

Q.109. Calculate Gross Profit Ratio from the following data:

Average Inventory ₹3,20,000; Inventory Turnover Ratio 8 Times; Average Trade Receivables ₹4,00,000. Trade Receivables Turnover Ratio 6 Times; Cash Sales 25% of Net Sales.

$$\begin{aligned}\text{Ans. Gross Profit Ratio} &= \frac{\text{Gross Profit}}{\text{Net Sales}} \times 100 \\ &= \frac{\text{₹ 6,40,000}}{\text{32,00,000}} \times 100 = 20\%\end{aligned}$$

Here, Net Sales = Credit Sales + Cash Sales

$$\begin{aligned}&= \text{₹ (4,00,000} \times 6) \left[(4,00,000 \times 6) \frac{100}{75} \times \frac{25}{75} \right] \\ &= \text{₹ 24,00,000} + 8,00,000 \\ &= \text{₹ 32,00,000}\end{aligned}$$

$$\begin{aligned}\text{Gross Profit} &= \text{Net Sales} - \text{COGS} \\ &= \text{₹ 32,00,000} - [3,20,000 \times 8] \\ &= \text{₹ 32,00,000} - 25,60,000 \\ &= \text{₹ 6,40,000}\end{aligned}$$

Q.110. (a) Cash Sales ₹4,20,000, Credit Sales ₹6,00,000, Return ₹20,000, Cost of good sold ₹8,00,000. Calculate the Gross Profit Ratio.

(b) Average Inventory ₹1,60,000, Stock turnover Ratio 6 times, Selling Price 25% above cost. Calculate the Gross Profit Ratio.

(c) Opening Inventory ₹1,00,000, Closing Inventory ₹60,000, Stock Turnover Ratio 8 times, Selling Price 25% above cost. Calculate the Gross Profit Ratio.

$$\begin{aligned}\text{Ans. (a) Net Sales} &= \text{Cash (₹ 4,20,000) + Credit Sales (₹ 6,00,000)} \\ &\quad - \text{Sales Return (₹ 20,000)} \\ &= \text{₹ 10,00,000}\end{aligned}$$

$$\begin{aligned}\text{Gross Profit} &= \text{Net Sales} - \text{Cost of good sold} = \text{₹ 10,00,000} - 8,00,000 \\ &= \text{₹ 2,00,000}\end{aligned}$$

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit} \times 100}{\text{Net Sales}} = \frac{2,00,000 \times 100}{10,00,000} = 20\%$$

$$\begin{aligned}\text{(b) Cost of goods sold} &= \text{Average Stock} \times \text{Stock Turnover Ratio} \\ &= \text{₹ 1,60,000} \times 6 \text{ times} = \text{₹ 9,60,000}\end{aligned}$$

$$\text{Gross Profit} = \text{₹ 9,60,000} \times 25\% = \text{₹ 2,40,000}$$

$$\text{Net Sales} = 9,60,000 + 2,40,000 = 12,00,000$$

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit} \times 100}{\text{Net Sales}} = \frac{2,40,000 \times 100}{12,00,000} = 20\%$$

$$\text{(c) Average Stock} = \frac{(\text{₹ 1,00,000} + \text{₹ 60,000})}{2} = \text{₹ 80,000}$$

$$\text{Cost of goods sold} = \text{Average Stock} \times \text{STR} = ₹ 80,000 \times 6 = ₹ 480,000$$

$$\begin{aligned}\text{Gross Profit} &= \text{Cost of goods sold} \times 25\% = ₹ 480,000 \times 25\% \\ &= ₹ 1,20,000\end{aligned}$$

$$\begin{aligned}\text{Net Sales} &= \text{Cost of goods sold} + \text{Gross Profit} \\ &= ₹ 4,80,000 + 1,20,000 \\ &= ₹ 6,00,000\end{aligned}$$

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit} \times 100}{\text{Net Sales}} = \frac{1,20,000 \times 100}{6,00,000} = 20\%$$

Q.111. Gross Profit Ratio of a company is 25%. State giving reason, which of the following transactions will (a) increase or (b) decrease or (c) not alter the Gross Profit Ratio:

- (i) Purchases of stock-in-trade ₹ 50,000.
- (ii) Purchases Return ₹ 15,000.
- (iii) Cash Sale of Stock in Trade ₹ 40,000.
- (iv) Stock-in-Trade costing ₹ 20,000 withdrawn for personal use.
- (v) Stock-in-Trade costing ₹ 15,000 distributed as free sample.

Ans. Statement showing effect on Gross Profit Ratio of 25%.

Case	Effect	Reason
(i)	No change	Both Purchase and closing Inv. will increase by same amount.
(ii)	No change	Both purchase and closing Inv. will decrease by same amount.
(iii)	No change	Rev. from operation will increase and closing Inv. will decrease by same percentage.
(iv)	No change	Both purchase and closing Inv. will decrease.
(v)	No change	Cost of Rev. will increase and decrease also.

Q.112. Cost of goods sold ₹ 3,00,000; Operating expenses ₹ 1,20,000; Cash Sales ₹ 5,20,000 and Return ₹ 20,000. Calculate the operating ratio.

$$\begin{aligned}\text{Ans.} \quad &= \frac{(\text{Cost of goods sold} + \text{Operating Expenses}) \times 100}{\text{Net Sales}} \\ &= \frac{(3,00,000 + 1,20,000) \times 100}{5,00,000} = \frac{4,20,000 \times 100}{5,00,000} \\ &= \frac{4,20,000 \times 100}{5,00,000} = 84\%\end{aligned}$$

Q.113. Operating ratio 92%, Operating expenses ₹ 94,000; Revenue from operations i.e., Sales ₹ 6,00,000; Sales Return ₹ 40,000. Calculate the cost of goods sold.

$$\text{Ans.} \quad \text{Operating Ratio} = \frac{\text{Operating Cost} \times 100}{\text{Net Sales}}$$

$$\frac{92}{100} = \frac{\text{Operating Cost}}{6,00,000 - 40,000} \times 100$$

$$\text{Operating Cost} = \frac{92 \times 5,60,000}{100} = 5,15,200$$

But, Operating cost = Cost of goods sold + Operating Expenses

or, 5,15,200 = Cost of goods sold + 94,000

Cost of goods sold = 5,15,200 – 94,000 = 4,21,200

Q.114. (i) Cost of goods sold ₹ 2,20,000, Net Revenue from operation i.e., Sales ₹ 3,20,000, Selling expenses ₹ 12,000. Office expenses ₹ 8,000. Depreciation ₹ 6,000. Calculate Operating Ratio.

(ii) Net Revenue from operations, i.e., Cash Sales ₹ 4,00,000, Credit Sales ₹ 1,00,000, Gross Profit ₹ 1,00,000, Office and Selling Expenses ₹ 50,000, Calculate Operating Ratio.

$$\begin{aligned} \text{Ans. (i) Operating Ratio} &= \frac{\text{Operating Cost}}{\text{Net Sales}} \times 100 \\ &= \frac{(2,20,000 + 12,000 + 8,000 + 6,000) \times 100}{3,20,000} \\ &= 76.875\% \end{aligned}$$

$$\begin{aligned} \text{(ii) Operating Ratio} &= \frac{\text{Operating Cost} \times 100}{\text{Net Sales}} \\ &= \frac{(4,00,000 - 1,00,000 + 60,000) \times 100}{4,00,000} \\ &= \frac{3,60,000 \times 10}{4,00,000} = 90\% \end{aligned}$$

Q.115. From the following information, calculate operating ratio:

Cost of goods sold	₹ 52,000
Operating Expenses	18,000
Revenue from operating Gross Sales	88,000
Sales Return	8,000

$$\begin{aligned} \text{Ans. Operating Ratio} &= \frac{(\text{Cost of goods sold} + \text{Operating Expenses}) \times 100}{\text{Net Sales}} \\ &= \frac{(52,000 + 18,000) \times 100}{88,000 - 8,000} = \frac{70,000 \times 100}{80,000} \\ &= \frac{700}{8} = 87.5\% \end{aligned}$$

Q.116. Calculate cost of Revenue from operation from the following information: Revenue from operations ₹ 12,00,000, operating Ratio 75% operating Expenses ₹ 1,00,000.

$$\text{Ans. Operating Ratio} = \frac{\text{Cost of Rev.} + \text{Operating Exp.}}{\text{Rev. from operation}}$$

$$\begin{aligned}\text{So, Cost of Revenue} &= (\text{Operating Ratio} \times \text{Rev. from operation}) - \text{operating Exp.} \\ &= \left(\frac{12,00,000 \times 75}{100} \right) - 1,00,000 \\ &= ₹ (9,00,000 - 1,00,000) \\ &= ₹ 8,00,000\end{aligned}$$

Q.117. Calculate operating Ratio from the following information: Operating cost ₹ 6,80,000, Gross Profit 25%, Operating Expenses = ₹ 80,000.

$$\begin{aligned}\text{Ans. Operating Ratio} &= \frac{\text{Operating Cost}}{\text{Rev. from Operations}} \times 100 \\ &= \frac{₹ 6,80,000}{8,00,000} \times 100 \\ &= 85\%\end{aligned}$$

Working Note:

$$\begin{aligned}\text{Cost of Revenue} &= \text{Operating Cost} - \text{Operating Exp.} \\ &= ₹ (6,80,000 - 80,000) = ₹ 6,00,000\end{aligned}$$

Let Revenue from operation = x

$$\text{than Gross profit} = x \times 25\% = 0.25x$$

$$\text{than Rev.} - \text{G. Profit} = \text{Cost of Rev.}$$

$$x - 0.25x = ₹ 6,00,000$$

$$x = \frac{₹ 6,00,000}{0.75} = ₹ 8,00,000$$

Q.118. Calculate Operating Profit Ratio from the following information:

	₹		₹
Opening Inventory	1,00,000	Closing Inventory	1,50,000
Purchase	10,00,000	Loss by fire	20,000
Net Sales	14,70,000	Dividend Received	30,000
Administrative and Selling Exp.	1,70,000		

$$\begin{aligned}\text{Ans. Operating Profit Ratio} &= \frac{\text{Operating Profit}}{\text{Net Sales}} \times 100 \\ &= ₹ \frac{3,50,000}{14,70,000} \times 100 = 23.81\%\end{aligned}$$

$$\begin{aligned}\text{Here, Operating Profit} &= \text{Net Sales} - \text{Operating Cost} \\ &= ₹ 14,70,000 - [1,00,000 + 10,00,000 - 1,50,000] + 1,70,000 \\ &= ₹ 14,70,000 - 11,20,000 \\ &= ₹ 3,50,000\end{aligned}$$

Q.119. Calculate Operating Profit Ratio from the following:

	₹
Revenue from Operations (Net Sales)	5,00,000
Cost of Goods Sold or Cost of Revenue from Operations	2,00,000
Wages	1,00,000
Office and Administrative Expenses	50,000
Interest on Borrowings	5,000

$$\begin{aligned}\text{Ans. Operating Profit Ratio} &= \frac{\text{Operating Profit}}{\text{Net Sales}} \times 100 \\ &= \frac{2,50,000}{5,00,000} \times 100 = 50\%\end{aligned}$$

$$\begin{aligned}\text{Here, Operating Profit} &= \text{Net Sales} - \text{Operating Cost} \\ &= ₹ 5,00,000 - (2,00,000 + 50,000) \\ &= ₹ 2,50,000\end{aligned}$$

Q.120. What will be the operating profit Ratio, if operating Ratio is 82.59%.

$$\begin{aligned}\text{Ans. Operating Profit Ratio} &= 100 - \text{Operating Ratio} \\ &= 100 - 82.59\% \\ &= 17.41\%\end{aligned}$$

Q.121. Calculate the Operating Profit Ratio in each of the following alternative cases:

Case 1: Sales Net Revenue from operations ₹ 10,00,000, Operating Profit ₹ 1,50,000.

Case 2: Sales Net Revenue from operations ₹ 6,00,000, Operating Cost ₹ 5,10,000.

Case 3: Sales Net Revenue from operations ₹ 3,60,000, Gross Profit 20% on Sales, Operating Expenses ₹ 18,000.

Case 4: Sales Net Revenue from operations ₹ 4,50,000, Cost of Goods Sold ₹ 3,60,000, Operating Expenses ₹ 22,500.

Case 5: Cost of Goods Sold ₹ 8,00,000, Gross Profit 20% on Sales, Operating Expenses ₹ 50,000.

$$\text{Ans. Case 1. Operating Profit Ratio} = \frac{\text{Operating Profit}}{\text{Net Sales}} = \frac{1,50,000}{10,00,000} = 15\%$$

$$\begin{aligned}\text{Case 2. Operating Profit Ratio} &= \frac{\text{Net Sales} - \text{Operating Cost}}{\text{Net Sales}} \\ &= \frac{6,00,000 - 5,10,000}{6,00,000} = \frac{90,000}{6,00,000} = 15\%\end{aligned}$$

$$\begin{aligned}\text{Case 3. Operating Profit Ratio} &= \frac{\text{Operating Profit}}{\text{Net Sales}} \\ \text{Operating Profit} &= \text{Gross Profit} - \text{Operating Expenses} \\ &= (20\% \times 3,60,000) - 18,000\end{aligned}$$

$$= 72,000 - 18,000 = 54,000$$

$$\text{Operating Profit Ratio} = \frac{54,000}{3,60,000} = 15\%$$

$$\begin{aligned}\text{Case 4. Operating Profit} &= \text{Gross Profit} - \text{Operating Expenses} \\ &= (4,50,000 - 3,60,000) - 22,500 = 67,500\end{aligned}$$

$$\begin{aligned}\text{Operating Profit Ratio} &= \frac{\text{Operating Profit}}{\text{Net Sales}} \\ &= \frac{67,500}{4,50,000} = 15\%\end{aligned}$$

$$\begin{aligned}\text{Case 5. Gross Profit} &= 25\% \times 8,00,000 = 2,00,000 \\ \text{Operating Profit} &= 2,00,000 - 50,000 = 1,50,000 \\ \text{Sales} &= \text{Cost of Goods Sold} + \text{Gross Profit} \\ &= 8,00,000 + 2,00,000 = 10,00,000\end{aligned}$$

$$\begin{aligned}\text{Operating Profit Ratio} &= \frac{\text{Operating Profit}}{\text{Net Sales}} \\ &= \frac{1,50,000}{10,00,000} = 15\%\end{aligned}$$

Q.122. Revenue from Operations ₹9,00,000; Gross Profit 25% on Cost, Operating Expenses ₹45,000. Calculate Operating Profit Ratio.

$$\begin{aligned}\text{Ans. Cross Profit} &= \frac{\text{Revenue from oper.} \times \%}{100 + \%} \\ &= \frac{9,00,000 \times 25\%}{100 + 25\%} \\ &= ₹1,80,000 \\ \text{Operating Profit} &= \text{Gross Profit} - \text{Operating Exp.} \\ &= ₹(1,80,000 - 45,000) = ₹1,35,000 \\ \text{Operating Profit Ratio} &= ₹[(1,35,000/9,00,000) \times 100] \\ &= 15\%\end{aligned}$$

Q.123. Operating Cost ₹3,40,000; Gross Profit Ratio 20%, Operating Expenses ₹20,000. Calculate Operating Profit Ratio.

$$\begin{aligned}\text{Ans. Rev. from operation} &= \frac{\text{Operating Cost} \times 100}{100 - \% \text{Pt.}} \\ &= \frac{3,40,000 \times 100}{100 - 20} \\ &= ₹4,25,000 \\ \text{Gross Profit} &= ₹4,25,000 \times 20\% = ₹85,000 \\ \text{Operating Profit Ratio} &= [(85,000 - 20,000)/4,25,000] \times 100 \\ &= 15.29\% \text{ or } 15\%\end{aligned}$$

Q.124. Cash Sales ₹ 2,20,000, Credit Sales ₹ 3,00,000, Return ₹ 20,000, Gross Profit ₹ 1,00,000, Operating Expenses ₹ 25,000, Non-operating Incomes ₹ 30,000, Non-operating Expenses ₹ 5,000. Calculate the Net Profit Ratio.

Ans. $\text{Net Sales} = \text{Cash Sales} + \text{Credit Sales} - \text{Sales returns}$
 $= 2,20,000 + 3,00,000 - 20,000 = ₹ 5,00,000$

$$\begin{aligned}\text{Net Profit} &= \text{Gross Profit} - \text{Operating Expenses} \\ &\quad + \text{Non-operating Income} - \text{Non-Operating Expenses} \\ &= 1,00,000 - 25,000 + 30,000 - 5,000 = ₹ 1,00,000\end{aligned}$$

$$\text{Net Profit Ratio} = \frac{\text{Net Profit}}{\text{Net Sales}} \times 100$$
$$= \frac{1,00,000 \times 100}{5,00,000} = 20\%$$

Q.125. Revenue from operations ₹ 6,00,000, Net Profit ₹ 60,000. Calculate the Net Profit Ratio.

Ans. $\text{Net Profit Ratio} = \frac{\text{Net Profit}}{\text{Net Sales}} \times 100$
 $= \frac{60,000 \times 100}{6,00,000} = 10\%$

Q.126. Revenue from operations i.e., Net Sales ₹ 8,20,000, Returns ₹ 10,000, Cost of goods Sold ₹ 5,20,000. Operating expenses ₹ 2,09,000, Interest on Debentures ₹ 40,500, Profit on sale of a fixed Assets ₹ 81,000. Calculate Net Profit Ratio.

Ans. **Net Sales = Cash Sales – Sales Returns**
 = 8,20,000 – 10,000 = ₹ 8,10,000
 Net Profit = Net Sales – Cost of Good Sold – Operating Expenses
+ Profit on Sale of Fixed Assets – Interest on Debentures
 = 8,10,000 – 5,20,000 – 2,09,000 + 81,000 – 40,500
 = ₹ 1,21,500

$$\text{Net Profit Ratio} = \frac{\text{Net Profit}}{\text{Net Sales}} \times 100$$
$$= \frac{1,21,500 \times 100}{8,10,000} = 15\%$$

Q.127. Revenue from Operations ₹4,00,000; Gross Profit Ratio 25%, Operating Ratio 90%. Non-operating Expenses ₹ 2,000; Non-operating Income ₹ 22,000. Calculate Net Profit Ratio.

Ans. Operating Profit Ratio = 100 – % operating Ratio
= 100 – 90% = 10%

$$\text{Operating Profit} = ₹ [4,00,000 \times 10\%] = ₹ 40,000$$

$$\begin{aligned}\text{Net Profit} &= \text{Operating Profit} + \text{Non-opera. income} - \text{Non-oper. Exp.} \\ &= ₹ [40,000 + 22,000 - 2,000] = ₹ 60,000\end{aligned}$$

$$\begin{aligned}\text{Net Profit Ratio} &= \frac{\text{Net Profit}}{\text{Rev. from operations}} \times 100 \\ &= \frac{60,000}{4,00,000} \times 100 \\ &= 15\%\end{aligned}$$

Q.128. Calculate the Return on Investment (ROI) from the following details-
Net Profit after tax ₹ 6,50,000; Rate of Income Tax 50%. 10% Debentures of ₹ 100 each ₹ 10,00,000, Fixed Assets at cost ₹ 22,50,000. Accumulated Depreciation on Fixed Assets up to Date ₹ 2,50,000. Current Assets ₹ 12,00,000 and Current Liabilities ₹ 4,00,000.

$$\begin{aligned}\text{Ans. Capital Employed} &= \text{Fixed Assets} - \text{Accumulated Depreciation} + \text{Current Assets} - \text{Current Liabilities} \\ &= ₹ 22,50,000 - 2,50,000 + 12,00,000 - 4,00,000 \\ &= ₹ 28,00,000\end{aligned}$$

$$\begin{aligned}\text{Net Profit before Interest and Tax} &= \text{Net Profit after Tax} + \text{Tax} + \text{Interest on Long-Term Debt} \\ &= ₹ 6,50,000 + 6,50,000 + 10,00,000 \times 10\% \\ &= ₹ 14,00,000\end{aligned}$$

$$\begin{aligned}\text{Return on Investment} &= \frac{\text{Net Profit before Interest and Tax} \times 100}{\text{Capital Employed}} \\ &= \frac{14,00,000 \times 100}{28,00,000} = 50\%\end{aligned}$$

Q.129. Net Profit before Interest and Tax ₹ 2,50,000; Capital Employed ₹ 10,00,000. Calculate the Return on Investment.

$$\begin{aligned}\text{Ans. Return on Investment} &= \frac{\text{Net Profit before Interest and Tax} \times 100}{\text{Capital Employed}} \\ &= \frac{2,50,000 \times 100}{10,00,000} = 25\%\end{aligned}$$

Q.130. Net Profit before Interest and Tax ₹ 6,00,000, Net Fixed Assets ₹ 20,00,000. Net working Capital ₹ 10,00,000. Current Assets ₹ 11,00,000. Calculate Return on Investment.

$$\begin{aligned}\text{Ans. Capital employed} &= \text{Net Fixed Assets} + \text{Net Working Capital} \\ &= 20,00,000 + 10,00,000 = 30,00,000\end{aligned}$$

$$\begin{aligned}\text{Return on Investment} &= \frac{\text{Net Profit before Interest and Tax} \times 100}{\text{Capital Employed}} \\ &= \frac{6,00,000 \times 100}{30,00,000} = 20\%\end{aligned}$$

Q.131. Net Profit before Interest and Tax ₹ 4,00,000, 15% Long-term Debts ₹ 8,00,000. Shareholders Fund ₹ 4,00,000. Calculate the Return on Investment.

Ans. Capital employed = Shareholder's Fund + Long-term Debts
= 4,00,000 + 8,00,000 = ₹ 12,00,000

$$\begin{aligned}\text{Return on Investment} &= \frac{\text{Net Profit before Interest and Tax} \times 100}{\text{Capital Employed}} \\ &= \frac{4,00,000 \times 100}{12,00,000} = 33.33\%\end{aligned}$$

Q.132. Following is the Balance Sheet of XYZ Ltd as at 31st March 2018.

