

VIVEKANANDA COLLEGE THAKURPUKUR KOLKATA-700063

NAAC ACCREDITED 'A' GRADE



Topic:Cash Flow Statement

Course Title:B.Com

Paper:Fin.Reporting & FSA

Unit:04

Semester:6th

Name of the Teacher:Jayanta Majumder

Name of the Department:Commerce

Cash flow from Operating Activities

Cash Inflows

- Cash Sales
- Cash received from debtors
- Received for various operating activities
- Royalty Cash etc.

Cash Outflows

- Cash Purchases
- Payment to Creditors
- Cash payment for operating expenses
- Income Tax etc.

Cash flow from Investing Activities

Cash Inflows

- Sale of fixed assets (non-current assets)
- Sales of Investments
- Interest received
- Dividend received
- Working Capital Recovery

Cash Outflows

- Purchase of fixed assets
- Purchase of investments

Cash flow from Financing Activities

Cash Inflows

- Proceeds from issue of shares
- Proceeds from long-term borrowings
- Proceeds from other types of receipts

Cash Outflows

- Redemption of Preference share
- Buy back of equity share
- Redemption of debentures
- Payment of borrowings
- Interest paid on debt capital
- Payment of dividends.

Format of Cash flow statement under Direct Method

A. Cash flow from Operating Activities : Cash sale Cash received from debtors Other Operating Cash receipts <div style="text-align: right;">Gross Operating Cash receipts</div> Less : Cash paid for Operating Expenses Less : Cash Purchase Less : Cash Paid to Creditors Less : Income Tax etc. Net Cash flow from Operating activities	✓ ✓ ✓ <hr style="width: 50%; margin: 0 auto;"/> ✓ ✓ ✓ ✓ ✓ <hr style="width: 50%; margin: 0 auto;"/> A	A
--	--	----------

Contd.

B. Cash flow from Investing Activities :		
Sale of Fixed assets		✓
Sale of Investments		✓
Interest received		✓
Dividend received		✓
Working Capital recovery		✓
Gross Cash flow from Investing activities		<u>✓</u>
<i>Less : Purchase of fixed assets</i>	✓	
<i>Less : Purchase of Investments etc.</i>	<u>✓</u>	<u>✓</u>
Net Cash flow from Investing activities		B
C. Cash flow from Financing Activities :		
Proceeds from issuance of shares		✓
Proceeds from issuance of long-term borrowings		✓
Proceeds from short-term borrowings		✓
Cross Cash flow from Financing Activities		<u>✓</u>
<i>Less : Repayment of long-term borrowings</i>		✓
<i>Less : Repayment of Short-term borrowings</i>		✓
<i>Less : Net change in other short-term borrowings (with maturity up to three months)</i>		✓
<i>Less : Redemption of preference shares</i>		✓
<i>Less : Buy back of equity shares</i>		✓
<i>Less : Interest paid</i>		✓
Net Cash flow from financing activities		<u>✓</u>
D. Net Increase / Decrease in Cash and Cash equivalents		A+B+C
E. Cash and Cash equivalents at the beginning of the period (Opening balance)		✓
F. Cash and Cash equivalents at the end of the period (Closing balance)		<u>✓</u>

Comprehensive Cash Flow Statement

Cash flow from Operating activities	A
Cash flow from Investing activities	B
Cash flow from Financing activities	C
	<u>A+B+C</u>
<i>Add : Cash and Cash equivalents (Opening balance)</i>	D
Cash and Cash equivalents (Closing balance)	A+B+C+D

Cash Flow Statement (Indirect Method)

Cash flow from Operating activities :		
Net profit before Tax and extra ordinary Items	√	
<i>Add : Non-cash and non-operating items which have already been debited to Profit and Loss Account like :</i>		
Depreciation	√	
Amortisation of intangible assets ((Impairment of goodwill etc.)	√	
Loss on the sale of Non-current assets (Fixed assets)	√	
Loss on the sale of Long-term Investments	√	
Provision for tax	√	
Dividend paid	√	
<i>Less : Non-cash and Non-operating items which have already been credited to Profit and Loss Account like:</i>		
Profit on sale of Non-current assets (Fixed assets)	√	
Profit on sale of Long term investment	√	
Operating Profit before Working Capital changes	<hr/>	A
<i>Changes in working capital :</i>		
<i>Add :</i> Decrease in current assets	√	
Increase in current liabilities	√	
<i>Less :</i> Increase in current assets	√	
Decrease in current liabilities	√	
Net increase / decrease in working capital	<hr/>	B
Cash generated from operation		(A+B)=C
<i>Less:</i> Income tax paid (Net tax refund received)		D
Cash flow from before extraordinary items		(C-D)=E
<i>Add/Less :</i> Adjusted extraordinary items		F
Net cash flow from operating activities		(E+F)=G
Cash Flow from Investing Activities :		
—Same as Direct Method		H
Cash Flow from Financing Activities :		
—Same as Direct Method		I
		G+H+I
<i>Add :</i> Cash and Cash Equivalent (Opening balance)		J
Cash and Cash Equivalents (Closing balance)		G+H+I+J

