

CASH FLOW STATEMENT

1. From the following Balance sheets of ABC CO. LTD. Make out the statement of sources and uses of cash under Indirect method (As per Accounting Standards)

LIABILITIES	31/12/2005	31/12/2006	ASSETS	31/12/2005	31/12/2006
Equity share capital	6,00,000	8,00,000	Goodwill	2,30,000	1,80,000
9% Pref. share capital	3,00,000	2,00,000	Land and Building	4,00,000	3,40,000
General Reserve	80,000	1,40,000	Plant	1,60,000	4,00,000
Profit and loss	60,000	96,000	Stock	1,54,000	2,18,000
Proposed dividend	84,000	1,00,000	Debtors	3,20,000	4,00,000
Creditors	1,10,000	1,66,000	Bills receivable	40,000	60,000
Bills payable	40,000	32,000	Cash in hand	30,000	20,000
Provision for taxation	80,000	1,00,000	Cash at bank	20,000	16,000
	13,54,000	16,34,000		13,54,000	16,34,000

ADDITIONAL INFORMATION:

1. Depreciation of Rs. 20,000 and Rs. 40,000 have been charged on Plant, Land and Building respectively in 2006.
2. An interim dividend of Rs. 40,000 has been paid in 2006
3. Rs. 70,000 Income Tax was paid during the year 2006

Solution

CASH FLOW STATEMENTLEDGER A/C's

Goodwill A/c

Particulars	Amount	Particulars	Amount
To Balance b/d	230000	By Adj. P&L A/C(b/f) (Written off)	50000
		By Balance c/d	180000
	230000		230000

Land & Building A/c

To Balance b/d	400000	By Adj. P&L A/C (dep)	40000
		By Cash a/c Sales (b/f)	20000
		By Balance c/d	340000
	400000		400000

Plant & Machinery A/c

To Balance b/d	160000	By Adj. P&L A/c (dep)	20000
To Cash a/c (b/f) (PUR)	260000	By Balance c/d	400000
	420000		420000

Equity Share Capital A/c

To Balance c/d	800000	By Balance b/d	600000
		By Cash a/c (b/f)(issue)	200000
	800000		800000

9% Pref Share Capital A/c

To Cash a/c (b/f) (redemption)	100000	By balance b/d	300000
To Balance c/d	200000		
	300000		300000

General Reserve A/c

To Balance C/d	140000	By balance b/d	80000
		By Adj. P/l (b/f) (Transfer)	60000
	140000		140000

Provision for Taxation A/c

To Cash A/c (I.T.paid)	70000	By balance b/d	80000
To balance c/d	100000	By Adj. P/l A/c (b/f) (provision made)	90000
	170000		170000

Cash flow statement of ABC Co.ltd.

Particulars	Amt	Amt
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Increase in P/L A/c	36000	
Add: Non-Operating Expenses (Dr. side of Adj. P/L A/c)		
Goodwill written off	50000	
Depn on L/B	40000	
Transfer to GR	60000	
Provision for taxation made	90000	
Interim Dividend paid	40000	

Less: Non-Operating incomes (Cr. Side of Adj. P/L A/C)	-	
Operating profit before working capital changes	336000	
Add: Decrease in current asset and increase in current liability		
Proposed Dividend	16000	
Cr's	56000	
Less: Increase in Current Asset and Decrease in Current Liability		
Stock	(64000)	
Dr's	(80000)	
B/R	(20000)	
B/P	(8000)	
Operating profit after W.C. Changes, before I.T. Paid	236000	
Less: Income Tax Paid	(70000)	
NET CASH GENERATED FROM O.A.	166000	166000
B.CASH FROM INVESTING ACTIVITIES INFLOW		
Sale of L/B	20000	
CASH FROM INVESTING ACTIVITIES OUTFLOW		
Purchase of plant	(260000)	
NET CASH LOST FROM I.A.	(240000)	(240000)
C. CASH FLOW FROM FINANCING ACTIVITIES INFLOW		
Issue of E.S.C.	200000	
CASH FLOW FROM FINANCING ACTIVITIES OUTFLOW		
Redemption of P.S.C	(100000)	
Interim Dividend paid	(40000)	
NET CASH GENERATED FROM F.A.	60000	60000
Net Decrease in Cash or Cash Equivalent		(14000)
Opening balance of Cash & Cash Equivalent (30000+20000)	50000	
Less: Closing Balance of Cash & Cash equivalent (20000+16000)	(36000)	14000
		NIL

2. The Balance sheet of a manufacturing company for the year ended 31/3/2008 and 2009 are stated as follows.

BALANCE SHEET

<i>PARTICULARS</i>	<i>31/3/2008</i>	<i>31/3/2009</i>
ASSETS		
Fixed Assets	18,10,000	19,90,000
Stock	23,000	55,000
Debtors	40,000	33,000
Cash	39,000	47,000
Outstanding rent	14,000	20,000
Salary paid in Advance	19,000	15,000
Preliminary Expenses	45,000	30,000
	19,90,000	21,90,000
LIABILITIES		
Share capital	15,00,000	17,00,000
Profit and Loss A/c	1,50,000	1,75,000
General reserve	50,000	70,000
Provision for Taxation	30,000	25,000
Loan(Long-term)	2,00,000	1,50,000
Sundry creditors	32,000	44,000
Bank overdraft	15,000	17,000
Outstanding wages	13,000	9,000
	19,90,000	21,90,000