	Particulars		₹
I.	Equity And Liabilities		
	1. Shareholder's Funds		
	(a) Share Capital		2,00,000
	(b) Reserves and Surplus:		
	General Reserve	55,000	
	Balance of Statement of Profit and Loss	45,000	1,00,000
	2. Non-Current Liabilities		
	Long-term Borrowings		1,00,000
	3. Current Liabilities		
	(a) Trade payables		1,70,000
	(b) Short-term Provision : Provision for Tax		10,000
	Total		5,80,000
II.	ASSETS		
	1. Non-Current Assets		3,80,000
	Fixed Assets (Tangible Assets)		
	2. Current Assets		
	(a) Trade Receivables		1,70,000
	(b) Cash and Cash Equivalents		30,000
	Total		5,80,000

Calculate Return on Investment.

Ans. Capital Employed = Non-Current Assets + Current Assets – Current Liabilities

$$= ₹ 3,80,000 + 2,00,000 + 1,80,000 = ₹ 4,00,000$$

$$\begin{aligned}\text{Net Profit before Interest and Taxes} &= \text{Profit for the year} + \text{Interest on Debentures} \\ &= ₹ 65,000 + (1,00,000 \times 12\%) = ₹ 77,000\end{aligned}$$

$$\begin{aligned}\text{Return on Investment} &= \frac{\text{Net Profit before Interest and Tax} \times 100}{\text{Capital Employed}} \\ &= \frac{77,000 \times 100}{4,00,000} = 19.25\%\end{aligned}$$

Q. 133. State with reason whether the following transactions will increase, decrease or not change the 'Return on Investment' Ratio—

- (i) Purchase of machinery worth ₹ 10,00,000 by issue of equity shares
- (ii) Charging depreciation of ₹ 25,000 on machinery.
- (iii) Redemption of debentures by cheque ₹ 2,00,000.
- (iv) Conversion of 9% Debentures of ₹ 1,00,000 into equity shares.

Ans. Statement Showing Effects on "Return on Investment"

S.No.	Effect	Reason
(i)	Decrease	Issue of equity shares for machine Purchased will increase the capital Employed.
(ii)	Decrease	Depreciation charge will decrease the value of both (Net Profit and Capital Employed)
(iii)	Increase	Redemption of debenture by cheque will decrease the value of capital employed.
(iv)	No change	Both debenture and equity shares are the part of "Capital Employed"

Q.134. Opening Inventory ₹ 80,000; Purchases ₹ 4,30,900; Direct Expenses ₹ 4,000; closing inventory ₹ 1,60,000; Administrative Expenses ₹ 21,100; Selling and distribution expenses ₹ 40,000; Revenue from operations i.e., Net Sales ₹ 10,00,000. Calculate (a) Inventory turnover ratio, (b) Gross Profit ratio, (c) Operating ratio.

$$\begin{aligned}\text{Ans. (a) Inventory Turnover Ratio} &= \frac{\text{Cost of goods sold}}{\text{Average Inventory}} \\ &= \frac{80,000 + 4,30,900 + 4,000 - 1,60,000}{1/2(80,000 + 1,60,000)} \\ &= \frac{3,54,900}{1,20,000} = 2.96 \text{ times}\end{aligned}$$

$$\begin{aligned}\text{(b) Gross Profit Ratio} &= \frac{\text{Gross Profit} \times 100}{\text{Net Sales}} \\ &= \frac{(\text{Sales} - \text{Cost of goods sold}) \times 100}{\text{Net Sales}} \\ &= \frac{(10,00,000 - 3,54,900) \times 100}{10,00,000} = \frac{6,45,100 \times 100}{10,00,000} \\ &= 64.51\%\end{aligned}$$

$$\begin{aligned}
 \text{(c) Operating Ratio} &= \frac{\text{Operating Cost} \times 100}{\text{Net Sales}} \\
 &= \frac{(3,54,900 - 21,100 + 40,000) \times 100}{1,00,000} \\
 &= \frac{4,16,000 \times 100}{10,00,000} = \frac{416}{10} = 41.6\%
 \end{aligned}$$

Q.135. Following information is given about a company:

	(₹)
Revenue from operations, i.e., Net Sales	1,50,000
Gross Profit	30,000
Cost of goods sold	1,20,000
Opening Inventory	29,000
Closing Inventory	31,000
Debtors	16,000

From the above information, calculate the following ratio

- (i) Gross Profit Ratio,
- (ii) Inventory Turnover Ratio, and
- (iii) Trade Receivables Turnover Ratio.

$$\begin{aligned}
 \text{Ans. (i) Gross Profit Ratio} &= \frac{\text{Gross Profit} \times 100}{\text{Net Sales}} \\
 &= \frac{30,000 \times 100}{1,50,000} = 20\%
 \end{aligned}$$

$$\begin{aligned}
 \text{(ii) Inventory Turnover Ratio} &= \frac{\text{Cost of goods sold}}{\text{Average Inventory}} = \frac{1,20,000}{1/2 (29,000 + 31,000)} \\
 &= \frac{1,20,000}{30,000} = 4 \text{ times}
 \end{aligned}$$

$$\begin{aligned}
 \text{(iii) Trade Receivables Turnover Ratio} &= \frac{\text{Credit Sales}}{\text{Average Trade Receivables}} \\
 &= \frac{1,50,000}{16,000} = 9.4 \text{ times}
 \end{aligned}$$

Q. 136. From the following information, calculate any two of the following ratios:

- (i) Current Ratio
- (ii) Debt to Equity Ratio
- (iii) Operating Ratio

Revenue from operations Net (Sales) ₹ 1,00,000, Cost of good sold was 80% of sales. Equity share capital ₹ 7,00,000, General Reserve ₹ 3,00,000, Operating Expenses ₹ 10,000, Quick Assets ₹ 6,00,000; 9% Debentures ₹ 5,00,000, Closing Inventory ₹ 50,000, Prepaid expenses ₹ 10,000 and Current Liabilities ₹ 4,00,000.

Ans. (i) Current Assets = Quick Assets + Closing Inventory + Prepaid Expenses
 $= 6,00,000 + 50,000 + 10,000 = ₹ 6,60,000$

$$\begin{aligned}\text{Current Ratio} &= \frac{\text{Current Assets}}{\text{Current Liabilities}} \\ &= \frac{6,60,000}{4,00,000} = 1.65:1\end{aligned}$$

(ii) Debt = 9%

Debentures = ₹ 5,00,000

Equity = Share Capital + General Reserve
 $= ₹ 7,00,000 + 3,00,000 = ₹ 10,00,000$

$$\text{Debt-Equity Ratio} = \frac{\text{Debt}}{\text{Equity}} = \frac{5,00,000}{10,00,000} = 0.5 : 1$$

(iii) Cost of goods sold = ₹ 1,00,000 × 80% = ₹ 80,000

Operating Cost = Cost of goods sold + Operating expenses
 $= ₹ 80,000 + 10,000 = ₹ 90,000$

$$\begin{aligned}\text{Operating Ratio} &= \frac{\text{Operating Cost} \times 100}{\text{Net Sales}} \\ &= \frac{90,000 \times 100}{1,00,000} = 90\%\end{aligned}$$

Q.137. From the following information, calculate Inventory Turnover Ratio, Operating Ratio and Working Capital Turnover Ratio:

Opening Inventory ₹ 28,000, Closing Inventory ₹ 22,000, Purchases ₹ 46,000, Revenue from operations ₹ 90,000, Return ₹ 10,000, Carriage Inward ₹ 4,000, Office Expenses ₹ 4,000, Selling and distribution expenses 2,000, Working capital ₹ 40,000.

$$\begin{aligned}\text{Ans. Average Inventory} &= \frac{\text{Opening Inventory} + \text{Closing Inventory}}{2} \\ &= \frac{28,000 + 22,000}{2} = ₹ 25,000\end{aligned}$$

Cost of goods sold = Opening Inventory + Purchases + Carriage inwards – Closing Inventory
 $= ₹ 28,000 + 46,000 + 4,000 - 22,000 = ₹ 56,000$

$$\text{Stock Turnover Ratio} = \frac{\text{Cost of goods sold}}{\text{Average Inventory}}$$

$$= \frac{56,000}{25,000} = 2.24 \text{ times}$$

$$\begin{aligned} \text{Operating Cost} &= \text{Cost of goods sold} + \text{Office expenses} + \text{Selling and distribution expenses} \\ &= ₹ 56,000 + 4,000 + 2,000 = ₹ 62,000 \end{aligned}$$

$$\begin{aligned} \text{Net Sales} &= \text{Sales} - \text{Sales returns} \\ &= ₹ 90,000 - 10,000 = ₹ 80,000 \end{aligned}$$

$$\begin{aligned} \text{Operating Ratio} &= \frac{\text{Operating Cost} \times 100}{\text{Net Sales}} \\ &= \frac{62,000 \times 100}{80,000} = 77\% \end{aligned}$$

$$\begin{aligned} \text{Working Capital Turnover Ratio} &= \frac{\text{Net Sales}}{\text{Working Capital}} \\ &= \frac{80,000}{40,000} = 2 \text{ times} \end{aligned}$$

Q. 138. From the following calculate:

(a) Current Ratio; and (b) Working Capital Turnover Ratio.

	₹
(i) Revenue from operations	1,50,000
(ii) Total Assets	1,00,000
(iii) Shareholders Funds	60,000
(iv) Non-Current Liabilities	20,000
(v) Non-Current Assets	50,000

$$\begin{aligned} \text{Ans. (i) Current Ratio} &= \frac{\text{T/Assets} - \text{Non - Current Assets}}{\text{T/Assets} - \text{Shareholders Fund} - \text{Non - C/Liab.}} \\ &= \frac{1,00,000 - 50,000}{100,000 - 60,000 - 20,000} = \frac{50,000}{20,000} = 2.5 : 1 \end{aligned}$$

$$\begin{aligned} \text{(ii) W. Capital Turnover Ratio} &= \frac{\text{Revenue from operation}}{\text{C/Assets} - \text{C/Liab.}} \\ &= \frac{150,000}{50,000 - 20,000} = \frac{150,000}{30,000} = 5 \text{ times} \end{aligned}$$

Q. 139. Calculate following ratios on the basis of the following information—

- (i) Gross Profit Ratio;
- (ii) Current Ratio;
- (iii) Acid Test Ratio; and
- (iv) Inventory Turnover Ratio.

Gross Profit	50,000	Revenue from Operations	1,00,000
Inventory	15,000	Trade Receivables	27,500
Cash and Cash Equivalents	17,500	Current Liabilities	40,000

Ans. Working Note—

$$(i) \text{ Current Assets} = \text{T/ Receivable} + \text{Cash \& Cash Equi.} + \text{Investment} \\ = ₹ [27,500 + 17,500 + 15,000] = ₹ 60,000$$

$$(ii) \text{ Quick Assets} = \text{Current Assets} - \text{Inventory} \\ = ₹ [60,000 - 15,000] = ₹ 45,000$$

$$(iii) \text{ Cost of Revenue} = \text{Rev. from ope.} - \text{G.Profit} \\ = ₹ [1,00,000 - 50,000] = ₹ 50,000$$

$$(a) \text{ Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Rev. from op.}} (\times 100) = \frac{₹ 50,000}{1,00,000} \times 100 = 50\%$$

$$(b) \text{ Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{₹ 60,000}{40,000} = 1.5 : 1$$

$$(c) \text{ Acid Test Ratio} = \frac{\text{Quick Assets}}{\text{Current Liabilities}} = \frac{₹ 45,000}{40,000} = 1.25 : 1$$

$$(d) \text{ Inventory Turn. Ratio} = \frac{\text{Cost of Rev.}}{\text{Av. Inventory}} = \frac{₹ 50,000}{15,000} = 3.33 \text{ times}$$

Q. 140. Calculate following ratio on the basis of the following information.

- (i) Current Ratio, (ii) Acid-test Ratio
(iii) Operating Ratio, and (iv) Gross Profit Ratio

	₹		₹
Current Assets	70,000	Current Liabilities	35,000
Inventory	30,000	Revenue from Operations (Sales)	1,20,000
Operating Expenses	40,000	Cost of goods sold	60,000

$$\text{Ans. (i) Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{70,000}{35,000} = 2 : 1$$

$$(ii) \text{ Liquid Assets} = \text{Current Assets} - \text{Stock} \\ = 70,000 - 30,000 = 40,000$$

$$\text{Acid-Test Ratio} = \frac{\text{Liquid Assets}}{\text{Current Liabilities}} = \frac{40,000}{35,000} = 1.4 : 1$$

$$(iii) \text{ Operating Ratio} = \frac{(\text{Cost of goods sold} + \text{Operating Expenses}) \times 100}{\text{Net Sales}} \\ = \frac{(60,000 + 40,000) \times 100}{1,20,000} = \frac{1,00,000 \times 100}{1,20,000} = 83.3\%$$

$$\begin{aligned}
 \text{(iv) Gross Profit Ratio} &= \frac{\text{Gross Profit} \times 100}{\text{Net Sales}} \\
 &= \frac{(\text{Sales} - \text{Cost of goods sold}) \times 100}{\text{Net Sales}} \\
 &= \frac{(1,20,000 - 60,000) \times 100}{1,20,000} = \frac{60,000 \times 100}{1,20,000} = 50\%
 \end{aligned}$$

Q. 141. From the information given below, calculate the following ratio: (any three ratio)

(i) Gross Profit Ratio

(ii) Working Capital Turnover Ratio

(iii) Debt-Equity Ratio

(iv) proprietary Ratio

	₹		₹
Revenue from Operations	5,00,000	Current Liabilities	1,40,000
Cost of goods sold	3,00,000	Paid up Share Capital	2,50,000
Current Assets	2,00,000	13% Debentures	1,00,000

$$\begin{aligned}
 \text{Ans. (i) Gross Profit Ratio} &= \frac{\text{Gross Profit}}{\text{Net Sales}} \times 100 \\
 &= \frac{(\text{Net Sales} - \text{Cost of goods sold}) \times 100}{\text{Net Sales}} \\
 &= \frac{(5,00,000 - 3,00,000) \times 100}{5,00,000} \\
 &= \frac{2,00,000 \times 100}{5,00,000} = 40\%
 \end{aligned}$$

$$\begin{aligned}
 \text{(ii) Working Capital Turnover Ratio} &= \frac{\text{Net Sales}}{\text{Working Capital}} \\
 &= \frac{\text{Net Sales}}{\text{Current Assets} - \text{Current Liabilities}} \\
 &= \frac{5,00,000}{2,00,000 - 1,40,000} = \frac{5,00,000}{60,000} = 8.33 \text{ times}
 \end{aligned}$$

$$\begin{aligned}
 \text{(iii) Debt-Equity Ratio} &= \frac{\text{Long-term Debts}}{\text{Equity}} = \frac{\text{Debentures} + \text{Loan}}{\text{Paid Up Capital} + \text{Capital}} \\
 &= \frac{1,00,000}{2,50,000} = 0.4 : 1
 \end{aligned}$$

$$\begin{aligned}
 \text{(iv) Proprietary Ratio} &= \frac{\text{Proprietors Funds}}{\text{Total Assets}} \\
 &= \frac{\text{Paid up Share Capital}}{\text{Paid up Share Capital} + \text{Debentures} + \text{Current Liabilities}} \\
 &= \frac{2,50,000}{2,50,000 + 1,00,000 + 1,40,000} \\
 &= \frac{2,50,000}{4,90,000} = 0.51 : 1
 \end{aligned}$$

Q. 142. On the basis of the following information, calculate :

(i) Debt-Equity Ratio and (ii) Working Capital Turnover Ratio.

Information	₹		₹
Cash Sales	40,00,000	Paid-up Share Capital	17,00,000
Credit Sales	20,00,000	6% Debentures	3,00,000
Cost of Goods Sold	35,00,000	9% Loan from Bank	7,00,000
Other Current Assets	8,00,000	Debentures Red. Reserve	3,00,000
Current Liabilities	4,00,000	Closing Inventory	1,00,000

$$\text{Ans. (i) Debt Equity Ratio} = \frac{\text{Debt}}{\text{Equity}}$$

$$\begin{aligned}
 \text{Debt} &= 6\% \text{ Debentures} + 9\% \text{ Loan from Bank} \\
 &= 3,00,000 + 7,00,000 = 10,00,000
 \end{aligned}$$

$$\begin{aligned}
 \text{Equity} &= \text{Paid up Share Capital} + \text{Debenture Red. Res.} \\
 &= 17,00,000 + 3,00,000 = 20,00,000
 \end{aligned}$$

$$\text{Debt Equity Ratio} = \frac{10,00,000}{20,00,000} = 0.5$$

$$\text{(ii) Working Capital Turnover Ratio} = \frac{\text{Net Sales}}{\text{Working Capital}}$$

$$\begin{aligned}
 \text{Net Sales} &= \text{Cash Sales} + \text{Credit Sales} \\
 &= 40,00,000 + 20,00,000 = 60,00,000
 \end{aligned}$$

$$\begin{aligned}
 \text{Working Capital} &= \text{Current Assets} - \text{Current Liabilities} \\
 &= (8,00,000 + 1,00,000) - 4,00,000 \\
 &= 5,00,000
 \end{aligned}$$

$$\text{Working Capital Turnover Ratio} = \frac{60,00,000}{5,00,000} = 12 \text{ times}$$

Q. 143. From the following, calculate (a) Debt to Equity Ratio; (b) Total Assets to Debt Ratio; and (c) Proprietary Ratio—

Equity Share Capital	₹ 75,000	Debentures	₹ 75,000
Preference Share Capital	₹ 25,000	Trade Payables	₹ 40,000
General Reserve	₹ 45,000	Outstanding Expenses	₹ 10,000
Balance in Statement of Profit and Loss	₹ 30,000		

Ans. Working Note—

$$(i) \text{ Shareholders' Fund} = \text{Eq. Share Cap.} + \text{Pref. Share Cap.} + \text{Gen. Res.} + \text{Profit \& Loss}$$

$$= ₹ [75,000 + 25,000 + 45,000 + 30,000] = ₹ 1,75,000$$

$$(ii) \text{ Debt.} = \text{Debentures} = ₹ 75,000$$

$$(iii) \text{ Current Liability} = \text{Trade Payables} + \text{O/s Exp.}$$

$$= ₹ [40,000 + 10,000] = ₹ 50,000$$

$$(iv) \text{ Total Assets} = \text{Shareholder's Fund} + \text{Debt} + \text{Current Liabilities}$$

$$= ₹ [1,75,000 + 75,000 + 50,000] = ₹ 3,00,000$$

$$(a) \text{ Debt to Equity Ratio} = \frac{\text{Long term Debt}}{\text{Shareholders' Fund}} = \frac{₹ 75,000}{1,75,000} = 0.43 : 1$$

$$(b) \text{ Total Assets to Debt Ratio} = \frac{\text{Total Assets}}{\text{Long term Debt}} = \frac{₹ 3,00,000}{75,000} = 4 : 1$$

$$(c) \text{ Proprietary Ratio} = \frac{\text{Shareholders' Fund}}{\text{Total Assets}} = \frac{₹ 1,75,000}{3,00,000} = 0.58 : 1$$

Q.144. From the following information related to Naveen Ltd. Calculate (a) Return on Investment and (b) Total Assets to Debt Ratio.

Information: Fixed Assets ₹ 75,00,000, Current Assets ₹ 40,00,000, Current Liabilities ₹ 27,00,000, 12% Debentures ₹ 80,00,000 and Net Profit before interest, Tax and Dividend ₹ 14,50,000.

$$\text{Ans. (a) } \text{R.O.I.} = \frac{\text{NPBI.T and Div.}}{\text{Capital Employed}} \times 100$$

$$= \frac{14,50,000}{88,00,000} \times 100 = 16.47\%$$

$$(b) \text{ T/Assets to Debt Ratio} = \frac{\text{T/Assets}}{\text{Long-Term Debt.}}$$

$$= ₹ \frac{1,15,00,000}{80,00,000} = 1.4375 \text{ or } 1.44 : 1$$

Working Note:

$$\text{T/Assets} = \text{Fix/Assets} + \text{C/Assets}$$

$$= ₹ (75,00,000 + 40,00,000) = ₹ 1,15,00,000$$

$$\text{Capital Employed} = \text{T/Assets} - \text{C/Liabilities}$$

$$= ₹ (1,15,00,000 - 27,00,000)$$

$$= ₹ 88,00,000$$

Q. 145. Calculate the Current Ratio, Quick Ratio and Debt-Equity Ratio from the figures given below:

<i>Particular</i>	<i>(₹)</i>
Inventory	30,000
Prepaid expenses	2,000
Other Current Assets	50,000
Current Liabilities	40,000
12% Debentures	30,000
Accumulated Profits	10,000
Equity Share Capital	1,00,000
Non-Current Investments	15,000

Ans. Current Ratio = $\frac{\text{Current Assets}}{\text{Current Liabilities}}$
 $= \frac{30,000 + 2,000 + 50,000}{40,000} = \frac{82,000}{40,000} = 2.05 : 1$

Quick Ratio = $\frac{\text{Liquid Assets}}{\text{Current Liabilities}} = \frac{50,000}{40,000} = 1.25 : 1$

Debt-Equity Ratio = $\frac{\text{Long term Debts}}{\text{Shareholders funds}} = \frac{30,000}{(1,00,000 + 10,000)} = 0.27 : 1$

Q. 146. From the following calculate Return on Investment (or Return on Capital Employed):

<i>Items</i>	<i>(₹)</i>
1. Share Capital	5,00,000
2. Reserves and Surplus	2,50,000
3. Net Fixed Assets	22,50,000
4. Non-Current Trade Investments	2,50,000
5. Current Assets	11,00,000
6. 10% Long-term Borrowings	20,00,000
7. Current Liabilities	8,50,000
8. Long-term Provisions.	NIL

Net Profit before tax. ₹ 6,00,000

Ans. Return on Investment = $\frac{\text{Net Profit before Interest Tax and Dividend} \times 100}{\text{Capital Employed}}$

$= \frac{8,00,000}{27,50,000} \times 100 = 29.09\%$

Here, Net Profit = ₹ 6,00,000 + (20,00,000 × 10%)

= ₹ 6,00,000 + 2,00,000 = ₹ 8,00,000

Capital Employed = ₹ 5,00,000 + 2,50,000 + 20,00,000 = ₹ 27,50,000

5 Cash Flow Statement

SOLVED PRACTICAL PROBLEMS

Q.1. Identify the transactions as belonging to (i) operating activities, (ii) investing activities, (iii) financing activities and (iv) cash and cash equivalents:

- | | |
|--------------------------------|--|
| (a) Cash sale of goods | (b) Cash received against revenue from services rendered |
| (c) Cash purchase of goods | (d) Cash paid against services taken |
| (e) Patents purchased | (f) Marketable securities |
| (g) Bank overdraft | (h) Proceeds from Issue of debentures |
| (i) Purchase of shares | (j) Repayment of long-term loan |
| (k) Commission received | (l) Redemption of debentures |
| (m) Interest on Debentures | (n) Interest on investments |
| (o) Income tax paid | (p) Income tax paid on gain of sale of assets |
| (q) Cash received from debtors | (r) Cash paid to creditors. |

Ans.