Classify the following transactions according to 'Operating', 'Investing' and 'Financing' activities :

- (i) Profit on sale of Non-Current Assets ₹ 25,000.
- (ii) 5,000 Preference Shares of ₹ 100 each were redeemed.
- (iii) Payment of Income Tax ₹ 60,000.
- (iv) Dividend paid ₹ 1,00,000 on Equity Shares.
- (v) Dividend received on shares ₹ 12,000.

[C U B Com (H) 2016]

2016 Statement showing classification of Transactions.

Sl. no.	Transactions	Activities
i)	Profit on Sale of Non Current Assets ₹ 25,000	Investing Activities
ii)	5,000 Pref. sh. of ₹ 100 each were redeemed	Financing Activities
iii)	Payment of Income Tax ₹ 60,000	Operating Activities
iv)	Dividend Paid ₹ 1,00,000 on Equity sh.	Financing Activities.
v)	Dividend Received on Shares ₹ 12,000	Investing Activities

Calculate cash from operation before tax from the information given below :

	Amount ₹	Amount ₹
Sales		80,000
Less: Cost of Goods Sold	30,000	
Cash Operating Expenses	14,000	
Depreciation	10,000	54,000
Profit before Tax		26,000

Balance relating to current items are :

	Opening ₹	Closing ₹
Debtors	12,000	10,000
Inventory	11,000	14,000
Creditor	9,000	7,000

[C U B Com (H) 2017]

2017 Statement Showing Cash from Operation before Tax

Cash Sales	-	
Cash received from Debtor (Note-1)	82,000	
Other Operating Cash Receipts	-	
Gross Operating Cash Receipts		82,000
Less: Cash Purchase	-	
Less: Cash paid to creditor (Note-2)	35,000	
Less: Cash paid for operating Activities	14,000	
Other operating expenses	-	
		49,000
Cash from Operation before tax		33,000

Note-1

Debtor a/c

To Bal b/d	12,000	By Cash	82,000
u Sales (credit)	80,000	- collection from Debtor (Bal. f/b)	
		By Bal. c/d	10,000
	92,000		92,000

Note-2

creditor a/c

To Cash	35,000	By Bal b/d	9,000
- paid to creditor (Bal. f/b)		By Purchase (Note-3)	33,000
To Bal. c/d	7,000		
	42,000		42,000

Note-3

COGS = opening + purchase - clo. stock
 or 30,000 = 11,000 + purchase - 14,000
 or purchase = 33,000.

Presented below are the Balance Sheets of Joy Ltd. as at 31st March, 2019 and 2020 :

	2019 ₹	2020 ₹
I. EQUITY AND LIABILITIES :		
1. Shareholders' Funds :		
(a) Share Capital		
Equity Share Capital	40,00,000	43,00,000
(b) Surplus	9,80,000	6,40,000
2. Non-current Liabilities :		
(a) Long-term Borrowings: (Debentures)	22,00,000	20,50,000
(b) Long-term Provisions: Provision for Depreciation (Equipments)	2,00,000	3,00,000
Provision for Depreciation (Buildings)	5,00,000	6,00,000
3. Current Liabilities :		
(a) Trade Payables (Trade Creditors)	8,00,000	6,50,000
(b) Short-term provision: Provision for Taxation	1,00,000	1,25,000
Total	87,80,000	86,65,000
II. ASSETS :		
1. Non-current Assets :		
(a) Property, Plant & Equipment :		
(i) Land	18,00,000	15,00,000
(ii) Buildings	25,00,000	25,00,000
(iii) Equipments	16,00,000	20,00,000
2. Current Assets :		
(a) Inventories	15,50,000	14,00,000
(b) Trade Receivables (Trade Debtors)	6,50,000	8,00,000
(c) Cash & Cash Equivalent	6,00,000	4,00,000
(d) Other Current Assets (Prepaid Expenses)	80,000	65,000
Total	87,80,000	86,65,000

Additional Information:

- Land was sold for cash at a profit of ₹ 50,000.
 - Dividend paid during the year ₹ 4,50,000.
 - Net Profit for the year ₹ 1,60,000.
 - Equipment costing ₹ 6,00,000 was purchased and costing ₹ 2,00,000 with a book value of ₹ 40,000 was sold for ₹ 30,000.
 - Debentures were redeemed at face value by issuing shares at par.
 - Amount transferred to provision for taxation during the year ₹ 1,60,000.
- Prepare a Statement of Cash Flow as per Ind AS-7 for the year ended March 31, 2020.

