

BOOK-2
CHAPTER-6
CASH FLOW STATEMENT

Section A: One Mark Questions

I. Fill in the blanks.

1. Cash Flow Statement shows and of cash and cash equivalents.
2. Purchase of any asset by paying cash is
3. Collection of cash from trade receivables is
4. Operating activities constitute theactivities of an enterprise.
5. activities relate to purchase and sale of fixed assets.
6. Tax on operating profit should be classified ascash flows.
7. Indirect method of ascertaining cash flows from operating activities begins with the amount of.....
8. Cash flow statement prepared by method issued by most companies in practice.

II. Multiple Choice Questions(MCQs).

1. Examples of cash inflows from investing activities are-
 - a. Cash receipts from disposal of fixed Assets.
 - b. Interest received in cash from loans & advances.
 - c. Dividend received from investments in other enterprise.
 - d. All of the above.
2. Which one of the following is not a cash outflow from operating activities?
 - a. Cash payments to suppliers for goods and services.
 - b. Cash payments to and on behalf of the employees.
 - c. Cash payments to acquire fixed assets.
 - d. Cash payments to an Insurance Company for premium.
3. Which of the following is not a cash inflow from investing activities?
 - a. Cash receipts from disposal of fixed assets.
 - b. Cash receipts from sale of goods and rendering of services.
 - c. Interest received in cash from loans and advances.
 - d. Dividend received from investments in other enterprises.
4. Cash receipts from customers means:
 - a. Revenue from operations – opening trade receivables + closing trade receivables.
 - b. Revenue from operations + opening trade payables – closing trade payables.
 - c. Revenue from operations + opening trade receivables – closing trade receivables.
 - d. None of the above.

5. Purchases means:

- a. Cost of revenue from operations + opening inventory – closing inventory.
- b. Cost of revenue from operations – opening inventory + closing inventory.
- c. Cost of revenue from operations – opening trade receivables + closing trade receivables.
- d. None of the above.

III. True or False Type Questions

- 1. Cash flow statement is the first important financial statement.
- 2. According to revised AS 3, preparation and presentation of Cash Flow Statement is mandatory for all listed companies.
- 3. Extraordinary items are recurring in nature.
- 4. An enterprise should report cash flows from operating activities either by using direct method or indirect method.
- 5. Under direct method, items are recorded on the accrual basis in Statement of Profit & Loss.

IV. Very Short Answer Type Questions.

- 1. What is the main Objective of cash flow statement?
- 2. Mention any one benefit of cash flow statement.
- 3. Give the meaning of cash flows.
- 4. What are operating activities?
- 5. Give an example for investing activities.
- 6. Give an example for cash inflows from financing activities.
- 7. Give an example for cash outflows from financing activities.
- 8. Give an example for extraordinary item.
- 9. Expand ICAI.

Section-B: Two Marks Questions

- 1. What is cash flow statement?
- 2. State any two uses of cash flow statement.
- 3. Write any two objectives of preparing cash flow statement.
- 4. What do you mean by investing activities?
- 5. Mention any two activities which are classified as per AS-3.
- 6. Write any two examples for financing activities.
- 7. If revenue from operations are ₹ 48,000, opening trade receivables are ₹ 8,000 and closing trade receivables are ₹ 6,000, calculate cash receipts from customers.
- 8. If purchases are ₹72,000, opening trade payables are ₹12,000 and closing trade payables are ₹9,000. calculate cash payments to suppliers.

Section-C: 6 Marks Questions.

Problems on Operating Activities:

1. Anand Ltd, arrived at a net income of ₹5,00,000 for the year ended March 31,2017. Depreciation for the year was ₹2,00,000. There was a profit of ₹50,000 on assets sold which was transferred to statement of profit and loss. Trade Receivables increased during the year ₹40,000 and Trade Payables also increased by ₹60,000.

Compute the cash flow from operating activities by the indirect method.

