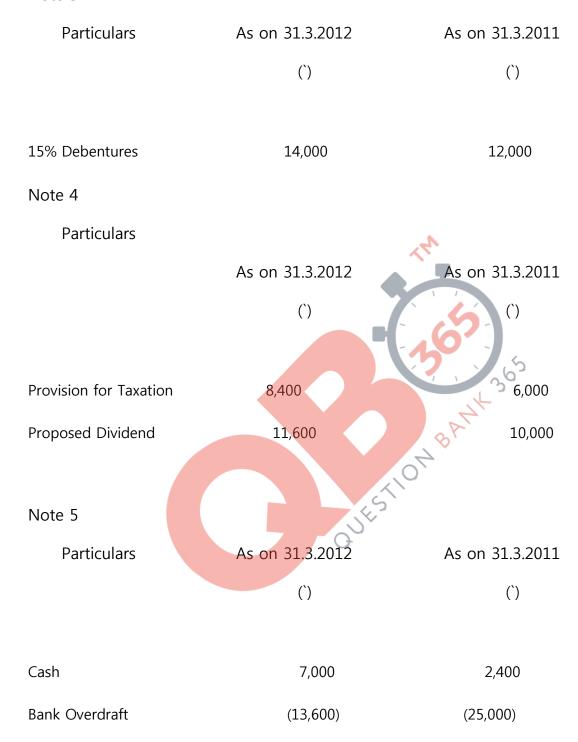
- 1. Non-Current Assets
- (a) Fixed Assets

(i) Tangible Assets		50,000	60,000
2. Current Assets			
(a) Inventories		70,000	60,000
(b)Trade Receivables		48,000	40,000
(c) Cash and Cash equivalent	s 5	(6,600)	(22,600)
(d) Short-term Loans and adv	/ances	1,000	600
TOTAL		1,62,400	1,38,000
Note 1 Particulars Equity Share Capital 12% Preference Share Capital	As on 31.3.20 (') 80,000 55,00 20,000	BAZIT	As on 31.3.2011 (`) 25,000

Note 2

Particulars	As on 31.3.2012	As on 31.3.2011
	(`)	(`)
General Reserve	4,000	4,000
Profit & Loss Balance	2,400	2,000

Note 3



Additional Information:

- (a) Provision for tax made `9,400.
- (b) Fixed assets sold for ` 10,000, their cost ` 20,000 and accumulated depreciation till date of sale is ` 6,000.

- (c) An interim dividend paid during the year `9,000.
- (d) Depreciation charged during the year `8,000.

SOLUTION

CASH FLOW STATEMENT (Indirect Method)

for the year ended 31st March, 2012

	`	`
A. Cash Flows from Operating Activities		
Net profit before taxation:		
Profit as per Balance Sheet (`2,400 - `2,000)	400	
+ Proposed Dividend for 2012	11,600	
+ Interim Dividend paid	9,000	
+ Provision for Taxation	9,400 34,000	
Adjustments for:	1-40	
Depreciation (3)	14,000	
Loss on sale of fixed assets	4,000	
Interest on Debentures	1,800 19,800	
Operating profit before working capital changes	50,200	
Less: Increase in Current Assets:	07	
Inventories	10,000	
Trade Rece <mark>ivable</mark> s	10,000 8,000	
Prepaid Expenses	400	

Decrease in Current Liabilities:

Trade Payables		2,000
	(20,400)	
Cash generated from operating activities	29,800	
Less: Income Tax paid (4)		(7,000)
Net cash from Operating Activities	22,800	22,800

B. Cash Flows from Investing Activities:

Sale of Fixed assets (10,000)

Purchase of fixed Assets (2) (18,000)

Net Cash used in investing activities (8,000) (8,000)

C. Cash Flows from Financing Activities:

Issue of equity share capital 25,000

Redemption of performance share capital (5,000)

Issue of Debentures 2,000

Payment of proposed dividend (for 2011) (10,000)

Interim dividend paid (9,000)

Net cash from financing activities 1,200 1,200

Net Increase in cash and cash equivalents 16,000

Cash and cash equivalents at the beginning of the period (Cash `2,400 – Bank Overdraft `25,000) (22,600)

Cash and cash equivalents at the end of the period (Cash `7,000 – Bank Overdraft ` 13,600) (6,600)

Working Notes: (1) It is assumed that debentures have been issued at the end of current accounting period. Hence interest on debentures is 15% on `12,000.