S.No.	Name of terms	Name of activities
(a)	Cash Sale of goods	Operating activity
(b)	Cash received against revenue from services	Operating activity
(c)	Cash purchase of goods	Operating activity
(d)	Cash paid against service taken	Operating activity
(e)	Patents purchased	Investing activity
(f)	Marketable securities	Cash & cash equivalents
(g)	Bank overdraft	Cash & cash equivalents
(h)	Proceeds from issue of debenture	Financing activity
(i)	Purchase of shares	Investing activity
(j)	Repayment of long-term loan	Financing activity
(k)	Commission received	Operating activity
(l)	Redemption of debentures	Financing activity
(m)	Interest on debentures	Financing activity
(n)	Interest on investments	Investing activity
(o)	Income tax paid	Operating activity
(p)	Income tax paid on gain on sale of assets	Investing activity
(q)	Cash received from debtors	Operating activity
(r)	Cash paid to creditors	Operating activity

Q. 2. Classify the following transactions as operating activities for a financial company and a non-financial company:

- (a) Purchase of shares on a stock exchange.
- (b) Dividend received on shares.
- (c) Dividend paid on shares.
- (d) Loans given.
- (e) Loans taken.
- (f) Interest paid on borrowings.

Ans.

<i>S.No.</i>	<i>Name of terms</i>	<i>Operating activity for</i>
1.	Purchase of share on a stock exchange	Financial company
2.	Dividend received on shares	Financial company
3.	Dividend paid on shares	Financial company
4.	Loans given	Financial company
5.	Loans taken	Financial company
6.	Interest paid on borrowings	Financial company

Q. 3. State which of following would result in inflow/outflow or no flow of cash and cash equivalents:

- (a) Sale of fixed assets, book value ₹ 1,00,000 at profit of ₹ 10,000.
- (b) Sale of goods against cash.
- (c) Purchase of machinery for cash.
- (d) Purchase of land and building for ₹ 10,00,000. Consideration paid by issue of debentures.
- (e) Issued fully paid bonus shares.
- (f) Cash withdrawn from bank.
- (g) Payment of interim dividend.
- (h) Proposed dividend.

Ans.

<i>S.No.</i>	<i>Name of terms</i>	<i>Type of flows</i>
1.	Sale of fixed assets book value ₹ 1,00,000 at a profit of ₹ 10,000	Inflow
2.	Sale of goods against cash	Inflow
3.	Purchase of machinery for cash	Outflow
4.	Purchase of land and building for ₹ 1,00,000 consideration paid by issue of debentures	No flow
5.	Issued fully paid bonus shares	No flow
6.	Cash withdrawn from bank	No flow
7.	Payment of interim dividend	Outflow
8.	Proposed dividend	No flow

Q. 4. For each of the following transactions, calculate the resulting Cash Flow and state the nature of Cash Flow, *i.e.*, whether it is Operating, Investing or Financing—

(a) Acquired machinery for ₹ 2,50,000 paying 20% by cheque and executing a bond for the balance payable.

(b) Paid ₹ 2,50,000 to acquire shares in Informa Tech Ltd. and received a dividend of ₹ 50,000 after acquisition.

(c) Sold machinery of original cost of ₹ 2,00,000 with an accumulated depreciation of ₹ 1,60,000 for ₹ 60,000.

Ans. (a) Payment of ₹ 50,000 [20% of ₹ 2,50,000] by cheque is the "outflow" of cash and it is the part of investing Activity.

(b) Payment of ₹ (2,50,000 to acquire shares in Informa Tech Ltd. is the "outflow" and dividend received (₹ 50,000) is the inflow and both are the Part of "Investing Activities."

(c) Sale of machinery in (₹ 60,000) is the "Inflow" of Cash and part of "Investing activities."

Q. 5. Following are the extracts from the balance sheets of MAH Ltd. as at 31st March, 2018 :

<i>Particulars</i>	<i>31st March, 2018 (₹)</i>	<i>31st March, 2017 (₹)</i>
Surplus, <i>i.e.</i> , balance in statement of profit and loss	10,00,000	5,00,000
Dividend payable	—	50,000

Additional information : Proposed Dividend for the year ended 31st March, 2017 and 2018 are ₹ 4,00,000 and ₹ 5,00,000 respectively.

Prepare the note to show net profit before tax and extraordinary items.

Ans. Calculation of net profit before tax and extraordinary items.

	<i>₹</i>
Surplus as per statement of P & L ₹ [10,00,000 – 5,00,000]	5,00,000
Add: Dividend paid during the year	4,00,000
Net profit before tax and extraordinary items.	₹ 9,00,000

Q.6. Following is the extracts from the balance sheets of Zee Ltd.:

<i>Particulars</i>	<i>31st March, 2018 (₹)</i>	<i>31st March, 2017 (₹)</i>
Equity share capital	8,00,000	8,00,000
10% preference share capital	6,00,000	6,00,000
Surplus, <i>i.e.</i> , balance in statement of profit and loss	7,20,000	4,00,000
Unpaid dividend	20,000	—

Additional information : (i) Proposed equity dividends for the year 2016-17 and 2017-18. (ii) are ₹ 1,60,000 and ₹ 2,00,000 respectively. An interim dividend of ₹ 40,000 on equity shares was paid. Show net profit before tax and extraordinary items.

Ans. Calculation of net profit before tax and extraordinary items

Particulars	₹	₹
1. Surplus as per statement of P & L ₹ [7,20,000 – 4,00,000]		3,20,000
Add: Interim dividend paid	40,000	
Dividend paid on equity share	1,60,000	
Dividend paid on preference share [6,00,000 × 10%]	60,000	2,60,000
Net profit before tax and extraordinary items		5,80,000

Q. 7. Calculate net profit before tax and extraordinary items of premier sales Ltd. from its balance sheets as at and 31st March, 2018 :

Particulars	Note No.	31st March 2018 ₹	31st March 2017 ₹
I. Equity and Liabilities			
1. Shareholders funds			
(a) Share capital		5,00,000	5,00,000
(b) Reserve and surplus (Surplus, i.e., balance in statement of profit & loss)		2,00,000	1,45,000
2. Current liabilities			
(a) Trade payable		90,000	50,000
(b) Other current liabilities		20,000	10,000
(c) Short-term provision	1	50,000	30,000
Total		8,60,000	7,35,000
II. Assets			
1. Non-current assets			
(a) Fixed assets		4,50,000	4,00,000
(b) Non-Current Investments		50,000	1,50,000
2. Current assets		2,69,000	1,85,000
Total		8,60,000	8,60,000

Note to Accounts

Particulars	31st March, 2018 (₹)	31st March, 2017 (₹)
1. Short-term provisions		
Provision for tax	50,000	30,000
	1,00,000	55,000

(i) Proposed Dividend for the year ended 31st March 2017 and 2018 are ₹ 50,000 and ₹ 75,000 respectively.

(ii) Interim dividend paid during the year was ₹ 10,000.

Ans. Calculation of net profit before tax and extraordinary items

<i>Particulars</i>	₹	₹
Surplus as per statement of Profit & Loss ₹ [2,00,000 – 1,45,000]		55,000
Add: Interim dividend paid	10,000	
Provision for tax for current year	50,000	
Dividend for paid during the year	50,000	1,10,000
Net profit B. tax & extra items		1,65,000

Q. 8. From the following information, calculate net profit before tax and extraordinary items:

	₹
Surplus, i.e., Balance in statement of profit and loss (Opening)	1,00,000
Surplus, i.e., Balance in statement of profit and loss (Closing)	3,36,000
Dividend paid in the current year	72,000
Interim dividend paid during the year	90,000
Transfer to reserve	1,00,000
Provision for tax for the current year	1,50,000
Refund of tax	3,000
Loss due to earthquake	2,00,000
Insurance proceeds from earthquake disaster settlement	1,00,000

Ans. Statement showing net profit before tax and E. ordi. items.

	<i>Particulars</i>	₹	₹
(A)	Cash flow from operating activities:		
	Net profit for the year [3,36,000 – 1,00,000]		2,36,000
	Add: Paid dividend	72,000	
	Interim dividend	90,000	
	Transfer to reserve	1,00,000	
	Provision for tax	1,50,000	
	Loss due to earthquake	2,00,000	6,12,000
			8,48,000
	Less: Refund of tax	3,000	
	Insurance proceeds	1,00,000	1,03,000
	Net profit before tax and Ex. ordi. Items		7,45,000

Q. 9. From the following information, calculate operating profit before working capital changes:

	₹
Net profit before tax and extraordinary items	4,47,000
Depreciation on machinery	84,000
Interest on borrowings	16,800
Goodwill amortised	18,600
Loss on sale of furniture	18,000
Premium on redemption of preference shares	6,000
Profit on sale of investments	12,000
Interest and dividend received on investments	27,600
Ans. Statement showing operating profit before working capital	

Particulars-	₹	₹
(A) Cash flow from operating activities:		
Net profit before tax and Ex.ordi- items		4,47,000
Add: Depreciation on machinery	84,000	
Interest on borrowings	16,800	
Goodwill amortised	18,600	
Loss on sale of furniture	18,000	
Prem. on red. of pref. shares	6,000	1,43,400
		5,90,400
Less: Profit on sale of investments	12,000	
Int. and div. reci. on investments	27,600	39,600
Operating profit before W. capital changes		5,50,800

Q.10. From the following information and balance sheets of Double Tree Ltd. as at 31st March, 2018 2016, calculate operating profit before working capital changes:

Particulars	Note No.	31st March 2018 ₹	31st March 2017 ₹
I. Equity and Liabilities			
1. Shareholders funds			
(a) Share capital		5,00,000	5,00,000
(b) Reserves and surplus	1	6,70,000	5,00,000
2. Current Liabilities			
(a) Trade payables		60,000	50,000
(b) Other current liabilities (outstanding expenses)		20,000	15,000
(c) Short-term provision (provision for tax)		1,00,000	90,000
Total		13,50,000	11,55,000

II. Assets			
1. Non-current assets			
(a) Fixed assets		7,50,000	7,30,000
(b) Non-current investments		2,50,000	3,00,000
2. Current assets		3,50,000	1,25,000
Total		13,50,000	11,55,000

Note to Accounts

<i>Particulars</i>	<i>31st March, 2018 (₹)</i>	<i>31st March, 2017 (₹)</i>
1. Reserves and surplus		
General reserve	5,00,000	4,00,000
Surplus, i.e., Balance in statement of Profit and Loss	1,70,000	1,00,000
	6,70,000	5,00,000

Additional information : Depreciation for the year was ₹ 75,000.

Ans. Statement showing operating profit before W. capital changes.

<i>Particulars</i>	<i>₹</i>	<i>₹</i>
(A) Cash flow from operating activities:		
Net profit for the year [1,70,000 – 1,00,000]		70,000
Add: Transfer to reserve [5,00,000 – 4,00,000]	1,00,000	
Prov. for tax of current year	1,00,000	2,00,000
Net profit B. tax and ex.ordinary items		2,70,000
Add: Depreciation for the year		75,000
Operating profit before W. capital changes		3,45,000

Q. 11. Calculate cash flow from operating activities from the following details:

<i>Particulars</i>	<i>Note No.</i>	<i>31st March 2018 ₹</i>	<i>31st March 2017 ₹</i>
Surplus, i.e., balance in statement of P & L		80,000	60,000
Trade receivables		25,000	31,000
Provision for Depreciation		40,000	30,000
Inventories		80,000	60,000
Outstanding rent		12,000	21,000
Goodwill		30,000	38,000
Prepaid insurance		1,000	2,000
Trade payable (Creditors)		13,000	19,000

Ans. Calculation of cash flow from operating activities

<i>Particulars</i>	₹	₹
Surplus as per statement of profit and loss ₹ [80,000 – 60,000]		20,000
Add: Depreciation [40,000 – 30,000]	10,000	
G/W written off [38,000 – 30,000]	8,000	18,000
Net profit before working capital changes		38,000
Add: Decrease in trade receivable [31,000 – 25,000]	6,000	
Decrease in P/P ins. [2,000 – 1000]	1,000	7,000
		45,000
Less: Increase in inventories [80,000 – 60,000]	(20,000)	
Decrease in o/s rent [21,000 – 12,000]	(9,000)	
Decrease in tax payables [19,000 – 13,000]	(6,000)	(35,000)
Net cash from operating activities		10,000

Q. 12. Compute cash flow from operating activities from the following information:

<i>Particulars</i>	₹
Net profit after provision for tax and Payment of dividend	2,15,000
Provision for tax	45,000
Final dividend paid during the year	50,000
Depreciation	25,000
Loss on sale of machinery	10,000
Patents amortised	30,000
Gain on sale of land	70,000
Income tax refund	30,000

Ans. Calculation of cash flow from operating activities

<i>Particulars</i>	₹	₹
Surplus, i.e., balance in statement of P & L		2,15,000
Add: Provision for tax	45,000	
Final dividend paid	50,000	95,000
		3,10,000
Less: Income tax refund		(30,000)
Net profit before tax and extraordinary items		2,80,000
Add: Depreciation	25,000	
Loss on sale of machinery	10,000	
Patent amortised	30,000	65,000
		3,45,000
Less: Gain on sale of land		(70,000)
Net profit before working capital changes		2,75,000
Less: Income tax paid (Net of refund) [45,000 – 30,000]		(15,000)
Net cash flow from operating activities		2,60,000

Q. 13. Calculate cash flow from operating activities from the following:

(i) Profit for the year is ₹7,00,000 after considering the following items:

<i>Particulars</i>	<i>₹</i>
Depreciation on fixed assets	40,000
Goodwill amortised	20,000
Gain on sale of land	90,000
Appropriation of profit towards general reserve	60,000

(ii) Following is the position of current assets and current liabilities.

<i>Particulars</i>	<i>Closing Balance (₹)</i>	<i>Opening Balance (₹)</i>
Trade payables	50,000	75,000
Trade receivables	75,000	60,000
Prepaid expenses	10,000	18,000

Ans. Calculation of cash flow form operating activities

<i>Particulars</i>	<i>₹</i>	<i>₹</i>
Surplus, i.e., balance in statement of P & L		7,00,000
Add: Transfer to Gen. reserve		60,000
Net profit before tax and extraordinary items		7,60,000
Add: Depreciation	40,000	
Goodwill amortised	20,000	60,000
		8,20,000
Less: Gain on sale of land		(90,000)
Net profit before working capital changes		7,30,000
Less: Increase in T/receivables [75,000 – 60,000]	(15,000)	
Decrease in T/pay. [75,000 – 50,000]	(25,000)	(40,000)
		6,90,000
Add: Decrease in P/P Ins. [18,000 – 10,000]		8,000
Net cash flow from operating activities		6,98,000

Q. 14. Grand Hospitality Ltd., reported net profit after tax of ₹6,40,000 for the year ended 31st March, 2018. The relevant extracts from balance sheets for and 2018 are:

<i>Particulars</i>	<i>31st March 2018 (₹)</i>	<i>31st March 2017 (₹)</i>
Inventories	1,15,000	1,25,000
Trade receivables	1,50,000	1,10,000
Prepaid expenses	20,000	6,000
Trade payables	1,10,000	80,000
Provision for tax	20,000	15,000

Depreciation charged on plant and machinery ₹ 55,000, insurance claim received ₹ 50,000, profit on sale of investment ₹ 20,000 appeared in the statement of profit and loss for the year ended 31st, March, 2018. Calculate cash flow from operating activities.

Ans. Calculation of cash flow from operating activities

<i>Particulars</i>	₹	₹
Surplus as per statement of P & L		6,40,000
Add: Provision for tax		20,000
		6,60,000
Less: Insurance claim received		(50,000)
Net profit before tax and extraordinary items		6,10,000
Add: Depreciation of plant and machinery		55,000
		6,65,000
Less: Profit and sale of investment		(20,000)
Net profit before working capital changes		6,45,000
Add: Decrease in inventories [1,25,000 – 1,15,000]	10,000	
Increase in trade payables [1,10,000 – 80,000]	30,000	40,000
		6,85,000
Less: Increase in T/Recei. [1,50,000 – 1,10,000]	(40,000)	
Increase in P/P exp. [20,000 – 6,000]	(14,000)	(54,000)
Net cash from operation		6,31,000
Add: Insurance claim received		50,000
		6,81,000
Less: Income tax paid		(15,000)
Net cash flow from operating activities		6,66,000

Q. 15. Calculate cash flow operating activities from the following information:

<i>Particulars</i>	₹
Net profit (Difference between closing and opening Balance of Surplus, i.e. Balance in statement of profit and loss)	8,00,000
Proposed dividend	1,10,000
Compensation for natural disaster credited to statement of P & L	75,000
Depreciation	1,50,000
Loss on sale of investment	30,000
Profit on sale of land	90,000
Provision for Tax	1,10,000
Dividend received	20,000
Decrease in current assets (other than cash and cash equivalents)	40,000
Increase in current liabilities	70,000
Decrease in current liabilities	10,000
Increase in current assets (other than cash and cash equivalents)	60,000
Income tax refunds	10,000
Income tax paid	1,20,000

Ans. Calculation of cash flow from operating activities

Particulars	₹	₹
Surplus as per statement of Profit and Loss		8,00,000
Add: Provision for tax	1,00,000	
Final dividend paid	1,10,000	2,10,000
		10,10,000
Less: Compensation for natural disaster	(75,000)	
Income tax refund	(10,000)	(85,000)
Net profit before tax and extraordinary items		9,25,000
Add: Depreciation	1,50,000	
Loss on sale of investments	30,000	1,80,000
		11,05,000
Less: Profit on sale of land	(90,000)	
Dividend received	(20,000)	(1,10,000)
Net profit before working cap. changes		9,95,000
Add: Decrease in current assets	40,000	
Increase in current liabilities	70,000	1,10,000
		11,05,000
Less: Decrease in current liabilities	(10,000)	
Increase in current assets	(60,000)	(70,000)
Net cash from operations		10,35,000
Add: Compensation for natural disaster	75,000	
Income tax refund	10,000	85,000
		11,20,000
Less: Income tax paid		(1,20,000)
Net cash flow from operating activities		10,00,000

Q. 16. Following information is related to ABC Ltd.:

Statement of profit and loss for the year ended 31st March, 2018

	Particulars	Note No.	₹
I.	Revenue from operation (Net sales)		30,00,000
II.	Other income	1	45,000
III.	Total revenue (I + II)		30,45,000
IV.	Expenses:		
	Purchase of stock-in-trade		23,03,000
	Change in inventories of stock-in-trade		(16,000)
	Depreciation and amortisation expenses		1,85,000
	Other expenses	2	3,29,000
	Total Expenses		28,01,000
V.	Profit before tax (III – IV)		2,44,000
VI.	Less: Payment of tax		64,000
VII.	Profit for the period (Net profit)		1,80,000

Notes to Accounts

<i>Particulars</i>		₹
1.	Other Income	
	(a) Dividend received	5,000
	(b) Profit on sale of plant	40,000
		<u>45,000</u>
2.	Other Expenses	
	(a) Office expenses	58,000
	(b) Selling expenses	2,35,000
	(c) Loss on sale of assets	36,000
		<u>3,29,000</u>
Other Information:		
	Balance as on 31st March, 2018	Balance as on 31st March, 2017
	₹	₹
Trade payables	2,78,000	2,50,000
Trade receivables	4,52,000	4,15,000
Inventories	3,00,000	2,84,000
Office expenses outstanding	—	5,000
Selling expenses outstanding	25,000	22,000
Calculate cash flow from operating activities		
Ans. Cash flow from operating activities		
<i>Particulars</i>	₹	₹
Net profit as per statement of P & L A/c		1,80,000
Add: Provision for tax		64,000
Net profit before tax and extraordinary item		2,44,000
Add: Non-cash items:		
Loss on sale of other assets	36,000	
Depreciation on fixed assets	1,85,000	2,21,000
		<u>4,65,000</u>
Less: Profit on sale of plant	(40,000)	
Dividend received	(5,000)	(45,000)
Net profit before working capital changes		4,20,000
Add: Increase in trade payables	28,000	
Increase in O/S selling expenses	3,000	
		<u>31,000</u>
		4,51,000
Less: Increase in trade receivables	(37,000)	
Decrease in O/S office expenses	(5,000)	(58,000)
Increases inventories	16,000	3,93,000
Less: Tax paid		(64,000)
Net cash flow from operating activities		<u>3,29,000</u>

Q. 17. Compute cash flow from operating activities from the following:

<i>Particulars</i>	<i>Closing (₹)</i>	<i>Opening (₹)</i>
Surplus, i.e., balance in statement of P & L	65,000	60,000
Trade receivables:		
Debtors	67,000	1,02,000
Bills receivable	1,03,000	62,000
General reserve	2,37,000	2,02,000
Provision for depreciation	30,000	20,000
Outstanding expenses	12,000	30,000
Goodwill	70,000	80,000

An asset costing ₹ 40,000 having book value of ₹ 28,000 was sold for ₹ 36,000.