[C.U., B.Com. (Hons.), 2015]

working (2015)

Egn. & Capital

Debtenture a/c

	By Bal. 40,00,00		By Bal. 22,00,00
	By Deb holder - Issue for red. of Deb. 1,50,00	To Deb. holder - Transfer 1,50,00	
To Bal. c/d 43,00,00	By Bank - Issue for Cash. 1,50,00	To Bal. 20,50,00	
<u>43,00,00</u>	<u>43,00,00</u>	<u>22,00,00</u>	<u>22,00,00</u>

Prv. for Dept (Equipment)

Prv. for Dept (Building)

	By Bal. 2,00,00
To Equip. - Prv. Dept on sale of Equip. 1,60,00	" Dep (Bal. As) 2,60,00
To Bal. 3,00,00	
<u>4,160,00</u>	<u>4,160,00</u>

	By Bal. 5,00,00
	" Dep - Bal. Prv. 1,00,00
To Bal. 6,00,00	
<u>6,00,00</u>	<u>6,00,00</u>

Prv. for tax

Equipment a/c

	By Bal. c/d 1,00,00
To Bank - Payment of tax 1,35,00	" St. of P/L - Prv. 1,60,00
To Bal. c/d 1,25,00	
<u>2,160,00</u>	<u>2,160,00</u>

	To Bal. 16,00,00		By Prv. Dep (2,00,00 - 400) 1,60,00
	" Bank - Purchase 6,00,00		" Bank - Sale 30,00
			" St. of P/L - Loss 10,00
			By Bal. 20,00,00
	<u>22,00,00</u>		<u>22,00,00</u>

Land a/c

Building

	By Bank - Sale 3,50,00
To Bal. 18,00,00	
" Statement of P/L - Profit on Sale 50,00	
<u>18,50,00</u>	<u>18,50,00</u>

	By Bal. 25,00,00
To Bal. 25,00,00	
	<u>25,00,00</u>

Deb. Holder

Dividend a/c

	By Debentur 1,50,00
To Egn. & Cap. 1,50,00	
<u>1,50,00</u>	<u>1,50,00</u>

	To Bank 4,50,00		By St. of P/L 4,50,00
	<u>4,50,00</u>		<u>4,50,00</u>

2015

Cash Flow Statement
for the year ended - 31-3-20-

I Cash Flows from operating Activities:-		
Net loss as per statement of P/L (98,000 - 64,000)		(3,40,000)
Adj:- Non cash & Non-operating item charged to Statement of P/L -		
i) Div. Paid.	4,50,000	
ii) Loss on sale of Equipment	10,000	
iii) Depn on Building.	1,50,000	
iv) " " Equipment	2,60,000	
v) Am. In Tax	1,60,000	9,80,000
Adj:- Non-trading item -		6,40,000
- Profit on sale of Land	50,000	50,000
Operating Profit before changes in working Capital		5,90,000
Adj:- Decrease in C.A & Increase in C.L:-		
i) Inventories (15,50,000 - 14,00,000)	1,50,000	
ii) Prepaid Exp (80,000 - 65,000)	15,000	1,65,000
Adj:- Increase in C.A & decrease in C.L:-		7,55,000
i) Trade Credit (8,00,000 - 6,50,000)	1,50,000	
ii) Trade Debt (8,00,000 - 6,50,000)	1,50,000	3,00,000
Cash Generated from Operation		4,55,000
Adj:- Payment of Tax.		1,35,000
Net Cash from Operating Activities		3,20,000
II Cash Flows from Investing Activities:-		
- Sale of Land.		3,50,000
- Sale of Equipment		30,000
- Purchase of Equipment		(6,00,000)
Net Cash used in Investing Activities		(2,20,000)
III Cash Flows from Financing Activities:-		
- Issue of Cash & by Cash.		1,50,000
- Payment of Div.		4,50,000
Net Cash used in Financing Activities		(3,00,000)
Net decrease in Cash & Cash Equivalent		(2,00,000)
Adj:- Opening Cash & Cash Equivalent		6,00,000
Closing Cash & Cash Equivalent		4,00,000

From the following information, prepare a cash flow statement for the year ended 31.3.20 :

