

Chapter 6 Cash Flow Statement (As per AS – 3 Revised)

Question 1

Classify the following into:

- Operating activities
 - Investing activities
 - Financing activities
 - Cash equivalents, while preparing a cash flow statement
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1. Cash sales
 2. Cash received from trade receivables
 3. Purchase of building
 4. Sale of building
 5. Issue of share capital or Debentures
 6. Buy-back of equity shares
 7. Dividend paid
 8. Interest paid on Debentures or Long-term loans by (a) Finance company (b) Non-finance company
 9. Cash purchases
 10. Cash paid to trade payables
 11. Redemption of debentures and preference shares
 12. Repayment of Long-term loan
 13. Office expenses
 14. Selling and distribution expenses
 15. Manufacturing expenses
 16. Purchase of goodwill
 17. Sale of patents
 18. Purchase of investments
 19. Sale of investments by (a) Finance company (b) Non-finance company
 20. Commission and royalty received
 21. Interest received on investments by (a) Finance company (b) Non-finance company
 22. Dividend received on shares by (a) Finance company (b) Non-finance company
 23. Rent paid
 24. Rent received if (a) Company's main business is property business (b) Other business
 25. Income tax paid
 26. Income tax refund received
 27. Bank balance
 28. Short-term deposits in the bank

29. Investment in the short term or marketable securities

Solution:

- **Operating activities:**

1. Cash sales
2. Cash received from trade receivables
3. Interest paid on Debentures or Long-term loans by **(a)** Finance company
4. Cash purchases
5. Cash paid to trade payables
6. Office expenses
7. Selling and distribution expenses
8. Manufacturing expenses
9. Sale of investments by (a) Finance company
10. Commission and royalty received
11. Interest received on investments by (a) Finance company
12. Dividend received on shares by (a) Finance company
13. Rent paid
14. Rent received if (a) Company's main business is property business
15. Income tax paid
16. Income tax refund received

- **Investing activities:**

1. Purchase of building
2. Sale of building
3. Purchase of goodwill
4. Sale of patents
5. Purchase of investments
6. Sale of investments by (b) Non-finance company
7. Interest received on investments by (b) Non-finance company
8. Dividend received on shares by (b) Non-finance company
9. Rent received if (b) Other business

- **Financing activities:**

1. Issue of share capital or Debentures
2. Buy-back of equity shares
3. Dividend paid
4. Interest paid on Debentures or Long-term loans by (b) Non-finance company
5. Redemption of debentures and preference shares
6. Repayment of Long-term loan

- **Cash Equivalents:**

1. Bank balance
2. Short-term deposits in the bank
3. Investment in the short term or marketable securities

Question 2

The following is the position of current assets and current liabilities of A Ltd.

	31.3.2018	31.3.2019
	₹	₹
Provision for doubtful debts	1,000	–
Short-term loans	10,000	19,000
Creditors	15,000	10,000
Bills payable	20,000	40,000

The company incurred a loss of ₹. 45,000/- during the year. Calculate cash from operating activities.

Solution:

CALCULATION OF CASH FROM OPERATING ACTIVITIES

For the year ended 31st March 2019

	₹	₹
Net loss for the year		(45,000)
Adjustments for non-cash and non-operating items:		
Less: Decrease in provision for doubtful debts		(1,000)
		46,000
Operating loss before working capital changes		
Add: Increase in current liabilities:		
Bills payable		20,000
		(26,000)
Less: Decrease in current liabilities:		
Creditors		(5,000)
Cash used (or lost) in Operating Activities		(31,000)