Ans. Calculation of cash flow from operating activities

<i>Particulars</i>	<i>₹</i>	<i>₹</i>
Surplus as per statement of Profit and Loss ₹ [65,000 – 60,000]		5,000
Add: Transfer to general reserve		35,000
Net profit before tax and extraordinary item		40,000
Add: Depreciation [30,000 + 12,000 – 20,000]	22,000	
Goodwill [80,000 – 70,000]	10,000	32,000
		72,000
Less: Profit on sale of assets [36,000 – 28,000]		(8,000)
Net profit before working capital changes		64,000
Add: Decrease in Debt [1,02,000 – 67,000]		35,000
		99,000
Less: Increase in B/R [1,03,000 – 62,000]	(41,000)	
Decrease in o/s expenditure [30,000 – 12,000]	(18,000)	(59,000)
Net cash flow from operating activities		40,000

Q. 18. Charles Ltd. earned a profit of ₹ 1,00,000 after charging depreciation of ₹ 20,000 on assets and a transfer to General Reserve of ₹ 30,000. Goodwill amortised was ₹ 7,000 and gain on sale of machinery was ₹ 3,000. Other information available is (changes in the value of Current Assets and Current Liabilities) : trade receivables showed an increase of ₹ 3,000; trade payables an increase of ₹ 6,000; Prepaid expenses an increase of ₹ 200; and outstanding expenses a decrease of ₹ 2,000.

Ascertain Cash Flow from Operating Activities—

Ans. Statement for Operating Activities

S.No.	Particulars	₹	₹
(A)	Operating Activities		
	Net Profit After Appropriation :		1,00,000
	Add : Transfer to General Reserves		30,000
	Net Profit before appropriation		1,30,000
	Add : Non-Cash and Non-Operating items :		
	Depreciation on assets	20,000	
	Goodwill Amortised	7,000	27,000
			1,57,000
	Less : Gain on Sale of machinery		3,000
	Net Profit before working capital changes		1,54,000
	Add/ Less : Working Capital changes		
	Add : Increase in Trade Payables		6,000
			1,60,000
	Less : Increase in Trade Receivables	3,000	
	Increase in Prepaid Expenses	200	
	Decrease in outstanding Expenses	2,000	5,200
	Net Cash Flow from Operating Activities		1,54,800

Q. 19. Compute cash flow from operating activities from the following

Particulars	31st March, 2018 (₹)	31st March, 2017 (₹)
Surplus, i.e., balance in statement of P & L	80,000	40,000
Trade receivables:		
Bills receivable	8,000	5,000
Debtors	12,000	10,000
Inventories (Stock)	4,000	7,000
Prepaid expenses	—	500
Trade payable:		
Creditors	6,000	4,000
Bills payable	—	1,000
Outstanding expenses	3,000	2,000

Ans. Cash flow from operating activities

<i>Particulars</i>	₹	₹
Net profit as per statement of P & L A/c		40,000
Add: Decrease in inventories	3,000	
Decrease in prepaid expenses	500	
Increase in trade payables (Cr.)	2,000	
Increase in O/S expenses	1,000	6,500
		46,500
Less: Increase in bills receivables	(3,000)	
Increase in Debtors	(2,000)	
Decrease in bills payables	(1,000)	(6,000)
Net cash flow from operating activities		40,500

Q. 20. From the following you are required to calculate cash flow from operating activities:

<i>Particulars</i>	<i>31st March, 2018 (₹)</i>	<i>31st March, 2017 (₹)</i>
Surplus, i.e., balance in statement of P & L	65,000	60,000
Trade receivables:		
Debtors	40,000	87,000
Bills receivable	1,03,000	62,000
General reserve	2,37,000	2,02,000
Dividend equalization reserve	1,00,000	78,000
Salary outstanding	12,000	30,000
Wages prepaid	7,000	5,000
Goodwill	70,000	80,000

Ans. Cash flow from operating activities

<i>Particulars</i>	₹	₹
Net profit as per statement of P & L A/c		5,000
Add: Transfer to general reserve	35,000	
Transfer to dividend equalisation fund	22,000	57,000
Operating profit before tax & extraordinary items		62,000
Add: Amortisation of goodwill		10,000
Operating profit before working capital changes		72,000
Add: Decrease in sundry debtors		47,000
		1,19,000
Less: Increase in bills receivables	(41,000)	
Increase in prepaid wages	(2,000)	
Decrease in O/S salary	(18,000)	(61,000)
Net cash flow from operating activities		58,000

- Q. 21. Compute Cash Flow from Operating Activities from the following—**
(i) Profit from the year ended 31st March, 2018 is ₹ 10,000 after providing for depreciation of ₹ 2,000.
(ii) Current Assets and Current Liabilities of the business for the year ended 31st March, 2017 and 2018 are as follows—

<i>Particulars</i>	<i>31st March, 2017 (₹)</i>	<i>31st March, 2018 (₹)</i>
Trade Receivables Provision	14,000	15,000
for Doubtful Debts Trade	1,000	1,200
Payables	13,000	15,000
Inventories	5,000	8,000
Other Current Assets	10,000	12,000
Expenses Payables	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. Statement Showing Operating Activities			
<i>S.No.</i>	<i>Particulars</i>	<i>₹</i>	<i>₹</i>
(A)	Operating Activities		
	Net Profit before Tax and extra-ordi. items		10,000
	Add : Non-Cash Items		200
	Increase in P.B.D.		2,000
	Depreciation on Assets		
	Net Profit before working Capital Change		12,200
	Change in Working Capital		
	Add : Increase in Trade Payables	2,000	
	Increase in Expenses Payables	500	
	Decrease in Prepaid Expenses	1,000	3,500
			15,700
	Less : Increase in Trade Receivables	1,000	
	Increase in Inventories	3,000	
	Increase in other Current Assets	2,000	
	Increase in Accrued Income	1,000	
	Decrease in Income Rece. in Adv.	1,000	(8,000)
	Net Cash Flow From Operating Activities		7,700

Q. 22. Calculate cash flow from operating activities from the following:

Case (a) Balance Sheet (An Extract)			
Particulars	31st March, 2018 (₹)	31st March, 2017 (₹)	
I. Equity and Liabilities			
Shareholder's funds			
Reserves and surplus:			
Surplus, i.e., balance in statement of P & L	6,00,000	2,00,000	
II. Assets			
Fixed assets : Tangible Assets	12,00,000	10,00,000	
Less: Accumulated depreciation	(2,50,000)	(2,00,000)	
	9,50,000	8,00,000	
Case (b) Balance Sheet (An Extract)			
Particulars	31st March, 2018 (₹)	31st March, 2017 (₹)	
I. Equity and Liabilities			
1. Shareholders funds			
Reserves and surplus:			
Surplus, i.e., balance in statement of P & L	6,00,000	2,00,000	
II. Assets			
Fixed assets : Intangible Assets	90,000	1,00,000	
Goodwill	90,000	1,00,000	
Case (c) Balance Sheet (An Extract)			
Particulars	31st March, 2018 (₹)	31st March, 2017 (₹)	
I. Equity and Liabilities			
1. Shareholders funds			
Reserves and surplus:	6,00,000	2,00,000	
2. Current liabilities			
Short-term provisions:			
Provision for tax	1,50,000	1,00,000	
Case (d) Balance Sheet (An Extract)			
Particulars	31st March, 2018 (₹)	31st March, 2017 (₹)	
I. Equity and Liabilities			
1. Shareholders funds			
Reserves and surplus:			
Surplus, i.e., balance in statement of P & L	6,00,000	2,00,000	
General reserve	3,20,000	3,00,000	
	9,20,000	5,00,000	

Case (e)		Balance Sheet (An Extract)	
	Particulars	31st March, 2018 (₹)	31st March, 2017 (₹)
I.	Equity and Liabilities		
	1. Shareholders funds		
	Reserves and surplus:		
	Surplus, i.e., balance in statement of P & L	6,00,000	2,00,000
II.	Assets		
	Plants and machinery	4,00,000	4,00,000
	Less: Accumulated depreciation	(1,50,000)	(1,00,000)
		2,50,000	3,00,000

Additional Information: During the year, a part of machinery costing ₹ 50,000 (accumulated depreciation thereon ₹ 40,000) was sold for ₹ 5,000.

Ans. Case (a) Cash Flow From Operating Activities

Particulars	₹
Net profit as per statement of Profit & Loss A/c	4,00,000
Add: Depreciation on fixed assets	50,000
Cash flow from operating activities	4,50,000

Cash (b) Cash Flow From Operating Activities	
Particulars	₹
Net profit as per statement of Profit & Loss A/c	4,00,000
Add: Amortisation of goodwill	10,000
Cash flow from operating activities	4,10,000

Cash (c) Cash Flow From Operating Activities	
Particulars	₹
Net Profit as per statement of Profit & Loss A/c	4,00,000
Add: Provision for tax made	1,50,000
	5,50,000
Less: Tax paid during the year	1,00,000
Cash flow from operating activities	4,50,000

Cash (d) Cash Flow From Operating Activities	
Particulars	₹
Net profit as per statement of Profit & Loss A/c	4,00,000
Add: Transfer to general reserve	20,000
Cash flow from operating activities	4,20,000

Cash (e) Cash Flow From Operating Activities	
Particulars	₹
Net profit as per statement of Profit & Loss A/c	4,00,000
Add: Depreciation for C.Y. (W. No. 2)	90,000
Loss on sale of P and M (W: No. 1)	5,000
Cash flow from operating activities	4,95,000

Working Notes:

1. Plant and Machinery A/c			
Particulars	₹	Particulars	₹
To balance b/d (Opening balance)	4,00,000	By bank (Sale)	5,000
To bank A/c (Purchase)	50,000	By accumulated depreciation A/c	40,000
(Balance Fig.)		By statement of P & L A/c (Loss on sale)	5,000
		By balance c/d	4,00,000
	4,50,000		4,50,000

2. Accumulated Depreciation A/c			
Particulars	₹	Particulars	₹
To plant and Machinery	40,000	By balance b/d	1,00,000
To balance c/d	1,50,000	By statement of P & L A/c (C.Y. Dep.) (Balance Fig.)	90,000
	1,90,000		1,90,000

Q. 23. Calculate cash flow from operating activities from the following information:

**Income Statement (Statement of Profit and Loss)
for the year ended 31st March, 2018**

	Particulars	Note No.	₹
I.	Revenue from operations (Sales)	1	5,98,000
II.	Other income		19,500
III.	Total revenue (I + II)		6,17,500
IV.	Expenses:		
	Cost of material consumed		4,00,000
	Change in inventories of finished goods and work-in-progress		15,000
	Employee benefit expenses		1,05,000
	Depreciation and amortisation expenses		15,000
	Other expenses	2	20,000
			5,55,000

V. Profit before tax (III – IV)	62,500
VI. Tax @30%	18,750
VII. Profit for the year	43,750

Notes of Accounts

<i>Particulars</i>	<i>₹</i>
1. Other income	
Rent	15,000
Gain (Profit) on sale of machinery	2,500
Interest on debentures held as investments	2,000
	<u>19,500</u>
2. Other expenses	
Office expenses	12,500
Selling expenses	6,000
Loss on sale of furniture	1,500
	<u>20,000</u>

<i>Current assets and current liabilities</i>	<i>As on 31st March, 2018 (₹)</i>	<i>As on 1st April, 2017 (₹)</i>
Inventories	10,000	25,000
Trade receivables	25,000	20,000
Trade payables	32,500	35,000
Outstanding expenses	8,000	5,000
Prepaid expenses	5,000	3,500

Ans. Statement showing cash flow from operating activities

<i>Particulars</i>	<i>₹</i>	<i>₹</i>
(A) Operating activities:		
Net profit for the year		43,750
Add: Provision for tax		18,750
Net profit B. tax and E. ordi. Item		<u>62,500</u>
Add: Non-operating Exp. & Losses		
Depreciation	15,000	
Loss on sale of furniture	1,500	16,500
		<u>79,000</u>
Less: Non-operating income		
Rent received	15,000	
Gain on sale of machine	2,500	
Interest on debentures received	2,000	(19,500)
Net profit before working capital changes		<u>59,500</u>
Add: Decrease in inventories [25,000 – 10,000]	15,000	
Increase in O/S expenses [8,000 – 5,000]	3,000	18,000
		<u>77,500</u>

Less: Increase in trade recei. [25,000 – 20,000]	5,000	
Decrease in trade payables [35,000 – 32,500]	2,500	
Increase in prepaid expenses [5,000 – 3,500]	1,500	9,000
Net cash from operation		68,500
Less: tax paid		(18,750)
Cash flow from operating activities (A)		49,750

Q. 24. Mars Ltd. has plant and machinery whose written down value on 1st April, 2017 was ₹ 9,60,000 and on 31st March, 2018 was ₹ 10,50,000. Depreciation for the year was ₹ 35,000. In the beginning of the year, a part of plant was sold for ₹ 45,000 which a written down value of ₹ 30,000.

Calculate cash flow from investing activities

Ans. Calculation of cash flow from investing activities

<i>Particulars</i>	₹	₹
Sale of plant (Given)		45,000
Less: Purchase of plant (See. W. Note)		(1,55,000)
Net cash used in investing activities		1,10,000

Working Note:

Plant A/c

<i>Particulars</i>	₹	<i>Particulars</i>	₹
To balance b/d	9,60,000	By plant sold	45,000
To St. or P & L A/c (Profit on sale)	15,000	By Stat. of P & L (Dep.)	35,000
To bank A/c (Purchase) (Balance Fig.)	1,55,000	By balance c/d	10,50,000
	11,30,000		11,30,000

Q. 25. From the following information, calculate cash flow from investing activities:

<i>Particulars</i>	<i>Closing (₹)</i>	<i>Opening (₹)</i>
Machinery (At cost)	10,00,000	9,50,000
Accumulated depreciation	1,50,000	1,10,000
Patents	2,00,000	3,00,000

Additional information:

- During the year, machine costing ₹ 90,000 with accumulated depreciation of ₹ 60,000 was sold for ₹ 50,000.
- Patents written off were ₹ 50,000 while a part of patents were sold at a profit of ₹ 40,000.

Ans. Calculation of cash flow from investing activities

Particulars	₹	₹
Sale of machine (Given)	50,000	
Sale of patents (See. W. Note)	90,000	1,40,000
Less: Purchase of Machine (See. W. Note)		(1,40,000)
Net cash in investing activities		Nil

Working Note:

Machinery A/c

Particulars	₹	Particulars	₹
To balance b/d	9,50,000	By Acc. Dep. A/c	60,000
To stat. of P & L (pt.)	20,000	By bank (Sale)	50,000
To bank A/c (Purchase)	1,40,000	By balance c/d	10,00,000
	11,10,000		11,10,000

Accumulated Depreciation A/c

Particulars	₹	Particulars	₹
To Machine A/c	60,000	By balance b/d	1,10,000
To balance c/d	1,50,000	By st. of P & L (Dep.)	1,00,000
	2,10,000		2,10,000

Patent A/c

Particulars	₹	Particulars	₹
To balance b/d	3,00,000	By stat. of P & L	50,000
To stat. of P & L (Profit)	40,000	By bank A/c (Sale)	90,000
	3,40,000	By balance c/d	2,00,000
			3,40,000

Q. 26. Welprint Ltd. has given the following information—

	₹
Machinery as on 1st April, 2017	50,000
Machinery as on 31st March, 2018	60,000
Accumulated Depreciation on 1st April, 2017	25,000
Accumulated Depreciation on 31st March, 2018	15,000
During the year, a machine costing ₹ 25,000 (accumulated depreciation thereon ₹ 15,000) was sold for ₹ 13,000.	

Calculate Cash Flow from Investing, Activities on the basis of the above information—

Ans. Working Note—

Machinery A/c

Particulars	₹	Particulars	₹
To Balance b/d	50,000	By Accumulated Dep. A/c	15,000
To Stat. of P & L A/c (Profit)	3,000	By Bank A/c (Sale)	13,000
To Bank A/c (Purchase) (Bal.F.)	35,000	By Balance c/d	60,000
Total	88,000	Total	88,000

Accumulated Depreciation A/c

<i>Particulars</i>	₹	<i>Particulars</i>	₹
To Machinery A/c	15,000	By Balance b/d	25,000
To Balance c/d	15,000	By Stat. of P & L A/c (Bal. Fig.)	5,000
Total	30,000	Total	30,000

Statement Showing Flow of Investing Activities

<i>S.No.</i>	<i>Particulars</i>	₹
	Sales of Machinery (Inflow)	13,000
	Less : Purchase of Machinery (Outflow)	(35,000)
	Net cash used in Investing Activities	(22,000)

Q. 27. From the following information, calculate cash flow from investing activities:

<i>Particulars</i>	<i>31st March 2018 ₹</i>	<i>31st March 2017 ₹</i>
Investment in 10% debentures	10,00,000	5,00,000
Land and building	15,00,000	9,00,000

Additional information:

1. Half of the investments held in the beginning of the year were sold at 10% profit.
2. Depreciation on land and building was ₹ 50,000 for the year.
3. Interest received on investments ₹ 75,000.

Ans. Calculation of cash flow from investing activities

<i>Particulars</i>	₹	₹
Sale of investment (See. W. Note)		2,75,000
Interest received (Given)		75,000
		3,50,000
Less: Purchase of investment (See. W.Note)	(7,50,000)	
Purchase of land & building (See. W. Note)	(6,50,000)	(14,00,000)
Net cash used in investing activities		(10,50,000)

Working Note:

Investment A/c

<i>Particulars</i>	₹	<i>Particulars</i>	₹
To balance b/d	5,00,000	By bank (Sale)	2,75,000
To stat. of P & L.(pt.)	25,000	By balance c/d	10,00,000
To bank A/c (Purchase)	7,50,000		
	12,75,000		12,75,000

Land & Building A/c

<i>Particulars</i>	₹	<i>Particulars</i>	₹
To balance b/d	9,00,000	By stat. P & L (Dep.)	50,000
To bank A/c (Purchase)	6,50,000	By balance c/d	15,00,000
	15,50,000		15,50,000

Q. 28. From the following information, calculate cash flow from investing activities:

<i>Particulars</i>	₹	<i>Particulars</i>	₹
Purchase of Machine	2,50,000	Purchase of invest.	1,50,000
Purchase of goodwill	1,00,000	Sale of patents	40,000
Sale of machine	35,000	Interest and Div. Rec.	10,000
Sale of investment	50,000		

A building was purchase as investment out of surplus which was let out for commercial purpose. Rent received ₹ 20,000.

Ans. Cash flow from investing activities

<i>Particulars</i>	₹	₹
Sale of machine		35,000
Sale of investment		50,000
Sale of patents		40,000
Interest & divided received		10,000
Rent received		20,000
		1,55,000
Less: Machine purchase	(2,50,000)	
Goodwill purchase	(1,00,000)	
Investment purchase	(1,50,000)	(5,00,000)
Net cash used in investing activities		(3,45,000)

Q. 29. From the following balance sheets of combiplast Ltd. for the years ended 31st March, 2018 and additional information, calculate cash flow from investing activities:

<i>Particulars</i>	<i>Note No.</i>	<i>31st March 2018 ₹</i>	<i>31st March 2017 ₹</i>
I. Equity and Liabilities			
1. Shareholders fund			
(a) Share capital		7,50,000	5,00,000
(b) Reserves and surplus		10,00,000	8,50,000
2. Current liabilities		4,50,000	3,50,000
Total		22,00,000	17,00,000

II. Assets			
1. Non-current assets			
(a) Fixed assets-tangible assets	1	12,00,000	12,00,000
(b) Non-current investment		5,00,000	3,00,000
2. Current assets			
(a) Trade receivables		3,00,000	1,10,000
(b) Cash and cash equivalents		2,00,000	90,000
Total		22,00,000	17,00,000

Notes to Accounts

<i>Particulars</i>	<i>31st March 2018 ₹</i>	<i>31st March 2017 ₹</i>
1. Land	3,00,000	3,00,000
Building	4,00,000	4,00,000
Plant and Machinery	5,00,000	5,00,000
	12,00,000	12,00,000

Additional Information: During the year the company sold machinery at Book value of ₹ 1,50,000.

Ans. Calculation of cash flow from investing activities

<i>Particulars</i>	<i>₹</i>	<i>₹</i>
Sale of machine (Given)		1,50,000
Less: Purchase of machinery (See. W. Note)	(1,50,000)	
Purchase of investment [5,00,000 – 3,00,000]	(2,00,000)	(3,50,000)
Net cash used in investing activities		(2,00,000)

Working Note:

Plant and Machinery A/c

<i>Particulars</i>	<i>₹</i>	<i>Particulars</i>	<i>₹</i>
To balance b/d	5,00,000	By bank A/c (Sale)	1,50,000
To bank A/c (Purchase)	1,50,000	By balance c/d	5,00,000
	6,50,000		6,50,000

Q. 30. From the following information, calculate cash flow from investing activities:

<i>Particulars</i>	<i>31st March 2018 ₹</i>	<i>31st March 2017 ₹</i>
Plant and machinery	10,00,000	8,50,000
Investment (Long-term)	1,00,000	40,000
Land (At cost)	1,00,000	2,00,000

Additional Information:

- Depreciation charged on plant and machinery ₹ 50,000.
- Plant and machinery with a book value of ₹ 60,000 was sold for ₹ 40,000.