Balance Sheets

	(₹ in '000s)	
	31.3.19	31.3.20
Equity and liabilities		
<i>Shareholders' funds :</i>		
Share capital	200.00	250.00
Reserves and surplus	80.50	90.60
<i>Non-current liabilities :</i>		
Long-term borrowings (bank loan)	70.00	—
<i>Current liabilities :</i>		
Trade payables	150.00	135.20
Short-term provision (provision for taxation)	30.00	35.00
	<u>530.50</u>	<u>510.80</u>
Assets		
<i>Non-current assets :</i>		
<i>Fixed assets :</i>		
Tangible	350.00	359.00
Intangible (goodwill)	—	5.00
<i>Current assets :</i>		
Inventories	100.00	74.00
Trade receivables	80.00	64.20
Cash and bank	0.50	8.60
	<u>530.50</u>	<u>510.80</u>
(₹ in '000s)		
Note to accounts :		
31.3.19		
31.3.20		
<i>Tangible assets :</i>		
Land and buildings	200.0	190.0
Plant and machinery	150.0	169.0
	<u>350.0</u>	<u>359.0</u>

Additional information :

- (a) Dividend of ₹ 23,000 was paid.
- (b) The following assets of another company were purchased for a consideration of ₹ 50,000 paid for in shares :
Inventories ₹ 20,000 ; Machinery ₹ 25,000 ; Goodwill ₹ 5,000.
- (c) Further machinery was purchased for ₹ 25,000 during the year.
- (d) Net profit for the year was ₹ 66,100.
- (e) Depreciation written off on building ₹ 10,000 and on machinery ₹ 14,000.
- (f) Income tax paid during the year was ₹ 28,000.

[C.U., B.Com. (Hons.)]

Working

Eqn. Sh. Capital

Bank Loan

	By Bal. 2,00,000	
	u Vendor 50,000	
To Bal.	2,50,000	
	<u>2,50,000</u>	
		<u>2,50,000</u>

To Bank - repayment	70,000	By Bal. 70,000
To Bal.	<u>70,000</u>	<u>70,000</u>

Prv. Inv Tax

Land & Building

To Bank - Payment of tax	28,000	By Bal. 30,000 30,000
		u Statement of P/L 33,000
To Bal.	35,000	
	<u>63,000</u>	<u>63,000</u>

To Bal.	2,00,000	By Depn 10,000
	<u>2,00,000</u>	By Bal 1,90,000
		<u>2,00,000</u>

Plant & Machinery

Vendor a/c

To Bal	1,50,000	By Depn	14,000
u Vendor	25,000	u Bank (Bal. Bi)	
u Bank - Purchase	25,000	- Sale	17,000
		By Bal.	1,69,000
	<u>2,00,000</u>		<u>2,00,000</u>

To Eqn Sh. Capital	50,000	By Inventory	20,000
		By Machy	25,000
		u S/W	5,000
	<u>50,000</u>		<u>50,000</u>

S/W

Dividend a/c

To Bal	-	By Bal.	5,000
u Vendor	5,000		<u>5,000</u>
	<u>5,000</u>		

To Bank - Payment	23,000	By Statement of P/L	23,000
	<u>23,000</u>		<u>23,000</u>

Cash Flow Statement for the year ended - 31.3.20

I Cash flows from Operating Activities:-		
Net Profit as per PL Reserve & Surplus (90,600 - 80,500)		10,100
ADD:- Non-cash & Non-operating items debited in statement of P/L -		
- Dividend	23,100	
- Depn on L/B.	10,000	
- Depn on P/M	14,000	
- Prov. for Tax	33,000	
	80,000	
Operating Profit Before changes in W. Capital	90,100	
ADD:- Decrease in CA & Increase in C.L:-		
- Inventories [1,00,000 - (74,000 - 20,000)]	46,000	
- Trade receivables (80,000 - 64,200)	15,800	61,800
	1,51,900	
Less:- Increase in CA & decrease in C.L:-		
Trade Payables (1,50,000 - 1,35,200)	14,800	14,800
	1,37,100	
Cash Generated from Operation	28,000	
Less:- Income tax paid		
Net Cash from Operating Activities	1,09,100	
II Cash flows from Investing Activities:-		
Sale of Machinery	17,000	
Purchase of Machinery in Cash	(25,000)	
Net Cash used in Investing Activities	(8,000)	
III Cash flows from Financing Activities:-		
Repayment of Bank loan.	(70,000)	
Dividend paid	(23,000)	
Net Cash used in Financing Activities	(93,000)	
Net cash Increase in Cash & Cash Equivalents	8,100	
ADD:- Opening Cash & Cash Equivalents		500
Closing Cash & Cash Equivalents	8,600	