(2) Fixed Assets Account (On Original Cost)

To Balance b/d 82,000 By Bank (Sale) 10,000 To Bank (Balancing figure, being purchase) 18,000 By Accumulated Depreciation A/c (Being depreciation on fixed assets sold) 6,000 By P & L A/c (Loss on 4,000 sale of fixed assets) By Balance c/d 80,000 1,00,000 1.00.000 Accumulated Depreciation Account (3)To Fixed Assets A/c (transfer of depreciation on fixed assets sold) 6000 By Balance b/d 22,000

By P & L A/c (Balancing figure, being current year's deprecation) 14,000

To Balance c/d 30,000

36,000 36,000

(4) Provision tax Account

To Bank (balancing figure, By Balance b/d (Given) 6,000

Being payment made) 7,000 By P & L A/c (provision

made In 2012 (Given) 9,400

15,400 15,400

Question

Prepare a cash flow statement from the following:

Income Statement

(for the year ended 31st march, 2012)

Sales 25,40,000

Less: Cost of goods sold

Gross profit 4,80,000

Less: Operating expenses (including depreciation on

Machinery ` 54,000) 1,90,000

Goodwill written off 16,000

Interest on Debentures 20,000

Provision for Tax 34,000 2,60,000

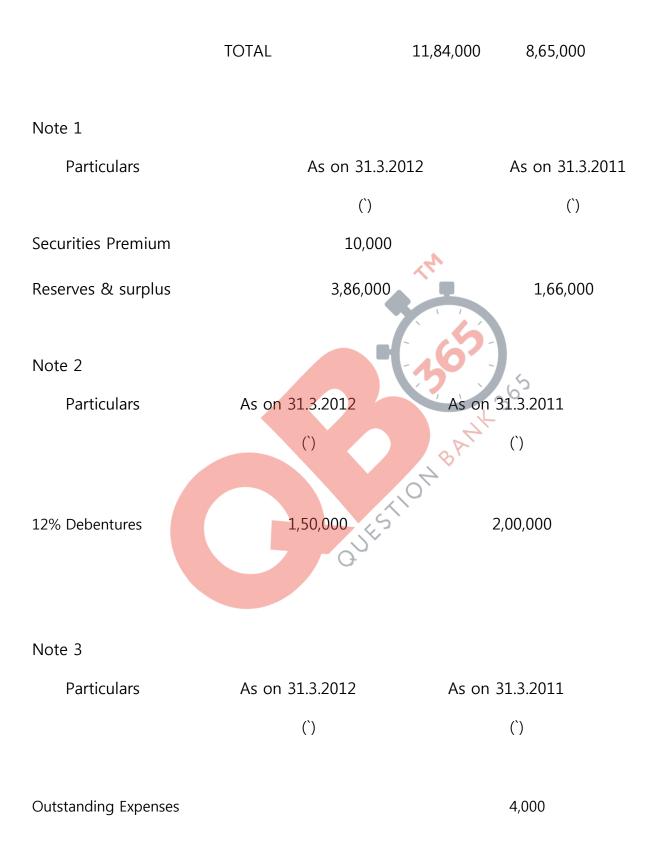
Net Income 2,20,000

Particulars	Note	31-3-2012	31-3-2011
	No.	`	

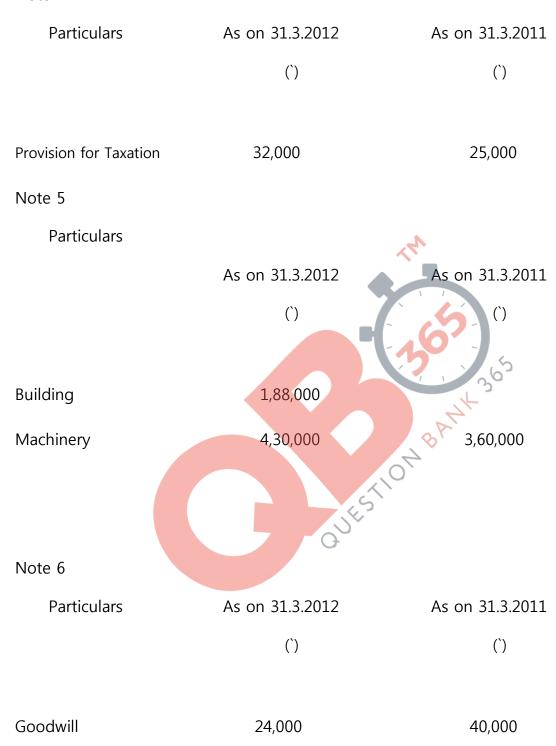
A. EQUITY AND LIABILITIES

1. Shareholders' Funds

	(a) Share Capital		5,00,000	4,00,000
	(b) Reserves and Surplus	1	3,96,000	1,66,000
	2. Non-Current Liabilities			
	(a) Long-term borrowings	2	1,50,000	2,00,000
	3. Current Liabilities			
	(a) Trade Payables 1,06,000		70,000	
	(b) Other Current Liabilities	3		4,000
	(c) Short-term Provisions	4	32,000	25,000
	TOTAL		_11,84,000	8,65,000
В.	ASSETS:		S. A.	303
	1. Non-Current Assets		BAZ	
	(a) Fixed Assets		04	
	(i) Tangib <mark>le As</mark> sets	55	6,18,000	3,60,000
	(i) Intangible Assets	0 6	24,000	40, 000
	(b) Non-Current Investments	70	6,000	50,000
	2. Current Assets			
	2. Current Assets (a) Current Investments		8,000	10,000
			8,000 2,80,000	10,000 2,33,000
	(a) Current Investments			



Note 4



SOLUTION

CASH FLOW STATEMENT

(Indirect Method)

A .	Cash flows from operating activitie	s:	` `	
	Net Profit before taxation:			
	Net Profit ` 2,20,000 + Provision		2,54,000	
	for tax `34,000)			
	Adjustments for:			
	Depreciation on Machinery	1	54,000	