3. Land was sold at a profit of ₹ 60,000.
4. No investment was sold during the year.

Ans. Cash flow from investing activities

Particulars	₹	₹
Sale of machine		40,000
Sale of land		1,60,000
		2,00,000
Less: Purchase of machine	(2,60,000)	
Purchase of investment	(60,000)	(3,20,000)
Net cash used in investing activities		(1,20,000)

Working Notes:

1. Machinery A/C

Particulars	₹	Particulars	₹
To balance b/d	8,50,000	By bank (Sale)	40,000
To bank A/c (Purchase)	2,60,000	By stat. of P & L A/c	20,000
(Balance Fig.)		(Loss on sale)	
		By stat. of P & L A/c	50,000
		(Depreciation)	
		By balance c/d	10,00,000
	11,10,000		11,10,000

2. Land A/C

Particulars	₹	Particulars	₹
To balance b/d	2,00,000	By bank A/c (Sale)	1,60,000
To statement of P & L A/c	60,000	(Balance Fig.)	
(Profit on sale)		By balance c/d	1,00,000
	2,60,000		2,60,000

Q. 31. From the following extracts of a company, calculate cash flow from investing activities.

Particulars	31st March 2018 ₹	31st March 2017 ₹
Goodwill	75,000	1,00,000
Patents	1,00,000	75,000
Land	90,000	1,00,000
Furniture	2,46,000	21,000
Plant and machinery (Net)	2,00,000	2,00,000
10% Investments	1,80,000	2,00,000
Accrued interest on investment	6,000	—

Ans. Cash flow from investing activities

<i>Particulars</i>		₹
Sale of land		10,000
Sale of investment		20,000
Interest on investment (20,000 – 6,000)		14,000
		44,000
Less: Patent purchased	(25,000)	
Furniture purchased	(2,25,000)	(2,50,000)
Net cash used in investing activities		(2,06,000)

Q. 32. Calculate cash flow from investing activities from the following information:

<i>Particulars</i>	31st March 2018 ₹	31st March 2017 ₹
Investments in land	3,00,000	3,00,000
Shares in Z Ltd.	1,50,000	1,50,000
12% Long-term investments	80,000	50,000
Plant and machinery	7,50,000	6,00,000
Patents	70,000	1,00,000
Goodwill	1,50,000	1,00,000

Additional Information:

1. A piece of land was purchased as an investment out of surplus. It was let out for commercial purpose and the rent received was ₹ 20,000.
2. Dividend received from Z Ltd. @ 12%.
3. Patents written off to the extent of ₹ 20,000. Some patents were sold at a profit of ₹ 10,000.
4. A machine costing ₹ 80,000 (depreciation provided thereon ₹ 30,000) was sold for ₹ 35,000. Depreciation charged during the year was ₹ 70,000.
5. During the year 12% investments were purchased for ₹ 1,00,000 and some investments were sold at a profit of ₹ 10,000. Interest on investments for the year was duly received.

Ans. Cash flow from investing activities

<i>Particulars</i>	₹	₹
Sale of patents		20,000
Sale of machine		35,000
Sale of 12% investments		80,000
Dividend on 12% investment received		6,000
Dividend on shares of 'Z' Ltd.		18,000
Rent Received		20,000

Less: Purchase of plant & machinery	(2,70,000)	1,79,000
Purchase of investment	(1,00,000)	
Purchase of goodwill	(50,000)	(4,20,000)
Net cash used in investing activities		(2,41,000)

Working Notes:

1. 12% Long-term Investment A/C

<i>Particulars</i>	<i>₹</i>	<i>Particulars</i>	<i>₹</i>
To balance b/d	50,000	By bank (Sale)	80,000
To Bank A/c (Purchase)	1,00,000	(Balance Fig.)	
To statement of P & L A/c (Profit)	10,000	By balance c/d	80,000
	1,60,000		1,60,000

2. Patents A/C

<i>Particulars</i>	<i>₹</i>	<i>Particulars</i>	<i>₹</i>
To balance b/d	1,00,000	By stat. of P & L A/c	20,000
To stat. of P & L A/c (Profit)	10,000	(Written off)	
		By bank (Sale)	20,000
		(Balance Fig.)	
		By balance c/d	70,000
	1,10,000		1,10,000

3. Plant and Machinery A/C

<i>Particulars</i>	<i>₹</i>	<i>Particulars</i>	<i>₹</i>
To balance b/d	6,00,000	By bank (Sale)	35,000
To bank A/c (Purchase)	2,70,000	By stat. of P & L A/c	15,000
(Balance Fig.)		(Loss on sale)	
		By dep. A/c	70,000
		By balance c/d	7,50,000
	8,70,000		8,70,000

Q. 33. From the following information, calculate cash flow from investing activities:

<i>Particulars</i>	<i>31st March 2018 ₹</i>	<i>31st March 2017 ₹</i>
Machinery (At cost)	5,50,000	5,00,000
Accumulated depreciation	1,70,000	1,00,000

During the year a machinery costing ₹ 50,000 (accumulated depreciation ₹ 20,000) was sold for ₹ 26,000.

Ans. Cash flow from investing activities

Particulars	₹
Sale of machinery	26,000
Less: Purchase of machinery	(1,00,000)
Net cash used in investing activities	(74,000)

Working Note:

1. Machinery A/c

Particulars	₹	Particulars	₹
To balance b/d	5,00,000	By bank (Sale)	26,000
To bank A/c (Purchase)	1,00,000	By accured dep. A/c	20,000
(Balance Fig.)		By stat. of P & L A/c	4,000
		(Loss on sale)	
		By balance c/d	5,50,000
	6,00,000		6,00,000

2. Accumulated Depreciation A/C

Particulars	₹	Particulars	₹
To Machinery A/c	20,000	By balance b/d	1,00,000
To balance c/d	1,70,000	By depreciation	90,000
	1,90,000	(Balance Fig.)	
			1,90,000

Q. 34. From the following particulars, calculate cash flow from investing activities:

Particulars	Purchased ₹	Sold ₹
Machinery	6,20,000	2,00,000
Investments	2,40,000	80,000
Goodwill	1,00,000	—
Patents	—	1,50,000

Additional Information:

1. Interest received on debentures held as investment ₹ 8,000.
2. Interest paid on debentures issued ₹ 20,000.
3. Dividend received on shares held as investments ₹ 20,000.
4. Dividend paid on equity share capital ₹ 30,000.
5. A plot of land was purchased out of the surplus funds for investment purposes and was let out for commercial use. Rent received ₹ 50,000 during the year.

Ans. Cash flow from investing activities

<i>Particulars</i>	₹	₹
Sale of machinery		2,00,000
Sale of investment		80,000
Sale of patents		1,50,000
Interest on investment received		8,000
Dividend on shares received		20,000
Rent received		50,000
		5,08,000
Less: Purchase of machinery	(6,20,000)	
Purchase of investment	(2,40,000)	
Purchase of goodwill	(1,00,000)	(9,60,000)
Net cash used in investing activities		(4,52,000)

Q. 35. From the following information, calculate Cash Flow from Financial Activities—

1st April *31st March*
2017 (₹) **2018 (₹)**

Long-term Loan 2,00,000 2,50,000

During the year, the company repaid a loan ₹ 1,00,000.

Ans. Statement Showing Flow from Financial Activities

<i>S.No.</i>	<i>Particulars</i>	₹
	Loan taken during the year	1,50,000
	Less : Repayment of Loan	(1,00,000)
	Net Cash Flow from Financial Activities	50,000

Working Note—

Long-term Loan A/c

<i>Particulars</i>	₹	<i>Particulars</i>	₹
To Bank A/c (Repayment)	1,00,000	By Balance b/d	2,00,000
To Balance c/d	2,50,000	By Bank A/c (Loan taken)	1,50,000
		(Bal. Fig.)	
Total	3,50,000	Total	3,50,000

Q. 36. From the following information, calculate cash flow from financing activities.

<i>Particulars</i>	<i>31st March</i> 2018 ₹	<i>31st March</i> 2017 ₹
Equity share capital	10,00,000	9,00,000
Securities premium reserve	2,60,000	2,50,000
12% Debentures	1,00,000	1,50,000

Additional Information: Interest paid on debentures ₹ 18,000.

Ans. Cash flow from financing activities

<i>Particulars</i>	₹	₹
Issue of equity share capital		1,00,000
Securities premium received		10,000
		1,10,000
Less: Redemption of 12% debentures	(50,000)	
Interest paid	(18,000)	(68,000)
Net cash flow from financing activities		(42,000)

Q. 37. From the following extracts of balance sheets of Exe Ltd., calculate cash flow from financing activities.

<i>Particulars</i>	31st March 2018 ₹	31st March 2017 ₹
Equity share capital	5,25,000	4,00,000
10% Preference share capital	4,00,000	5,50,000
Securities premium reserve	2,25,000	1,00,000
12% Debentures	4,00,000	3,00,000

Additional Information:

- Equity shares were issued on 31st March, 2018.
- Interim dividend on equity shares was paid @15%.
- Preference shares were redeemed on 31st March, 2018 at a premium of 5%. Premium paid was debited to statement of profit and loss.
- 12% Debentures of face value ₹1,00,000 were issued on 31st March, 2018.

Ans. Calculation of cash flow from financing activities

<i>Particulars</i>	₹	₹
Issue of equity share capital [5,25,000 – 4,00,000]	1,25,000	
Proceed of sec. premium reserve [2,25,000 – 1,00,000]	1,25,000	
Issue of 12% debenture (Given)	1,00,000	3,50,000
Less: Redemption of preference share [5,50,000 – 4,00,000]	(1,50,000)	
Premium on redemption (1,50,000 × 5%)	(7500)	
Interim dividend (4,00,000 × 15%)	(60,000)	
Interest on debentures (3,00,000 × 12%)	(36,000)	
Premium on preference share (5,50,000 × 10%)	(55,000)	(3,08,500)
Net cash flow from financing activities		41,500

Q. 38. From the following information, calculate cash flow from investing and financing activities.

<i>Particulars</i>	<i>31st March 2018 ₹</i>	<i>31st March 2017 ₹</i>
Machinery (At cost)	50,000	40,000
Accumulated depreciation	12,000	10,000
Capital	35,000	30,000
Bank loan	—	10,000

During the year, a machine costing ₹ 10,000 was sold at a loss of ₹ 2,000. Depreciation on machinery charged during the year amounted to ₹ 6,000.

Ans. Cash flow from investing and financing activities

<i>Particulars</i>	<i>₹</i>	<i>₹</i>
(i) Investing activities		
Sale of machinery		4,000
Less: Purchase of machinery		(20,000)
Net cash used in investing activities		(16,000)
(ii) Financing activities:		
Issue of capital		5,000
Less: Repayment of bank loan		(10,000)
Net cash used in financing activities		(5,000)

Working Notes:

(i) **Plant and Machinery A/C**

<i>Particulars</i>	<i>₹</i>	<i>Particulars</i>	<i>₹</i>
To balance b/d	40,000	By bank (Sale)	4,000
To bank A/c (Purchase)	20,000	By stat. of P & L A/c	2,000
(Balance Fig.)		(Loss on sale)	
		By accu. dep. A/c	4,000
		By balance c/d	50,000
	60,000		60,000

(ii) **Accumulated Depreciation A/c**

<i>Particulars</i>	<i>₹</i>	<i>Particulars</i>	<i>₹</i>
To machinery A/c	4,000	By balance b/d	10,000
(Balance Fig.)		By depreciation	6,000
To balance c/d	12,000		
	16,000		16,000

Q. 39. XYZ Ltd. provided the following information, calculate net cash flow from financing activities.

<i>Particulars</i>	<i>31st March 2018 ₹</i>	<i>31st March 2017 ₹</i>
Equity share capital	12,00,000	10,00,000
12% Debentures	2,00,000	1,00,000

Additional Information:

1. Interest paid on debentures ₹ 19,000.
2. Dividend paid ₹ 50,000.
3. During the year XYZ Ltd. issued bonus shares in the ratio of 5 : 1 by capitalising reserve.

Ans. Cash flow from financing activities

<i>Particulars</i>	<i>₹</i>	<i>₹</i>
Issue of debentures		1,00,000
Less: Interest paid on debentures	(19,000)	
Dividend paid	(50,000)	(69,000)
Net cash flow from financing activities		(31,000)

Q. 40. From the following information, calculate Net Cash Flow from Operating Activities and Financing Activities—

<i>Particulars</i>	<i>31st March, 2018 (₹)</i>	<i>31st March, 2017 (₹)</i>
Equity Share Capital	13,75,000	11,25,000
5% Preference Share Capital	5,00,000	7,50,000
General Reserve	3,75,000	3,00,000
Surplus, i.e., Balance in Statement of Profit and Loss	3,75,000	(3,50,000)
Securities Premium Reserve	25,000	—
Provision for Tax	1,00,000	50,000
Non-current Liabilities (8% Debentures)	6,50,000	3,75,000
Short-term Borrowings (8% Bank Loan)	1,00,000	1,25,000
Trade Payables	5,00,000	2,50,000
Trade Receivables and Inventories	13,00,000	11,50,000

Additional Information—

- (i) During the year additional debentures were issued at par on 1st October and Bank Loan was repaid on the same date.
- (ii) Dividend on Equity Shares @ 8% was paid on Opening Balance.
- (iii) Income tax ₹ 1,12,500 has been provided during the year.
- (iv) Preference shares were redeemed at par at the end of the year.

Ans. Statement Showing Flow from Operating and Financing Activities

S.N.	Particulars	₹	₹
(A)	Operating Activities		
	Net Profit from Stat. of Profit & Loss [3,75,000 – (3,50,000)]		7,25,000
	Add : Appropriation :		
	Provision for Tax (Given)	1,12,500	
	Transfer to Gen. Reserve [3,75,000 – 3,00,000]	75,000	
	Dividend Paid on Equity Share [11,25,000 × (8%)]	90,000	
	Pref. Dividend Paid [7,50,000 × (5%)]	37,500	3,15,000
	Net Profit before tax and Extra-ordi. items		10,40,000
	Adjustment for Non-operating items		
	Add : Interest	41,000	
	On 8% Debentures [(3,75,000 × 8%) + (6,50,000 – 3,75,000) × (8%) × (6/12)]	5,000	
	On 8% Bank Loan [1,25,000 × (8%) × (6/12)] + [1,00,000 × (8%) × (6/12)]	4,000	50,000
	Net Profit before Working Capital Changes		10,90,000
	Adjustment for working capital		
	Add : Increase in Trade Payables		2,50,000
			13,40,000
	Less : Increase in Trade Receivables		(1,50,000)
	Cash Generated from Operation		11,90,000
	Less : Tax Paid (Working Note)		(62,500)
	Net Cash Flow from Operating Activities		11,27,500
B.	Financing Activities		
	Issue of Equity Share at Prem. [2,50,000 + 25,000]	2,75,000	
	Proceeds from 8% Debentures	2,75,000	5,50,000
	Less : Redemption of Pref. Share Capital at Par	2,50,000	
	Repayment of Bank Loan	25,000	
	Interest on 8% Debentures	41,000	
	Interest on 8% Bank Loan	9,000	
	Equity Dividend Paid	90,000	
	Pref. Share dividend Paid	37,500	(4,52,500)
	Net Cash Flow from financial Activities		97,500

Working Note—

Provision for Tax A/c

Particulars	₹	Particulars	₹
To Bank A/c (Tax Paid) (Bal. Fig.)	62,500	By Balance b/d	50,000
To Balance c/d	1,00,000	By Stat. of P/L (made)	1,12,500
Total	1,62,500	Total	1,62,500

Q. 41. From the following information, prepare cash flow statement:

<i>Particulars</i>	₹
Opening cash balance	15,000
Closing cash balance	17,000
Decrease in stock	8,000
Increase in bills payable	12,000
Sale of fixed assets	30,000
Repayment of long-term loan	50,000
Net profit for the year	2,000

Ans. Cash Flow Statement

<i>Particulars</i>	₹	₹
(A) Net profit as per statement of P & L A/c		2,000
Add: Decrease in inventories	8,000	
Increase in bills payables	12,000	20,000
Net cash flow from operating activities (A)		22,000
(B) Investing activities		
Sale of fixed assets		30,000
Net cash from investing activities (B)		30,000
(C) Financing activities		
Repayment of long term loan		(50,000)
Net cash used in financing activities (C)		(50,000)
Total of all activities (A + B + C)		2,000
[22,000 + 30,000 + (50,000)]		
Add: Opening cash balance		15,000
Equivalents to closing cash balance		17,000

Q.42. From the following information, prepare cash flow statement.

Balance Sheets

<i>Particulars</i>	31st March 2018 ₹	31st March 2017 ₹
I. Equity and Liabilities		
1. Shareholders funds		
(a) Share capital		
(b) Reserves and surplus:	2,50,000	2,00,000
Surplus, i.e., bal. in stat. of P & L	1,83,000	82,000
2. Non-current liabilities		
Long-term borrowings:		
15% debentures	80,000	50,000
3. Current liabilities		
(a) Trade payables	1,50,000	1,10,000
(b) Other current liabilities	12,000	20,000
Total	6,75,000	4,62,000

II. Assets		
1. Non-current assets		
(a) Fixed assets (tangible)	2,74,000	1,17,000
(b) Long-term investments	68,000	55,000
2. Current assets		
(a) Inventories	2,06,000	1,50,000
(b) Trade receivables	32,000	70,000
(c) Cash and cash equivalents	95,000	70,000
Total	6,75,000	4,62,000

Ans. Cash flow statement as at March 31, 2018

Particulars	₹	₹
(A) Operating activities:		
Surplus as per statement of P & L [1,83,000 – 82,000]		1,01,000
Add: Interest on dentures (50,000 × 15%)		7,500
Net profit before working capital changes		1,08,500
Add: Increase in T/payables [1,50,000 – 1,10,000]	40,000	
Decrease in T/receivable [70,000 – 32,000]	38,000	78,000
		1,86,500
Less: Decrease in current lia. [20,000 – 12,000]	(8,000)	
Increase in inventories [2,06,000 – 1,50,000]	(56,000)	(64,000)
Netcash flow from operating activities (A)		1,22,500
(B) Investing activities:		
Purchase of fixed assets [2,74,000 – 1,17,000]	(1,57,000)	
Purchase of investment [68,000 – 55,000]	(13,000)	(1,70,000)
Net cash used in investment activity (B)		(1,70,000)
(C) Financing activities		
Issue of share capital [2,50,000 – 2,00,000]	50,000	
Issue of 15% deb. [80,000 – 50,000]	30,000	80,000
Less: Int. paid on deb.		(7,500)
Net cash flow from finan. Acti. (C)		72,500
Total of (A + B + C) [1,22,500 + (1,70,000) + 72,500]		25,000
Add: Opening cash & cash equivalents		70,000
Closing cash & cash equivalents		95,000

Q. 43. Following is the Balance Sheet of BPL as at 31st March, 2018—

<i>Particulars</i>	<i>Note No.</i>	<i>31st March, 2018 (₹)</i>	<i>31st March, 2017 (₹)</i>
I. Equity and Liabilities			
1. Share holders' Fund			
(a) Share Capital : Equity Share Capital		3,50,000	3,00,000
(b) Reserves and Surplus	1	57,000	38,000
2. Current Liabilities			
(a) Trade Payables		53,000	35,000
(b) Other Current Liabilities		6,000	8,000
(c) Short-term Provisions	2	32,000	28,000
Total		4,98,000	4,09,000
II. Assets			
1. Non-Current Assets			
(a) Fixed Assets			
(i) Tangible Assets	3	2,48,000	2,00,000
(ii) Intangible Assets (Goodwill)		40,000	50,000
(b) Non-Current Investments		35,000	10,000
2. Current Assets			
(a) Inventories		39,000	57,000
(b) Trade Receivables		1,08,000	75,000
(c) Cash and Bank Balance		28,000	17,000
Total		4,98,000	4,09,000

Notes to Accounts

<i>Particulars</i>	<i>31st March, 2018 (₹)</i>	<i>31st March, 2017 (₹)</i>
1. Reserves and Surplus		
General Reserve	30,000	20,000
Surplus, i.e., Balance in Statment of Profit and Loss	27,000	18,000
	57,000	38,000
2. Short-term Provisions		
Provision for Tax	32,000	28,000
3. Tangible Fixed Assets		
Land and Building	57,000	1,10,000
Plant and Machinery	1,91,000	90,000
	2,48,000	2,00,000

Note—Proposed equity dividends for the years ended 31st March, 2017 and 2018 are ₹ 39,000 and ₹ 45,000 respectively.

You are required to prepare Cash Flow Statement for the year ended 31st March, 2018.

Ans.

Cash Flow Statement of BPL Ltd.

as at March, 31, 2018

S.N.	Particulars	₹	₹
(A)	Operating Activities		
	Net Profit as per Stat. of P/L A/c [27,000 – 18,000]		9,000
	Add : Appropriation		
	Transfer to General Reserves	10,000	
	Dividend Paid during the year	39,000	
	Provision for Tax made	32,000	81,000
	Net Profit before Tax and Extra-ordi-items		90,000
	Adjustment for Non-Operating items		
	Add : Goodwill Written off		10,000
	Net Profit before working Capital Changes		1,00,000
	Adustment for working Capital		
	Add : Increase in Trade Payables	18,000	
	Decrease in Inventories	18,000	36,000
			1,36,000
	Less : Decrease in other Current Liabilities	(2,000)	
	Increase in Trade Recivables	(33,000)	(35,000)
	Net Cash Generated from operating Activities		1,01,000
	Lesss ; Tax Paid		(28,000)
	Net Cash Flow from operating Activities (A)		73,000
(B)	InvestingActivities		
	Sales of Land and Building [1,10,000 – 57,000]		53,000
	Less : Purchase of Plant & Machinery [1,91,000 – 90,000]	(1,01,000)	
	Puchase of Non-C. Invest. [35,000 – 10,000]	(25,000)	(1,26,000)
	Net Cash used in Investing Activities (B)		(73,000)
(C)	Financing Activities		
	Issues of share Capital		50,000
	Less : Dividend Paid during the year		(39,000)
	Net Cash flow from financial Activities (C)		11,000
	Total to all Activities [A + B + C]		11,000
	[73,000 + (73,000) + 11,000]		
	Add : Opening Cash and Cash Equivalents		17,000
	Closing Cash and Cash Equivalents		28,000

Q. 44. Prepare a cash flow statement on the basis of the information given in the balance sheet of Libra Ltd. as at 31st March, 2013 and 31st March 2012.