(Ans: ₹6,70,000)

2. The following is the Statement profit and loss of Yamuna Limited:

Statement of Profit or Loss of Yamuna Ltd., for the year ended March 31,2018

Particulars	Note No.	Amount ₹
Revenue from operations.		10,00,000
Expenses	1	50,000
Cost of materials consumed	2	5,00,000
Purchases of stock-in-trade		3,00,000
Other expenses		8,50,000
Total expenses		1,50,000
Profit Before Tax (i – ii)		

Additional information:

- a) Trade receivables decreased by ₹30,000 during the year.
- b) Prepaid expenses increased by ₹5,000 during the year.
- c) Trade payables increased by ₹15,000 during the year.
- d) Outstanding expenses increased by ₹3,000 during the year.
- e) Other expenses included depreciation of ₹25,000.

Compute net cash from operations for the year ended March 31, 2018 by the indirect method.

(Ans: cash from operations ₹2,38,000)

3. Compute cash from operations from the following information.
- i. Profit for the year 2016-17 is a sum of ₹10,000 after providing for depreciation of ₹2,000.
 - ii. The current assets of the business for the year ended March 31, 2016 & 2017 are as follows-

Particulars	March 31,2016 ₹	March 31,2017 ₹
Trade receivables	14,000	15,000
Provision for Doubtful Debts	1,000	1,200
Trade payables	13,000	15,000
Inventories	5,000	8,000
Other current assets	10,000	12,000
Expenses payable	1,000	1,500
Prepaid expenses	2,000	1,000
Accrued income	3,000	4,000
Income received in advance	2,000	1,000

(Ans: Cash from operations: ₹7,700)

Problems on Investing Activities:

4. National Trading Company Ltd has given the following information:

Plant as on 1/4/2017 ₹1,20,000

Plant as on 31/3/2018 ₹1,50,000

Accumulated depreciation on 1/4/2017 ₹60,000

Accumulated depreciation on 31/3/2018 ₹40,000

During the year, a plant costing ₹60,000 with accumulated depreciation of ₹25,000 was sold for ₹30,000.

Calculate cash flow from investing activities.

(Ans: (60,000))

5. From the following particulars, calculate cash flow from investing activities.

Particulars	Purchased ₹	Sold ₹
Plant	4,40,000	50,000
Investments	1,80,000	1,00,000
Goodwill	2,00,000	-
Patents	-	1,00,000

Interest received on debentures held as investments ₹60,000

Dividend received on shares held as investment ₹10,000

A plot of land had been purchased for investment purpose and was let out for commercial use and rent received ₹30,000

(Ans: ₹(4,70,000))

6. From the following information, calculate cash flow from investing activities.

Particulars	2016 ₹	2017 ₹
Machine at cost	5,00,000	9,00,000
Accumulated depreciation	3,00,000	4,50,000

In the year 2017, machine costing ₹2,00,000 was sold at a profit of ₹1,50,000. Depreciation charged on machine during the year 2016 amounted to ₹2,50,000.

(Ans: (5,00,000))

Problems on Financing Activities.

7. From the following information, calculate cash flows from financing activities.

Particulars	April 01, 2017 ₹	March 31, 2018 ₹
Equity share capital	20,00,000	30,00,000
Secured loan	9,00,000	16,00,000

During the year secured loan repaid Rs 4,00,000 with interest of Rs 20,000 and received dividend of Rs 50,000.

(Ans: 16,30,000)

8. From the following information, calculate cash flow from financing activities.

Particulars	April 01, 2017 ₹	March 31, 2018 ₹
Debentures	8,00,000	10,00,000
Preference share capital	3,00,000	5,00,000

During the year, the company redeemed debentures of Rs 1,00,000.

(Ans: 4,00,000)

9. From the following information, calculate cash flows from financing activities:

Particulars	2014 ₹	2015 ₹
Equity share capital	28,00,000	35,00,000
Bank loan	12,50,000	7,50,000

(Ans: 2,00,000)

Key answers

I. Fill in the blanks.

- | | |
|-----------------------|--------------------|
| 1. Inflows, outflows | 2. Cash outflow |
| 3. Cash inflows | 4. Primary or main |
| 5. Investing | 6. Operating |
| 7. Net profit or loss | 8. Indirect |

II. Multiple Choice Questions.

- | | |
|--------|--------|
| 1. (d) | 2. (c) |
| 3. (b) | 4. (c) |
| 5. (a) | |

III. True or false.

- | | |
|----------|---------|
| 1. False | 2. True |
| 3. False | 4. True |
| 5. True | |