	Goodwill written off	16,000		
	Interest on Debentures		20,000	
Operating profit before working capital 3,44,000 Changes Add: Decrease in Current Assets: Trade Receivables 14,000				
	Changes		1430	
	Add: Decrease in Current Assets:		BAT	
	Trade Receivables	14,000		
	Add: Increase in Current	14,000		
	Liabilitie <mark>s:</mark>	0,		
	Trade Payables 14,000			
	Add: Increase in Current Assets:			
	Trade Payables 36,000	50,000		
			3,94,000	
	Less: Increase in Current Assets:			
	Inventory	47,000		
	Less: Decrease in Current Liabilities:			
	Accrued Expenses	4,000	51,000	

Cash generated from operating activities 3,43,000 Payment of Tax(1) (27,000)Net Cash from operating activities 3,16,000 3,16,000 B. Cash flows from Investing Activities: Purchase of Building (1,88,000)Purchase of Machinery (2) $(1,24,000_{-})$ Purchase of Long-term Investments (26,000)Net Cash used in investing activities (3,38,000)(3,38,000)C. Cash flows from Financing Activities: 1,00,000 Issue of Share Capital Securities Premium 10,000 (50,000)Redemption of Debentures Payment of interest on Debentures (20,000)Net Cash from financing activities 40,000 40,000 Net increase in Cash and Cash equivalents 18,000 Cash and Cash equivalents at the beginning of 32,000 The period(3). Cash and Cash equivalents at the end of 50,000 The period(3). Notes: (1) PROVISION FOR TAX Account To Bank (Balancing fig. being) By Balance b/d 25,000 Payment made) 27,000 By P&L A/c (Provision

To Balance c/d	32.000	Made in current year)	34,000				
	59,000		59,000				
(2)							
MACHINERY Account							
	`		•				
To Balance b/d	3,60,000	ByP&LA/c (Depreciation)	54,000				
To Bank (Balancing figure,		By Balance c/d	4,30,000				
Being purchase)	1,24,000						
	4,84,000	16	4,84,000				
(3)		16					
	Cash and Cash equivalents:						
	31 st March 2011 31 st March 2012						
		.04					
Cash		37,000	60,000				
+Short-term Investments		10,000	8,000				
		47,000	68,000				
–Bank Overdraft		15,000	18,000				
		32,000	50,000				

Values involved in Cash flow statement----

- Scientific and critical ability to analyse the flow of cash
- Communicating the material information
- Ability to analyse the short term financial security and stability

Transparency