<i>Particulars</i>	<i>31st March 2013 ₹</i>	<i>31st March 2012 ₹</i>
I. Equity and Liabilities		
1. Shareholders funds		
(a) Share capital	8,00,000	6,00,000
(b) Reserves and surplus	4,00,000	3,00,000
2. Non-current liabilities		
Long-term borrowings	1,00,000	1,50,000
3. Current liabilities		
Trade payables	40,000	48,000
Total	13,40,000	10,98,000
II. Assets		
1. Non-current assets		
(a) Fixed assets:		
Tangible assets	8,50,000	5,60,000
(b) Non-current investments	2,32,000	1,60,000
2. Current assets		
(a) Current investments	50,000	1,34,000
(b) Inventories	76,000	82,000
(c) Trade receivables	38,000	92,000
(d) Cash and cash equivalents	94,000	70,000
Total	13,40,000	10,98,000

Note to Accounts

<i>Particulars</i>	<i>Note No.</i>	<i>31st March 2013 ₹</i>	<i>31st March 2012 ₹</i>
Reserves and surplus			
Surplus i.e., balance in statement of P & L		4,00,000	3,00,000

Ans. Cash flow statement as at March, 31, 2013

<i>Particulars</i>	<i>₹</i>	<i>₹</i>
(A) Operating activities:		
Net profit as per statement P&L A/c		1,00,000
Add: Decrease in inventories (82,000 – 76,000)	6,000	
Decrease in trade receivables (92,000 – 38,000)	54,000	60,000
		1,60,000
Less: Decrease in trade payables (48,000 – 40,000)		(8,000)
Net Cash flow from operating acti. (A)		1,52,000

(B) Investing activities:		
Purchase of fixed assets (8,50,000 – 5,60,000)	(2,90,000)	
Purchase of investments (2,32,000 – 1,60,000)	(72,000)	(3,62,000)
Net cash used in investing activities (B)		(3,62,000)
(C) Financing activities		
Issues of share capital		2,00,000
Less: Redemption of long-term borrowings		(50,000)
Net cash flow from financing activities (C)		1,50,000
Total of all activities (A + B + C)		
[1,52,000 + (3,62,000) + 1,50,000]		(60,000)
Add: Opening cash & cash equivalents		2,04,000
[70,000 + 1,34,000]		
Closing cash & cash equivalents [94,000 + 50,000]		1,44,000

Q. 45. Following are the balance sheets of Solar Power Ltd. as at 31st March, 2014 and 2013.

Solar Power Ltd. Balance Sheet

<i>Particulars</i>	<i>Note No.</i>	<i>31st March 2014 ₹</i>	<i>31st March 2013 ₹</i>
I. Equity and Liabilities			
1. Shareholders funds			
(a) Share capital		24,00,000	22,00,000
(b) Reserves and surplus	1	6,00,000	4,00,000
2. Non-current liabilities			
Long-term borrowings		4,80,000	3,40,000
3. Current liabilities			
(a) Trade payables		3,58,000	4,08,000
(b) Short-term provision		1,00,000	1,54,000
Total		39,38,000	35,02,000
II. Assets			
1. Non-current assets			
Fixed assets:			
(i) Tangible assets	2	21,40,000	17,00,000
(ii) Intangible assets	3	80,000	2,24,000
2. Current assets			
(a) Current investments		4,80,000	3,00,000
(b) Inventories		2,58,000	2,42,000
(c) Trade receivables		3,40,000	2,86,000
(d) Cash and cash equivalents		6,40,000	7,50,000
Total		39,38,000	35,02,000

Notes to Accounts

	<i>Particulars</i>	<i>31st March 2014 ₹</i>	<i>31st March 2013 ₹</i>
1.	Reserves and surplus		
	Surplus, i.e., balance in statement of P & L	6,00,000	4,00,000
2.	Tangible assets		
	Machinery	25,40,000	20,00,000
	Less: Accumulated depreciation	(4,00,000)	(3,00,000)
		21,40,000	17,00,000
3.	Intangible assets		
	Goodwill	80,000	2,24,000

Additional Information: During the year, a piece of machinery costing ₹48,000 on which accumulated depreciation was ₹32,000, was sold for ₹12,000. Prepare cash flow statement.

Ans. Cash flow statement of Solar Power Ltd. as at March 31, 2014

	<i>Particulars</i>	<i>Details</i>	<i>₹</i>
(A)	Operating activities:		
	Net profit as per statement of P & L A/c		2,00,000
	Add: Short-term provision for C.Y.		1,00,000
	Net profit before tax & extra-ordi. item		3,00,000
	Add: Depreciation (W. Note)	1,32,000	
	Loss on sale of machine (W. Note)	4,000	
	Goodwill written off	1,44,000	2,80,000
	Net profit before W. capital changes		5,80,000
	Less: Decrease in T/payables	50,000	
	Increase in inventories	16,000	
	Increase in trade receivables	54,000	(1,20,000)
	Net cash from operation		4,60,000
	Less: Short-term provision for P.Y.		(1,54,000)
	Net cash flow from operating activities (A)		3,06,000
(B)	Investing activities		
	Sale of machine (W. Note)		12,000
	Less: Purchase of machine (W. Note)		(5,88,000)
	Net cash used in investing activities (B)		(5,76,000)
(C)	Financing activities		
	Issue of share capital		2,00,000
	Increase in long-term borrowings		1,40,000
	Net cash flow from financing activities (C)		3,40,000

Total of all activities (A + B + C)		70,000
[3,06,000 + (5,76,000) + 3,40,000]		
Add: Opening cash & cash equivalents		10,50,000
[7,50,000 + 3,00,000]		
Closing cash & cash equivalents		11,20,000
[4,80,000 + 6,40,000]		

Working note:

(i) Machinery A/C

Particulars	₹	Particulars	₹
To balance b/d	20,00,000	By Acc. Dep. A/c	32,000
To bank A/c (Purchase)	5,88,000	By bank A/c (sale)	12,000
(Balance Fig.)		By P & L A/c (Loss)	4,000
		By balance c/d	25,40,000
		(Balance Fig.)	
Total	25,88,000	Total	25,88,000

(ii) Accumulated Depreciation A/c

Particulars	₹	Particulars	₹
To machine A/c	32,000	By balance b/d	3,00,000
To balance c/d	4,00,000	By P&L A/c (C.Y. Dep.)	1,32,000
		(Balance Fig.)	
Total	4,32,000	Total	4,32,000

Q. 46. From the following balance sheets of Kumar Ltd. as at 31st March, 2018 prepare cash flow statement.

Particulars	Note No.	31st March 2018 ₹	31st March 2017 ₹
I. Equity and Liabilities			
1. Shareholders funds			
(a) Share capital	1	16,00,000	10,40,000
(b) Reserves and surplus	2	5,50,000	2,60,000
2. Non-current liabilities			
Long-term borrowings:			
9% debentures		4,00,000	6,00,000
3. Current liabilities			
Trade payables		4,50,000	1,00,000
Total		30,00,000	20,00,000

II. Assets			
1. Non-current assets			
Fixed assets		20,00,000	15,00,000
2. Current assets			
(a) Inventories		3,00,000	2,00,000
(b) Trade receivables		2,00,000	1,00,000
(c) Cash and cash equivalents		5,00,000	2,00,000
Total		30,00,000	20,00,000

Notes to Accounts

<i>Particulars</i>	<i>31st March 2018 ₹</i>	<i>31st March 2017 ₹</i>
1. Share capital		
Equity share capital	15,00,000	10,00,000
7% preference share capital	1,00,000	40,000
	<u>16,00,000</u>	<u>10,40,000</u>
2. Reserves and surplus		
Surplus, i.e., balance in statement of P&L	1,50,000	2,00,000
General reserve	4,00,000	60,000
	<u>5,50,000</u>	<u>2,60,000</u>

Additional Information:

- During the year a machinery costing ₹ 20,000 was sold for ₹ 6,000.
- Dividend paid ₹ 50,000.

Ans. Cash Flow Statement of Kumar Ltd. as at March, 31, 2018

	<i>Particulars</i>	<i>₹</i>	<i>₹</i>
(A)	Net profit as per statement of P & L A/c		(50,000)
	Add: Transfer to general reserve	3,40,000	
	Dividend paid	50,000	3,90,000
	Opening profit before tax & extraordinary items		3,40,000
	Add: Interest on debentures (6,00,000 × 9%)	54,000	
	Loss on sale of machinery (see W. Note)	14,000	68,000
	Operating profit before working capital changes		4,08,000
	Add: Increase in trade payables		3,50,000
			<u>7,58,000</u>
	Less: Increase in trade receivables	(1,00,000)	
	Increase in inventories	(1,00,000)	(2,00,000)
	Net cash flow from operating activities (A)		<u>5,58,000</u>
(B)	Investing activities:		
	Sale of fixed assets		6,000
	Less: Purchase of fixed assets		(5,20,000)
	Net cash used in investing activities (B)		<u>(5,14,000)</u>

(C) Financing activities:		
Equity share capital (Proceeds)	5,00,000	
Proceeds from preference share capital	60,000	5,60,000
Less: repayment of debentures	(2,00,000)	
Interest on debentures paid	(54,000)	
Dividend paid	(50,000)	(3,04,000)
Net cash flow from financing activities (C)		2,56,000
Total of all activities (A + B + C)		
[5,58,000 + (5,14,000) + 2,56,000]		3,00,000
Add: Opening cash & cash equivalents		2,00,000
Closing cash & cash equivalents		5,00,000

Working Note

Fixed Assets A/C

Particulars	₹	Particulars	₹
To balance b/d	15,00,000	By bank (Sale)	6,000
To bank A/c (Purchase)	5,20,000	By stat. of P & L A/c	14,000
(Bal. Fig.)		(Loss on sale)	
		By balance c/d	20,00,000
	20,20,000		20,20,000

Q. 47. Following was the balance sheet of M.M. Ltd. as at 31st March, 2015.

Balance Sheet as at 31st March, 2015

Particulars	Note No.	31st March 2015 ₹	31st March 2014 ₹
I. Equity and Liabilities			
1. Shareholder funds			
(a) Share capital		5,00,000	4,00,000
(b) Reserves and surplus	1	2,00,000	(50,000)
2. Non-current liabilities			
Long-term borrowings	2	4,50,000	5,00,000
3. Current liabilities			
(a) Short-term borrowings	3	1,50,000	50,000
(b) Short-term provisions	4	70,000	90,000
Total		13,70,000	9,90,000
II. Assets			
1. Non-current assets			
(a) Fixed assets:			
(i) Tangible assets	5	10,03,000	7,20,000
(ii) Intangible assets	6	20,000	30,000
(b) Non-current investments		1,00,000	75,000

2.	Current assets			
	(a) Current investments	7	50,000	60,000
	(b) Inventories		1,07,000	45,000
	(c) Cash and cash equivalents		90,000	60,000
	Total		13,70,000	9,90,000

Notes to Accounts

	Particulars	31st March 2015 ₹	31st March 2014 ₹
1.	Reserves and surplus		
	Surplus, i.e., balance in statement of P&L	2,00,000	(50,000)
		2,00,000	(50,000)
2.	Long-term borrowings		
	12% Debentures	4,50,000	5,00,000
		4,50,000	5,00,000
3.	Short-term borrowings		
	Bank overdraft	1,50,000	50,000
		1,50,000	50,000
4.	Short-term provisions		
	Provision for tax	70,000	90,000
		70,000	90,000
5.	Tangible assets		
	Machinery	12,03,000	8,21,000
	Less: Accumulated depreciation	(2,00,000)	(1,01,000)
		10,03,000	7,20,000
6.	Intangible assets		
	Goodwill	20,000	30,000
		20,000	30,000
7.	Inventories		
	Stock-in-trade	1,07,000	45,000
		1,07,000	45,000

Additional Information:

- 12% Debentures were redeemed on 31st March, 2015.
- Tax ₹ 70,000 was paid during the year.

Prepare cash flow statement.

Ans. Cash Flow Statement of M.M. Ltd. as at 31st March, 2015.

	Particulars	₹	₹
(A)	Operating activities:		
	Net profit for the year [2,00,000 – (50,000)]		2,50,000
	Add: Prov. for tax (W. Note)		50,000

	Net profit B. tax and E.ordi. Items		3,00,000
	Add: Int. on 12% deb. [5,00,000 × 12%]	60,000	
	Dep. on machine [2,00,000 – 1,01,000]	99,000	
	Good will written off [30,000 – 20,000]	10,000	1,69,000
	Net profit b. working capital changes		4,69,000
	Less: Increase in inventories [1,07,000 – 45,000]		(62,000)
	Net cash from operation		4,07,000
	Less: Tax paid		(70,000)
	Net cash flow from operating activities (A)		3,37,000
(B)	Investing activities:		
	Purchase of machine [12,03,000 – 8,21,000]		(3,82,000)
	Investment purchased [1,00,000 – 75,000]		(25,000)
	Net cash used in investing activities (B)		(4,07,000)
(C)	Financing activities:		
	Issue of share capital [5,00,000 – 4,00,000]	1,00,000	
	Add: Increase in bank o/d [1,50,000 – 50,000]	1,00,000	2,00,000
	Less: Red. of 12% deb. [5,00,000 – 4,50,000]	50,000	
	Int. on 12% deb. paid	60,000	(1,10,000)
	Net cash flow from financing activities (C)		90,000
	Total of all activities (A + B + C)		20,000
	[3,37,000 + (4,07,000) + 90,000]		
	Add: Opening cash & cash equivalents		1,20,000
	[60,000 + 60,000]		
	Closing cash & cash equivalents		1,40,000
	[90,000 + 50,000]		

Working Note:

Provision for Tax A/c

Particulars	₹	Particulars	₹
To bank A/c (tax paid)	70,000	By Balance c/d	90,000
To balance c/d	70,000	By P & L A/c	50,000
		(Prov. made) (Bal.)	
Total	1,40,000	Total	1,40,000

Q. 48. The balance sheets of Virendra Paper Ltd. as at 31st March, 2017 given below:

Particulars	Note No.	31st March 2017 ₹	31st March 2016 ₹
I. Equity and Liabilities			
1. Shareholders funds			
(a) Share capital		7,20,000	6,00,000

	(b) Reserves and surplus Surplus, i.e., bala. in stat. of P&L		4,80,000	3,75,000
2.	Non-current liabilities			
	Long-term borrowings:			
	10% debentures		2,70,000	4,50,000
3.	Current liabilities			
	Trade payables		1,20,000	90,000
	Total		15,90,000	15,15,000
II.	Assets			
1.	Non-current assets			
	Fixed assets	1	7,50,000	7,20,000
2.	Current assets			
	(a) Trade receivables		3,00,000	2,25,000
	(b) Inventories		3,60,000	4,20,000
	(c) Cash and cash equivalents		1,80,000	1,50,000
	Total		15,90,000	15,15,000

Note to Accounts

Particulars			31st March 2017 ₹	31st March 2016 ₹
1. Fixed assets				
Land			2,40,000	3,00,000
	2017 (₹)	2016 (₹)		
Plant and machinery	7,50,000	6,00,000		
Less: Accum. dep.	2,40,000	1,80,000		
	5,10,000	4,20,000	5,10,000	4,20,000
			7,50,000	7,20,000

Additional Information:

- Interim dividend of ₹ 75,000 has been paid during the year.
- Debenture interest paid during the year ₹ 27,000.

You are required to prepare cash flow statement.

Ans. Cash Flow Statement of Virendra Paper Ltd. as at March, 31, 2018

	Particulars	₹	₹
(A)	Net profit as per statement of P & L A/c		1,05,000
	Add: Interim dividend paid		75,000
	Net operating profit before tax Extra.ordi. items		1,80,000
	Add: Debentures interest	27,000	
	Depreciation	60,000	87,000
	Operating profit before working cap. changes		2,67,000

	Add: Increase in trade payables	30,000	
	Decrease in inventories	60,000	90,000
			3,57,000
	Less: Increase in trade receivables		(75,000)
	Net cash flow from operating activities (A)		2,82,000
(B)	Investing activities:		
	Land sold		60,000
	Less: Purchase of plant & machinery		(1,50,000)
	Net cash flow from investing activities (B)		(90,000)
(C)	Financing activities:		
	Issue of share capital		1,20,000
	Less: Redemption of debentures	(1,80,000)	
	Debentures interest paid	(27,000)	
	Interim dividend paid	(75,000)	(2,82,000)
	Net cash used in financing activities (C)		(1,62,000)
	Total of all activities (A + B + C)		
	[2,82,000 + (90,000) + (1,62,000)]		(30,000)
	Add: Opening cash & cash equivalents		1,80,000
	Closing cash & cash equivalents		1,50,000

Working Notes:

Plant & Machinery A/c

Particulars	₹	Particulars	₹
To balance b/d	6,00,000	By Balance c/d	7,50,000
To bank A/c (Purchase)	1,50,000		
(Balance Fig.)	7,50,000		7,50,000

Q. 49. Following are the Balance Sheets of Krishtec Ltd. for the years ended 31st March, 2012 and 2011—

	Particulars	Note No.	31st March, 2012 (₹)	31st March, 2011 (₹)
I.	Equity and Liabilities			
	1. Share holders' Fund			
	(a) Share Capital		12,00,000	8,00,000
	(b) Reserve and Surplus		3,50,000	4,00,000
	(Surplus, i.e., Balance in Statement of Profit and Loss)			
	2. Non-Current Liabilities			
	Long-term Borrowings		4,40,000	3,50,000
	3. Current Liabilities			
	Trade Payables		60,000	50,000
	Total		20,50,000	16,00,000

II. Assets		
1. Non-Current Assets		
Fixed Assets :		
Tangible Assets	12,00,000	9,00,000
2. Current Assets		
(a) Inventories	2,00,000	1,00,000
(b) Trade Receivables	3,10,000	2,30,000
(c) Cash and Cash Equivalents	3,40,000	3,70,000
Total	20,50,000	16,00,000

Prepare a Cash Flow Statement after taking into account the following adjustments—

(a) The company paid interest ₹ 36,000 on its long-term borrowings.

(b) Depreciation charged on tangible fixed assets was ₹ 1,20,000.

Ans. Cash Flow Statement of Krishtec Ltd
as at March 31, 2012

S.No.	Particulars	₹	₹
(A)	Operating Activities		
	Net Profit as per Stat. of Profit & Loss : [Loss]		(50,000)
	Adjustment for Non-operating items :		
	Add : Interest Paid on Long-term Borrowings	36,000	
	Depreciation on Fixed Assets	1,20,000	1,56,000
	Net Profit before working Capital Changes		1,06,000
	Adjustment for working capital :		
	Add : Increase in Trade Payables		10,000
			1,16,000
	Less : Increase in Inventories	1,00,000	
	Increase in Trade Receivables	80,000	(1,80,000)
	Net Cash used in Operating Activities (A)		(64,000)
(B)	Investing Activities		
	Purchase of Tangible Assets (W. Note)		(4,20,000)
	Net Cash used in Investment Activities (B)		(4,20,000)
(C)	Financing Activities		
	Issues of Share Capital	4,00,000	
	Add : Proceeds from Long-term Borrowings	90,000	4,90,000
	Less : Interest Paid		(36,000)
	Net Cash Flow from Financing Activities (C)		4,54,000
	Total of All Activities [A + B + C]		(30,000)
	[(64,000) + (4,20,000) + 4,54,000]		
	Add : Opening Cash and Cash Equivalents		3,70,000
	Closing Cash and Cash Equivalents		3,40,000

Working Note—

Tangible Assets

Particulars	₹	Particulars	₹
To Balance b/d	9,00,000	By Stat. of P/L (Dep.)	1,20,000
To Bank A/c (Purchase) (Bal. Fig.)	4,20,000	By Balance c/d	12,00,000
Total	13,20,000	Total	13,20,000

Q. 50. From the following balance sheets of Varun Ltd. as at 31st March, 2018 prepare cash flow statement.

Particulars	Note No.	31st March 2018 ₹	31st March 2017 ₹
I. Equity and Liabilities			
1. Shareholders fund			
(a) Share capital		1,50,000	1,25,000
(b) Reserves and surplus	1	75,000	60,000
2. Non-current liabilities			
Long-term Borrowings Bank loan		20,000	—
3. Current liabilities			
(a) Short-term Borrowings Bank overdraft		10,000	5,000
(b) Trade payables	2	70,000	65,000
(c) Short-term provisions	3	25,000	15,000
Total		3,50,000	2,70,000
II. Assets			
1. Non-current assets			
(a) Fixed assets		30,000	20,000
(b) Non-current investments		10,000	15,000
2. Current assets			
(a) Inventories (Stock)		1,20,000	87,000
(b) Trade receivables (debtors)		90,000	98,000
(c) Cash and cash equivalents		1,00,000	50,000
Total		3,50,000	2,70,000

Notes to Accounts

Particulars	31st March 2018 ₹	31st March 2017 ₹
I. Reserves and surplus		
General reserve	15,000	10,000
Surplus, i.e., balance in stat. of P & L	60,000	50,000
	75,000	60,000

2. Trade payables		
Creditors	45,000	50,000
Bills payable	25,000	15,000
3. Short-term provision	70,000	65,000
Provision for tax	25,000	15,000

Additional Information:

1. During the year ₹ 5,000 depreciation was charged on fixed assets.
2. Company has paid ₹ 12,000 interim dividend during the year.
3. Tax provided during the year ₹ 20,000.

Ans. Cash Flow Statement of Varun Ltd. as at 31st March, 2018

	Particulars	₹	₹
(A)	Operating activities:		
	Net profit for the year [60,000 – 50,000]		10,000
	Add: transfer to gen. res. [15,000 – 10,000]	5,000	
	Prov. for tax (W. Note)	20,000	
	Interim dividend	12,000	37,000
	Net profit B. tax and ex.ordi- items		47,000
	Add: Depreciation		5,000
	Net profit B working capital changes		52,000
	Add: Increase in bills payables	10,000	
	Decrease in debtors	8,000	18,000
			70,000
	Less: Decrease in creditors	5,000	
	Increase in inventories	33,000	(38,000)
	Net cash from operation		32,000
	Less: Tax paid		(10,000)
	Net cas flow from operating activities (A)		22,000
(B)	Investing activities:		
	Sale of investment [15,000 – 10,000]		5,000
	Less: Fixed assets purchase (W. Note)		(15,000)
	Net cash used in investing activities (B)		(10,000)
(C)	Financing activities:		
	Issue of share capital	25,000	
	Bank loan	20,000	
	Increase in bank overdraft	5,000	50,000
	Less: Interim dividend paid		(12,000)
	Net cash flow from financing activities (C)		38,000
	Total of all activities (A + B + C)		
	[22,000 + (10,000) + 38,000]		50,000
	Add: Opening cash & cash equivalents		50,000
	Closing cash & cash equivalents		1,00,000

Working Note:

(i) Provision for Tax			
Particulars	₹	Particulars	₹
To bank A/c (Bal. Fig.)	10,000	By balance b/d	15,000
To balance c/d	25,000	By prov. made (given)	20,000
Total	35,000	Total	35,000
(ii) Fixed Assets A/c			
Particulars	₹	Particulars	₹
To balance b/d	20,000	By dep. A/c	5,000
To bank A/c (Purchase) (Balance Fig.)	15,000	By balance c/d	30,000
Total	35,000	Total	35,000
(iii) Accumulated Depreciation A/c			
Particulars	₹	Particulars	₹
To balance c/d	2,40,000	By balance b/d	1,80,000
	2,40,000	By depreciation A/c	60,000
			2,40,000

Q.51. Prepare cash flow statement from the following balance sheet.

Particulars	Note No.	31st March 2013 ₹	31st March 2012 ₹
I. Equity and Liabilities			
1. Shareholder funds			
(a) Share capital		6,00,000	5,00,000
(b) Reserves and surplus	1	4,00,000	2,00,000
2. Current liabilities			
Trade payables		2,80,000	1,80,000
Total		12,80,000	8,80,000
II. Assets			
1. Non-current assets			
(a) Fixed assets plant & machinery		5,00,000	3,00,000
2. Current assets			
(a) Inventories		1,00,000	1,50,000
(b) Trade Receivables		6,00,000	4,00,000
(c) Cash and cash equivalents		80,000	30,000
Total		12,80,000	8,80,000

Notes to Accounts

Particulars	31st March 2013 ₹	31st March 2012 ₹
Reserves and surplus		
Surplus, i.e., balance in statement of P & L	4,00,000	2,00,000

Additional Information:

(i) An old machinery having book values of ₹ 50,000 was sold for ₹ 60,000.

(ii) Depreciation provided on machinery during the year was ₹ 30,000.

Ans. Cash Flow Statement as at March, 31, 2013

	Particulars	₹	₹
(A)	Operating activities:		
	Net profit as per statement of P & L		2,00,000
	Add: Depreciation on machine		30,000
			2,30,000
	Less: Profit on sale of machine (W. Note)		(10,000)
	Net cash before W. capital changes		2,20,000
	Add: Increase in trade payables	1,00,000	
	Decrease in inventory	50,000	1,50,000
			3,70,000
	Less: Increase in trade receivables		(2,00,000)
	Net cash flow from operating activities (A)		1,70,000
(B)	Investing activities:		
	Sale of machinery		60,000
	Less: Purchase of machinery (W. Note)		(2,80,000)
	Net cash used in investing activities (B)		(2,20,000)
(C)	Financing activities:		
	Issue of share capital		1,00,000
	Net cash flow from financing activities (C)		1,00,000
	Total of all activities (A + B + C)		
	[1,70,000 + (2,20,000) + 1,00,000]		50,000
	Add: Opening cash & cash equivalents		30,000
	Closing cash & cash equivalents		80,000

Working Notes:**Plant & Machinery A/c**

Particulars	₹	Particulars	₹
To balance b/d	3,00,000	By bank (Sale)	60,000
To P & L A/c (profit)	10,000	By dep.	30,000
To bank A/c (purchase)	2,80,000	By balance c/d	5,00,000
(Balance Fig.)			
	5,90,000		5,90,000

Q. 52. Following is the summarised balance sheets of Philips India Ltd. as at 31st March, 2018.

	Particulars	Note No.	31st March 2018 ₹	31st March 2017 ₹
I.	Equity and Liabilities			
	1. Shareholders funds			
	(a) Share capital		13,50,000	13,50,000
	(b) Reserves and surplus	1	11,34,000	10,68,000
	2. Non-current liabilities			
	10% Mortgage loan		8,10,000	
	3. Current liabilities			
	(a) Creditors (Trade payables)		4,02,000	5,04,000
	(b) Short-term provisions:			
	Provision for tax		30,000	2,25,000
	Total		37,26,000	31,47,000
II.	Assets			
	1. Non-current assets			
	(a) Fixed assets		9,60,000	12,00,000
	(b) Investments		1,80,000	1,50,000
	2. Current assets			
	(a) Current investments		21,000	17,000
	(b) Inventories		6,30,000	7,20,000
	(c) Trade receivables		13,65,000	6,30,000
	(d) Cash and cash equivalents			
	Bank		5,70,000	4,30,000
	Total		37,26,000	31,47,000

Notes to Accounts

	Particulars	31st March 2018 ₹	31st March 2017 ₹
1.	Reserves and surplus		
	General reserve	9,30,000	9,00,000
	Surplus, i.e., balance in stat. of P&L	2,04,000	1,68,000
		11,34,000	10,68,000

Additional Information:

- Investments costing ₹ 24,000 were sold during the year for ₹ 25,500.
 - Provision for tax made during the year was ₹ 27,000.
 - During the year, a part of the fixed assets costing ₹ 30,000 was sold for ₹ 36,000. The profits were included in the statement of profit and loss.
 - The interim dividend paid during the year amounted to ₹ 1,20,000.
- You are required to prepare cash flow statement.

Ans. Cash Flow Statement of Philips India Ltd. as at March, 31, 2018.

<i>Particulars</i>	<i>₹</i>	<i>₹</i>
(A) Net profit as per statement of P & L A/c		36,000
Add: Provision for tax	27,000	
Interim dividend paid	1,20,000	
Transfer to general reserve	30,000	1,77,000
Net operating P. before tax & extra-ordi items		2,13,000
Add: Depreciation on fixed assets		2,10,000
		4,23,000
Less: Profit on sale of fixed assets	(6,000)	
Profit on sale of investment	(1,500)	(7,500)
Operating profit before W. capital changes		4,15,500
Add: Decrease in inventories		90,000
		5,05,500
Less: Decrease in trade payables	(1,02,000)	
Increase in trade receivables	(7,35,000)	(8,37,000)
Cash from operation		(3,31,500)
Less: Tax paid (See W.Note)		(2,22,000)
Net cash used in operating activities (A)		(5,53,500)
(B) Investing activities:		
Sale proceeds of fixed assets	36,000	
Sale proceeds of investment	25,500	61,500
Less: Purchase of investments		(54,000)
Net cash flow from investing activities (B)		7,500
(C) Financing activities:		
Mortgage Loan taken		8,10,000
Less: Interim dividend paid		(1,20,000)
Net cash flow from financing activities (C)		6,90,000
Total of all activities (A + B + C)		
[(5,53,500) + 7,500 + 6,90,000]		1,44,000
Add: Opening cash & cash equivalents		
[4,30,000 + 17,000]		4,47,000
Closing cash & cash equivalents		
[5,70,000 + 21,000]		5,91,000

Working Notes:

(i)

Provision for Tax A/c

<i>Particulars</i>	<i>₹</i>	<i>Particulars</i>	<i>₹</i>
To bank A/c	2,22,000	By balance b/d	2,25,000
(Balance Fig.)		By stat. of P & L A/c	27,000
To balance c/d	30,000		
	2,52,000		2,52,000

(ii)

Fixed Assets A/c

<i>Particulars</i>	₹	<i>Particulars</i>	₹
To balance b/d	12,00,000	By bank A/c	36,000
To stat. of P & L A/c (Profit on sale)	6,000	By depreciation A/c (Balance Fig.)	2,10,000
		By balance	9,60,000
	12,06,000		12,06,000

(iii)

Investment A/c

<i>Particulars</i>	₹	<i>Particulars</i>	₹
To balance b/d	1,50,000	By bank A/c	25,500
To stat. of P & L A/c (Profit on sale)	1,500	By balance c/d	1,80,000
To bank A/c (Balance Fig.)	54,000		
	2,05,500		2,05,500

Q. 53. From the following balance sheets, prepare cash flow statement:

<i>Particulars</i>	<i>Note No.</i>	<i>31st March 2018 ₹</i>	<i>31st March 2017 ₹</i>
I. Equity and Liabilities			
1. Shareholders funds			
(a) Share capital		2,50,000	2,00,000
(b) Reserves and surplus	1	90,600	80,500
2. Current liabilities			
(a) Short-term borr.: Bank loan		—	70,000
(b) Trade payables		1,35,200	1,50,000
(c) Short-term prov.: Provision for tax		35,000	30,000
Total		5,10,800	5,30,500
II. Assets			
1. Non-current assets			
(a) Fixed assets:			
(i) Tangible assets	2	3,59,000	3,50,000
(ii) Intangible assets: Goodwill		5,000	
2. Current assets			
(a) Inventories		74,000	1,00,000
(b) Trade receivables		64,200	80,000
(c) Cash and cash equivalents		8,600	500
Total		5,10,800	5,30,500

Notes to Accounts

	Particulars	31st March 2018 ₹	31st March 2017 ₹
1.	Reserves and surplus		
	General reserve	60,000	50,000
	Surplus, i.e., balance in stat. of P & L	30,600	30,500
		90,600	80,500
2.	Tangible fixed assets		
	Land and buildings	1,90,000	2,00,000
	Plant and machinery	1,69,000	1,50,000
		3,59,000	3,50,000

Additional Information:

1. Proposed Dividends for the year ended 31st March 2018 was ₹ 25,000 and for the year ended 31st March 2017 was ₹ 14,000.
2. Interim Dividend Paid during the year was ₹ 9,000.
2. The income tax paid during the year ₹ 28,000.
3. Machinery was purchased during the year ₹ 33,000.
4. Depreciation written off on machinery ₹ 14,000; buildings ₹ 10,000.

Ans. Cash Flow Statement of as at March, 21, 2018.

	Particulars	₹	₹
(A)	Net profit as per statement of P & L A/c		100
	Add: Transfer to general reserve	10,000	
	Last year Dividend paid	14,000	
	Interim Dividend paid	9,000	
	Provision for tax (See W. Note)	33,000	66,000
	Operating profit before tax & Extra.ordi. items		66,100
	Add: Depreciation [14,000 + 10,000]		24,000
	Operating profit before W. capital changes		90,100
	Add: Decrease in inventories	26,000	
	Decrease in trade receivables	15,800	41,800
			1,31,900
	Less: Decrease in trade payables		(14,800)
	Cash from operation		1,71,100
	Less: Tax paid (See W. Note)		(28,000)
	Net cash flow from operating activities (A)		(89,100)
(B)	Investing activities:		
	Purchase of plant	(33,000)	
	Purchase of goodwill	(5,000)	(38,000)
	Net cash used in investing activities (B)		(38,000)
(C)	Financing activities:		
	Issue of share capital		50,000

Less: Bank loan paid	(70,000)	
Last year Dividend paid	14,000	
Interim Dividend paid	(9,000)	(93,000)
Net cash used in financing activities (C)		(43,000)
Total of all activities (A + B + C)		
[89,100 + (38,000) + (43,000)]		8,100
Add: Opening cash & cash equivalents		500
Closing cash & cash equivalents		8,600

(i) Provision for Tax A/c

Particulars	₹	Particulars	₹
To bank A/c	28,000	By balance b/d	30,000
To balance c/d	35,000	By stat. of P & L A/c	33,000
	63,000	(Balance Fig.)	
			63,000

Q. 54. Following is the balance sheets of Akash Ltd. as on 31st March, 2013 and 2014.

Particulars	Note No.	31st March 2014 ₹	31st March 2013 ₹
I. Equity and Liabilities			
1. Shareholders funds			
(a) Share capital		15,00,000	14,00,000
(b) Reserves and surplus	1	2,50,000	1,10,000
2. Non-current liabilities			
Long-term borrowings		2,00,000	1,25,000
3. Current liabilities			
(a) Short-term borrowings	2	12,000	10,000
(b) Trade payables		15,000	83,000
(c) Short-term provision	3	18,000	11,000
Total		19,95,000	17,39,000
II. Assets			
1. Non-current assets			
Fixed assets:			
(i) Tangible assets	4	18,60,000	16,10,000
(ii) Intangible assets	5	50,000	30,000
2. Current assets			
(a) Current investments		8,000	5,000
(b) Inventories		37,000	59,000
(c) Trade receivables		26,000	23,000
(d) Cash and cash equivalents		14,000	12,000
Total		19,95,000	17,39,000

Notes to Accounts

	<i>Particulars</i>	<i>31st March 2014 ₹</i>	<i>31st March 2013 ₹</i>
1.	Reserves and surplus		
	Surplus, i.e., balance in stat. of P & L	2,50,000	1,10,000
2.	Short-term borrowings		
	Bank overdraft	12,000	10,000
3.	Short-term provisions		
	Provision for tax	18,000	11,000
4.	Tangible assets		
	Machinery	20,00,000	17,00,000
	Less: Accumulated depreciation	(1,40,000)	(90,000)
		18,60,000	16,10,000
5.	Intangible assets		
	Patents	50,000	30,000

Additional Information:

- (i) Tax paid during the year amounted to ₹16,000.
(ii) Machine with a net book value of ₹10,000 (Accumulated depreciation ₹40,000) was sold for ₹2,000.

Prepare cash flow statement.

Ans. Cash Flow Statement of Akash Ltd. as at 31st March 2014

	<i>Particulars</i>	<i>₹</i>	<i>₹</i>
(A)	Operating activities:		
	Net profit for the year [2,50,000 – 1,10,000]		1,40,000
	Add: Prov. for tax (W. Note)		23,000
	Net Profit before tax and E.ordi. items		1,63,000
	Add: Dep. for the year (W. Note)	90,000	
	Loss on sale of machine (W. Note)	8,000	98,000
	Net profit before W. capital change		2,61,000
	Add: Decrease in inventories		22,000
			2,83,000
	Less: Decrease in trade payables	68,000	
	Increase in trade receivables	3,000	(71,000)
	Net cash from operation		2,12,000
	Less: Tax paid		(16,000)
	Net cash flow from operating activities (A)		1,96,000
(B)	Investing activities:		
	Machine sold (W. Note)		2,000

Less: Machine purchased (W. Note)	3,50,000	
Patent purchased	20,000	(3,70,000)
Net cash used in investing activities (B)		(3,68,000)
(C) Financing activities:		
Issue of share capital		1,00,000
Add: Increase in long T. borrowings	75,000	
Increase in bank overdraft	2,000	77,000
Net cash flow from financing activities (C)		1,77,000
Total of all activities (A + B + C)		5,000
[1,96,000 + (3,68,000) + 1,77,000]		
Add: Opening cash & cash equivalents		17,000
[12,000 + 5,000]		
Closing cash & cash equivalents		22,000
[14,000 + 8,000]		

(i) Provision for Tax			
Particulars	₹	Particulars	₹
To bank A/c	16,000	By balance b/d	11,000
To balance c/d	18,000	By P & L (Tax made)	23,000
		(Balance Fig.)	
Total	34,000	Total	34,000

(ii) Machinery A/c			
Particulars	₹	Particulars	₹
To balance b/d	17,00,000	By acc.dep. A/c	40,000
To bank A/c (Purchase)	3,50,000	By bank A/c (Sale)	2,000
(Balance Fig.)		By P & L A/c (Loss)	8,000
		By balance c/d	20,00,000
Total	20,50,000	Total	20,50,000

(iii) Accumulated Depreciation A/c			
Particulars	₹	Particulars	₹
To machinery A/c	40,000	By balance b/d	90,000
To balance c/d	1,40,000	By P & L A/c (Bal.)	90,000
Total	1,80,000	Total	1,80,000

Q. 55. From the following Balance Sheet of SRS Ltd. and the additional information as on 31st March, 2016, prepare a Cash Flow Statement—

SRS Ltd.

Balance Sheet as on 31st March, 2016

<i>Particulars</i>	<i>Note No.</i>	<i>31st March, 2016 (₹)</i>	<i>31st March, 2015 (₹)</i>
I. Equity and Liabilities			
1. Share holders' Fund			
(a) Share Capital		4,50,000	3,50,000
(b) Reserves and Surplus	1	1,25,000	50,000
2. Non-Current Liabilities			
Long-term Borrowings	2	2,25,000	1,75,000
3. Current Liabilities			
(a) Short-term Borrowings	3	75,000	37,500
(b) Short-term Provisions	4	1,00,000	62,500
		9,75,000	6,75,000
II. Assets			
1. Non-Current Assets			
(a) Fixed Assets			
(i) Tangible	5	7,32,500	4,52,500
(ii) Intangible	6	50,000	75,000
(b) Non-Current Investments		75,000	50,000
2. Current Assets			
(a) Current Investments		20,000	35,000
(b) Inventories	7	61,000	36,000
(c) Cash and Cash Equivalents		36,500	26,500
Total		9,75,000	6,75,000

Notes to Accounts

<i>Particulars</i>	<i>31st March, 2016 (₹)</i>	<i>31st March, 2015 (₹)</i>
1. Reserves and Surplus		
Surplus, i.e., Balance in Statement of Profit and Loss	1,25,000	50,000
2. Long-term Borrowings		
12% Debentures	2,25,000	1,75,000
3. Short-term Borrowings		
Bank Overdraft	75,000	37,500

4. Short-term Provisions		
Provision for Tax	1,00,000	62,500
5. Tangible Assets		
Machinery	8,37,500	5,22,500
Accumulated Depreciation	(1,05,000)	(70,000)
	7,32,500	4,52,500
6. Intangible Assets		
Goodwill	50,000	75,000
7. Inventories		
Stock-in-Trade	61,000	36,000

Additional Information—

(i) ₹ 50,000, 12% Debentures were issued on 31st March, 2016.

(ii) During the years, a piece of machinery costing ₹ 40,000, on which accumulated depreciation was ₹ 20,000, was sold at a loss of ₹ 5,000.

Ans. Cash Flow Statement of SRS Ltd.

as at March 31, 2016

S.N.	Particulars	₹	₹
(A)	Operating Activities		
	Net Profit as per Stat. of Profit & Loss [1,25,000 – 50,000]		75,000
	Add : Provision for Tax made		1,00,000
	Net Profit before tax and Extra-ordi. items		1,75,000
	Adjustment for Non-operating Item :		
	Add : Interest on 12% Debentures [1,75,000 × (12%)]	21,000	
	Depreciation on Machinery [working note]	55,000	
	Loss on Sale of Machine (Given)	5,000	
	Goodwill written off [75,000 – 50,000]	25,000	1,06,000
	Net Profit before working capital changes		2,81,000
	Adjustment for Working Capital		
	Less : Increase in Inventories [61,000 – 36,000]		(25,000)
	Net Cash Generated from operating Activities		2,56,000
	Less : Tax Paid		(62,500)
	Net Cash Flow from operating Activities (A)		1,93,500
(B)	Investing Activities		
	Add : Sales of Machinery [W. Note]		15,000
	Less : Purchase of Machinery [W. Note]	3,55,000	
	Purchase of Non-Current Investment	25,000	(3,80,000)
	Net Cash used in Investment Activities		(3,65,000)

(C) Financing Activities			
Issue of Share Capital	1,00,000		
Proceeds from 12% Debentures	50,000		
Proceeds from Bank overdraft	37,500	1,87,500	
Less : Interest on 12% Debentures Paid		(21,000)	
Net Cash Flow from Financial Activities		1,66,500	
Total of All Activities [A + B + C]		(5,000)	
[1,93,500 + (3,65,000) + 1,66,500]			
Add : Opening Cash & Cash Equivalents		61,500	
[26,500 + 35,000]			
Closing Cash & Cash Equivalents		56,500	
[36,500 + 20,000]			

Working Note—

Machinery A/c

Particulars	₹	Particulars	₹
To Balance b/d	5,22,500	By Accumulated Dep. A/c	20,000
To Bank A/c (Purchase)	3,55,000	By Stat. of P/L A/c [Loss]	5,000
(Bal. Fig.)		By Bank A/c (Sale)	15,000
		By Balance c/d	8,37,500
Total	8,77,500	Total	8,77,500

Accumulated Depreciation A/c

Particulars	₹	Particulars	₹
To Machinery A/c	20,000	By Balance b/d	70,000
To Balance c/d	1,05,000	By Stat. of P/L (C.Y. Dep.)	55,000
		(Bal. Fig.)	
Total	1,25,000	Total	1,25,000

Q. 56. From the following balance sheets of Mishi Ltd. as at 31st March, 2018 prepare cash flow statement.

Particulars	Note No.	31st March 2018 ₹	31st March 2017 ₹
I. Equity and Liabilities			
1. Shareholders funds			
(a) Share capital		16,00,000	12,00,000
(b) Reserves and surplus	1	6,60,000	4,40,000
2. Non-current liabilities			
Long-term Borrowings (10% Deb.)		3,20,000	2,00,000

3. Current liabilities			
(a) Short-term Borrowings (Bank loan)		80,000	1,10,000
(b) Trade payables		1,50,000	1,80,000
Total		28,10,000	21,30,000
II. Assets			
1. Non-current assets			
(a) Fixed assets	2	19,00,000	12,10,000
(a) Non-current investments		2,70,000	2,00,000
2. Current assets			
(a) Current investments		1,60,000	80,000
(b) Trade receivables		1,80,000	4,00,000
(c) Cash and cash equivalents	3	3,00,000	2,40,000
Total		28,10,000	21,30,000

Notes to Accounts

Particulars		31st March 2018 ₹	31st March 2017 ₹
1. Reserves and surplus			
Securities premium reserve		20,000	—
General reserve		3,00,000	2,40,000
Surplus, i.e., balance stat. of P & L		3,40,000	2,00,000
		6,60,000	4,40,000
2. Fixed assets			
Tangible assets: Machinery (Cost)		21,40,000	14,00,000
Less: Accumulated depreciation		(2,40,000)	(1,90,000)
		19,00,000	12,10,000
3. Cash and cash equivalents			
Cash in Hand		1,40,000	1,10,000
Bank balance		1,60,000	1,30,000
		3,30,000	2,40,000

Additional information:

- (i) During the year, Machinery costing ₹1,40,000 (accumulated depreciation of ₹1,10,000) was sold for ₹20,000.
- (ii) During the year, Non-current investments costing ₹80,000 were sold at a profit of ₹16,000.

Ans. Cash flow statement of Mishi Ltd. as at 31st March, 2018

	<i>Particulars</i>	₹	₹
(A)	Operating activities:		
	Net profit for the year		1,40,000
	Add: General reserve		60,000
	Net profit before tax and Ex.ordi- items		2,00,000
	Add: Depreciation of machine (W. Note)	1,60,000	
	Loss on sale of machine (W. Note)	10,000	
	interest on debentures	20,000	1,90,000
			3,90,000
	Less: Profit on sale of investment		(16,000)
	Net profit before W. capital changes		3,74,000
	Add: Decrease in trade recei.		2,20,000
			5,94,000
	Less: Decrease in trade payables		(30,000)
	Net cash flow from operating activities (A)		5,64,000
(B)	Investing activities:		
	Add: Machine sold	20,000	
	Investment sold	96,000	1,16,000
	Less: Purchase of machine	8,80,000	
	Purchase of investments	1,50,000	(10,30,000)
	Net cash used in investing activities (B)		(9,14,000)
(C)	Financing activities:		
	Add: Issue of share cap. with sec.prem.	4,20,000	
	Issue of 10% debentures	1,20,000	5,40,000
	Less: bank loan paid	30,000	
	Int. on debentures paid	20,000	(50,000)
	Net cash flow from financing acti. (C)		4,90,000
	Total of all activities (A + B + C)		1,40,000
	[5,64,000 + (9,14,000) + 4,90,000]		
	Add: Opening cash & cash equi.		
	[2,40,000 + 80,000]		3,20,000
	Closing cash & cash equivalents		
	[3,00,000 + 1,60,000]		4,60,000

Working Notes:

(iii)

Machinery A/c

<i>Particulars</i>	₹	<i>Particulars</i>	₹
To balance b/d	14,00,000	By acc. dep. A/c	1,10,000
To bank A/c (Purchase)	8,80,000	By bank A/c (Sale)	20,000

(Balance Fig.)		By P & L (Loss)	10,000
		By balance c/d	21,40,000
Total	22,80,000	Total	22,80,000

(ii) **Accumulated Depreciation A/c**

Particulars	₹	Particulars	₹
To machinery A/c	1,10,000	By balance b/d	1,90,000
To balance c/d	2,40,000	By P & L A/c (c.y. Dep.)	1,60,000
Total	3,50,000	Total	3,50,000

(iii) **Non-Current Investment A/c**

Particulars	₹	Particulars	₹
To balance b/d	2,00,000	By bank A/c (Sale)	96,000
To P & L A/c (Profit)	16,000	By balance c/d	2,70,000
To bank A/c (Purchase)	1,50,000		
Total	3,66,000	Total	3,66,000

Q. 57. From the following balance sheet and information of XYZ Ltd., prepare cash flow statement.

	Particulars	Note No.	31st March 2018 ₹	31st March 2017 ₹
I.	Equity and Liabilities			
	1. Shareholders funds			
	(a) Share capital	1	7,00,000	6,00,000
	(b) Reserves and surplus	2	4,10,000	2,00,000
	2. Non-current liabilities			
	Long-term borr.: 10% Deb.		3,00,000	2,00,000
	3. Current liabilities			
	(a) Trade payables		1,40,000	60,000
	Total		15,50,000	10,60,000
II.	Assets			
	1. Non-current assets			
	(a) Fixed assets-tangible		7,00,000	6,00,000
	(b) 10% investments		2,00,000	1,00,000
	2. Current assets			
	(a) Current investments		90,000	50,000
	(b) Inventories		2,00,000	1,00,000
	(c) Trade receivables	3	2,80,000	1,90,000
	(d) Cash and cash equivalents		80,000	20,000
	Total		15,50,000	10,60,000

Notes to Accounts

	<i>Particulars</i>	<i>31st March 2017 ₹</i>	<i>31st March 2016 ₹</i>
1.	Share capital		
	Equity share capital	5,00,000	3,00,000
	10% preference share capital	2,00,000	3,00,000
		7,00,000	6,00,000
2.	Reserves and surplus		
	Securities premium reserve	10,000	—
	Surplus, i.e., balance in stat. of P & L	4,00,000	2,00,000
		4,10,000	2,00,000
3.	Trade receivables		
	Sundry debtors	3,00,000	2,00,000
	Less: Provision for doubtful debts	20,000	10,000
		2,80,000	1,90,000

You are informed that during the year :

(i) <i>Proposed Dividend</i>	<i>31st March 2018 ₹</i>	<i>31st March 2017 ₹</i>
Equity Share Capital	Nil	Nil
Preference Share Capital	10%	10%

(ii) A machine with a book value of ₹ 90,000 was sold for ₹ 50,000; (iii) Depreciation charged during the year ₹ 60,000; (iv) Debentures were issued on 1st April, 2017; (v) Investments were purchased on 31st March, 2018; (vi) Preference shares were redeemed on 31st December, 2017; (vii) An interim dividend @15% was paid on equity shares on 31st December, 2017; (viii) Fresh equity shares were issued at a premium of 5% on 31st March, 2018.

Ans. Cash Flow Statement of XYZ Ltd. as at 31st March, 2018

	<i>Particulars</i>	<i>₹</i>	<i>₹</i>
(A)	Operating activities:		
	Net profit for the year		2,00,000
	Add: Pref. share dividend Paid	30,000	
	Interim dividend Paid	45,000	75,000
	Net profit before tax and Ex.ordi. items		2,75,000
	Add: Dep. on fixed assets	60,000	
	Loss on sale machine	40,000	
	Int. on debentures	30,000	
	Prov. for bad debts	10,000	1,40,000
			4,15,000
	Less: Interest on investment		10,000
	Net profit before W. capital changes		4,05,000
	Add: Increase in trade payables		80,000
			4,85,000
	Less: Increase in inventory	1,00,000	

	Increase in trade recei.	1,00,000	(2,00,000)
	Net cash flow from operating activities (A)		2,85,000
(B)	Investing activities:		
	Add: Sale of machine	50,000	
	Interest on invest. recei.	10,000	60,000
	Less: Purchase of machine	2,50,000	
	Purchase of investment	1,00,000	(3,50,000)
	Net-cash used in investing activities (B)		(2,90,000)
(C)	Financing activities		
	Add: Issue of share cap. with sec. prem.	2,10,000	
	Issue of 10% debentures	1,00,000	3,10,000
	Less: Interest on 10% debentures	30,000	
	Pref. dividend paid	30,000	
	Interim dividend paid	45,000	
	Red. of pref. share capital	1,00,000	(2,05,000)
	Net cash flow from financing activities (C)		1,05,000
	Total of all activities (A + B + C)		1,00,000
	[2,85,000 + (2,90,000) + 1,05,000]		
	Add: Opening cash & cash equivalents		70,000
	[20,000 + 50,000]		
	Closing cash & cash equivalents		1,70,000
	[80,000 + 90,000]		

Working Note:

(i)

Fixed Assets A/c

Particulars	₹	Particulars	₹
To balance b/d	6,00,000	By bank A/c (Sale)	50,000
To bank A/c (Purchase)	2,50,000	By P & L (Loss)	40,000
(Balance Fig.)		By depreciation A/c	60,000
		By balance c/d	7,00,000
Total	8,50,000	Total	8,50,000

Q. 58. From the following balance sheets and information of Volvo Ltd. prepare cash flow statement.

Particulars	Note No.	31st March 2018 ₹	31st March 2017 ₹
I. Equity and Liabilities			
1. Shareholders funds			
(a) Share capital	1	2,25,000	2,50,000
(b) Reserves and surplus	2	1,27,500	50,000

2. Non-current liabilities			
Long-term borr.: 10% deb.		1,00,000	50,000
3. Current liabilities			
(a) Trade payables		72,500	35,000
(b) Other current liabilities- Premium on red. of deb.		2,500	5,000
Total		5,27,500	3,90,000
II. Assets			
1. Non-current assets			
(a) Fixed assets-tangible		3,10,000	2,55,000
(b) 10% investments		40,000	15,000
2. Current assets			
(a) Current investments		5,000	4,000
(b) Inventories		45,000	50,000
(c) Trade receivables	3	92,500	45,000
(d) Cash and cash equivalents	4	35,000	21,000
Total		5,27,500	3,90,000

Notes to Accounts

Particulars	31st March 2018 ₹	31st March 2017 ₹
1. Share capital		
Equity share capital	1,75,000	1,50,000
12% preference share capital	50,000	1,00,000
	2,25,000	2,50,000
2. Reserves and surplus		
General reserve	10,000	15,000
Surplus, i.e., balance in stat. of P & L	1,17,500	35,000
	1,27,500	50,000
3. Trade receivables		
Sundry debtors	1,00,000	50,000
Less: Provision for doubtful debts	7,500	5,000
	92,500	45,000
4. Cash and cash equivalents		
Cash in Hand	12,500	6,000
Cash at Bank	22,500	15,000
	35,000	21,000

Additional Information:

(i) You are informed that during the year :

<i>Proposed Dividend</i>	31st March 2018 ₹	31st March 2017 ₹
Equity Share Capital	Nil	Nil
Preference Share Capital	12%	12%

- (ii) A machine with a book value of ₹ 20,000 was sold for ₹ 12,500;
- (iii) Depreciation charged during the year was ₹ 35,000;
- (iv) Preference shares were redeemed on 31st March, 2018 at a premium of 5%;
- (v) An interim dividend of ₹ 5,000 was paid on equity shares on 31st March, 2018 out of General reserve;
- (vi) Fresh equity shares were issued on 31st March, 2018; and
- (vii) Additional investments were purchased on 31st March, 2018.

Ans. Cash Flow Statements of Volvo Ltd. as at 31st March, 2018

	Particulars	₹	₹
(A)	Operating activities:		
	Net profit for the year		82,500
	Add: Pref. share dividend		12,000
	Net profit before tax and Ex.ordi. items		94,500
	Add: Depreciation on fixed assets:	35,000	
	Loss on sale of fixed assets	7,500	
	Provision for bad debts.	2,500	
	Interest on 10% debentures	5,000	50,000
			1,44,500
	Less: Interest on investment		(1,500)
	Net profit before W. capital changes		1,43,000
	Add: Increase in trade payables	37,500	
	Decrease in inventories	5,000	42,500
			1,85,500
	Less: Increase in trade receivables		(50,000)
	Net cash flow from operating activities (A)		1,35,500
(B)	Investing activities:		
	Add: Sale of machine	12,500	
	Interest on investment	1,500	14,000
	Less: Purchase of machine	1,10,000	
	Purchase of investment	25,000	(1,35,000)
	Net cash used in investing activities (B)		(1,21,000)
(C)	Financing activities:		
	Add: Issue of share capital	25,000	
	Issue of 10% debentures	50,000	75,000
	Less: Interest on 10% debentures	5,000	
	Pref. share dividend	12,000	
	Red. of pref. shares	50,000	
	Prem. on red. of pref. shares	2,500	
	Interim dividend	5,000	(74,500)

Net cash flow from financing activities (C)	500
Total of all activities (A + B + C)	15,000
[1,35,500 + (1,21,000) + 500]	25,000
Add: Opening cash & cash equivalent	40,000
[21,000 + 4,000]	
Closing cash & cash equivalents	
[35,000 + 5,000]	

(i) Fixed Assets A/c			
Particulars	₹	Particulars	₹
To balance b/d	2,55,000	By bank A/c (Sale)	12,500
To bank A/c (Purchase)	1,10,000	By P & L (Loss)	7,500
(Balance Fig.)		By depreciation A/c	35,000
		By balance c/d	3,10,000
Total	3,65,000	Total	3,65,000

Q. 59. From the following balance sheets of Samta Ltd., as at 31st March, 2018 prepare the cash flow statement.

Particulars	Note No.	31st March 2018 ₹	31st March 2017 ₹
I. Equity and Liabilities			
1. Shareholders funds			
(a) Share capital	1	7,50,000	7,50,000
(b) Reserves and surplus	2	3,10,000	(20,000)
2. Non-current liabilities			
Long-term borr. (8% deb.)		2,60,000	1,30,000
3. Current liabilities			
(a) Short-term borr. (8% B. loan)		40,000	50,000
(b) Trade payables		1,20,000	1,10,000
(c) Short-term provisions	3	50,000	40,000
Total		15,30,000	10,80,000
II. Assets			
1. Non-current assets:			
(a) Fixed assets:			
(i) Tangible assets (Net)		8,60,000	6,20,000
(ii) Intangible assets (goodwill)		15,000	40,000
(b) Non-current investments		1,25,000	80,000
2. Current assets			
(a) Current investments		5,000	15,000
(b) Inventories		1,95,000	1,00,000
(c) Trade receivables		2,00,000	2,00,000
(d) Cash and cash equivalents		1,30,000	25,000
Total		15,30,000	10,80,000

Notes to Accounts

	Particulars	31st March 2018 ₹	31st March 2017 ₹
1.	Share capital		
	Equity share capital	5,50,000	4,50,000
	10% Preference share capital	2,00,000	3,00,000
		7,50,000	7,50,000
2.	Reserves and surplus		
	Securities premium reserve	10,000	—
	General reserve	1,50,000	1,20,000
	Surplus, i.e., balance in stat. of P & L	1,50,000	(1,40,000)
		3,10,000	(20,000)
3.	Short-term provisions		
	Provision for tax	50,000	40,000

Additional Information:

- (i) During the year a piece of machinery costing ₹ 60,000 on which depreciation charged was ₹ 20,000 was sold at 50% of its value. Depreciation provided on tangible assets ₹ 60,000;
- (ii) Income tax ₹ 45,000 was provided;
- (iii) Additional debentures were issued at par on 1st October, 2017 and bank loan was repaid on the same date;
- (iv) At the end of the year preference shares were redeemed at a premium of 5%.

Ans. Cash Flow Statement of Samta Ltd. as at 31st March, 2018

	Particulars	₹	₹
(A)	Operating activities:		
	Net profit for the year [1,50,000 – (1,40,00)]	2,90,000	
	Add: General reserve	30,000	
	Provision for tax	45,000	
	Prem. on red. of pref. shares	5,000	80,000
	Net profit before tax and E.ordinary items	3,70,000	
	Add: Depreciation on fixed assets	60,000	
	Loss on sale of machinery	20,000	
	Interest on 8% debentures	16,400	
	Interest on 8% bank loan	3,600	
	Goodwill written off	25,000	1,25,000
	Net profit before W. capital changes		4,95,000
	Add: Increase in trade payables		10,000
			5,05,000
	Less: Increase in inventory		(95,000)
	Net cash from operation		4,10,000

	Less: Tax paid [(40,000 + 45,000) – 50,000]		(35,000)
	Net cash flow from operating activities (A)		3,75,000
(B)	Investing activities:		
	Add: Sale of machine		20,000
	Less: Purchase of machine	3,40,000	
	Purchase of investment	45,000	(3,85,000)
	Net cash used in investing activities (B)		(3,65,000)
(C)	Financing activities:		
	Add: Issue of share cap. with sec. prem.	1,10,000	
	Issue of 8% debentures	1,10,000	2,20,000
	Less: Red. of pref. share at 5% prem.	1,05,000	
	8% bank loan paid	10,000	
	Interest on 8% debentures	16,400	
	Interest on 8% bank loan	3,600	(1,35,000)
	Net cash flow from financing activities (C)		85,000
	Total of all activities (A + B + C)		
	[3,75,000 + (3,65,000) + 85,000]		95,000
	Add: Opening cash and cash equivalents		
	[25,000 + 15,000]		40,000
	Closing cash and cash equivalents		1,35,000
	[1,30,000 + 5,000]		

Working Note:

(i) Machinery A/c			
Particulars	₹	Particulars	₹
To balance b/d	6,20,000	By bank A/c (Sale)	20,000
To bank A/c (Purchase)	3,40,000	By P & L (Loss)	20,000
(Balance Fig.)		By depreciation A/c	60,000
		By balance c/d	8,60,000
Total	9,60,000	Total	9,60,000

Q. 60. Prepare cash flow statement from the followings:

Statement of Profit and Loss for the year ended 31st March, 2018

Particulars	₹
I. Revenue from operations (Net sales)	36,00,000
II. Expenses:	
Purchase of stock-in-trade	28,16,000
Changes in inventories of stock-in-trade	(65,000)
Finance cost	15,000
Depreciation and amortisation expenses	80,000
Other expenses	5,34,000
Total	33,80,000
III. Profit before tax (I - II)	2,20,000
IV. Less: Provision for tax	40,000
V. Profit after tax	1,80,000

Balance Sheets

	<i>Particulars</i>	<i>Note No.</i>	<i>31st March 2018 ₹</i>	<i>31st March 2017 ₹</i>
I.	Equity and Liabilities			
	1. Shareholders funds			
	(a) Share capital		6,00,000	5,00,000
	(b) Reserves and surplus	1	3,00,000	1,20,000
	2. Non-current liabilities			
	Long-term loan		1,20,000	1,50,000
	3. Current liabilities			
	(a) Short-term borrowings: bank overdraft		13,000	—
	(b) Trade payables (Creditors)		2,85,000	2,38,000
	(c) Short-term provisions: Prov. for tax		44,000	30,000
	Total		13,62,000	10,38,000
II.	Assets			
	1. Non-current Assets			
	Fixed assets		6,20,000	4,00,000
	2. Current assets			
	(a) Short-term investments (Mkt. Securities)		34,000	20,000
	(b) Inventories		3,28,000	2,63,000
	(c) Trade receivables		3,48,000	3,10,000
	(d) Cash and cash equivalents	2	32,000	45,000
	Total		13,62,000	10,38,000

Notes to Accounts

<i>Particulars</i>	<i>31st March 2018 ₹</i>	<i>31st March 2017 ₹</i>
1. Reserves and surplus		
Surplus, i.e., balance in stat. of P & L	3,00,000	1,20,000
2. Cash and cash equivalents		
Cash in Hand	32,000	17,000
Cash at Bank	—	28,000
	32,000	45,000

Ans. Cash Flow Statement as at March, 31, 2018

	<i>Particulars</i>	<i>₹</i>	<i>₹</i>
(A)	Net profit as per statement of P & L A/c		1,80,000
	Add: Tax provision		40,000
	Operating profit before tax & extraordinary items		2,20,000
	Add: Depreciation on fixed assets	80,000	
	Interest on long-term loan	15,000	95,000
	Operating profit before W. capital changes		3,15,000

	Add: Increase in trade payables		47,000
			3,62,000
	Less: Increase in inventories	(65,000)	
	Increase in trade receivables	(38,000)	(1,03,000)
	Cash from operations		2,59,000
	Less: Tax paid (See W. Note)		(26,000)
	Net cash flow from operating activities (A)		2,33,000
(B)	Investing activities:		
	Purchase of fixed assets		(3,00,000)
	Net cash used in investing activities (B)		(3,00,000)
(C)	Financing activities:		
	Issue of share capital		1,00,000
	Less: Repayment of long-term loan	(30,000)	
	Interest paid on loan	(15,000)	(45,000)
	Net cash flow from financing activities (C)		55,000
	Total of all activities (A + B + C)		(12,000)
	[2,33,000 + (3,00,000) + 55,000]		
	Add: Opening cash & cash equivalents		65,000
	[17,000 + 28,000 + 20,000]		
	Closing cash & cash equivalents		53,000
	[32,000 + 34,000 + (13,000)]		

(i) Provision for Tax A/c			
Particulars	₹	Particulars	₹
To bank a/c	26,000	By balance b/d	30,000
(Balance Fig.)		By stat. of P&L A/c	40,000
To balance c/d	44,000		
	70,000		70,000

(ii) Fixed Assets A/c			
Particulars	₹	Particulars	₹
To balance b/d	4,00,000	By depreciation A/c	80,000
To balance A/c	3,00,000	By balance c/d	6,20,000
(Balance Fig.)			
	7,00,000		7,00,000