ADDITIONAL INFORMATION:

1. Depreciation for Fixed Assets during the year is Rs. 90,000, A Plant worth Rs. 50,000 was sold for a loss of Rs. 15,000.
2. Tax paid during the year is Rs. 9,000
3. Provision for General Reserve Rs. 20,000
4. Preliminary expenses written off during the year is Rs. 15,000

Prepare a statement of cash flow as per accounting standards.

Solution

LEDGER A/C's

Fixed Assets

Particulars	Amount	Particulars	Amount
To Balance b/d	180000	By Adj. P&L A/c(Dep)	90000
To Cash a/c (b/f) (PUR)	320000	By Cash a/c (sales) (50000-15000)	35000

		By Adj. P/L a/c (loss on sale)	15000
		By Balance c/d	199000
	2130000		2130000

Preliminary Expenses

To Balance b/d	45000	By Adj. P&L A/C (b/f) (written off)	15000
		By Balance b/d	30000
	45000		45000

Share Capital

To Balance c/d	1700000	By Balance b/d	1500000
		By Cash a/c (b/f) (Issue)	200000
	1700000		1700000

General Reserve

To Balance c/d	70000	By Balance b/d	50000
		By Adj. P&L a/c (Provision for G.R)	20000
	70000		70000

Provision for Taxation A/c

To Cash A/c (Tax.paid)	9000	By balance b/d	30000
To balance c/d	25000	By Adj. P/l A/c (b/f) (provision made)	4000
	34000		34000

Long term loan a/c

To Balance c/d	150000	By Balance b/d	200000
To Cash a/c (b/f) (repayment)	50000		
	200000		200000

Cash flow statement of ----- Co.ltd.

Particulars	Amt	Amt
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Increase in P/L A/c (150000-175000)	25000	
Add: Non-Operating Expenses (Dr. side of Adj. P/L A/c)		
Loss on sale of plant	15000	
Depn on Fixed Assets	90000	
Written off Preliminary Expenses	15000	
Provision for taxation made	4000	
Provision for G.R.	20000	
Less: Non-Operating incomes (Cr. Side of Adj. P/L A/C)	-	
Operating profit before working capital changes	169000	
Add: Decrease in current asset and increase in current liability		
Dr.s	7000	
Cr's	12000	
Salary paid in advance	4000	
Less: Increase in Current Asset and Decrease in Current Liability		
Stock	(32000)	
O/S Rent	(6000)	
O/S Wages	(4000)	
Operating profit after W.C. Changes, before I.T. Paid	150000	
Less: Income Tax Paid	(9000)	
NET CASH GENERATED FROM O.A.	141000	141000
B.CASH FROM INVESTING ACTIVITIES INFLOW		
Sale of F.A.	35000	
CASH FROM INVESTING ACTIVITIES OUTFLOW		
Purchase of plant	(320000)	
NET CASH LOST FROM I.A.	(285000)	(285000)
C. CASH FLOW FROM FINANCING ACTIVITIES INFLOW		
Issue of S.C.	200000	
CASH FLOW FROM FINANCING ACTIVITIES OUTFLOW		
Repayment of Loan (long-term)	(50000)	
NET CASH GENERATED FROM F.A.	150000	150000
Net Increase in Cash or Cash Equivalent		6000
Add: Opening balance of B.O.D & Cash & Cash Equivalent (39000-15000)	24000	
Less: Closing Balance of B.O.D & Cash & Cash equivalent (47000-17000)	(30000)	(-6000)
		NIL

3. Balance sheet of Ganesh Mills Ltd.

<i>LIABILITIES</i>	<i>31/3/2009</i>	<i>31/3/2010</i>	<i>ASSETS</i>	<i>31/3/2009</i>	<i>31/3/2010</i>
Equity Share capital	3,00,000	4,00,000	Building	2,50,000	3,00,000
Redeemable pref.			Machinery	3,00,000	3,20,000
Share capital	2,00,000	--	Furniture	20,000	18,000
Capital redemption reserve	--	1,00,000	Investments	1,00,000	1,50,000
Reserve fund	2,00,000	1,20,000	Stock	3,00,000	2,50,000
Share premium	30,000	30,000	Debtors	1,40,000	2,00,000
Profit and loss a/c	1,20,000	1,80,000	Cash at Bank	20,000	32,000
12% Debentures	2,00,000	3,00,000			
Creditors	80,000	1,40,000			
	11,30,000	12,70,000		11,30,000	12,70,000

The following transactions took place during the year 2003

- Preference shares were redeemed at 10% Premium.
- Rs. 20,000 was transferred to reserve fund from P/L A/c.
- Investments (Book value Rs. 40,000) was sold for Rs. 70,000.
- Depreciation provided on Building, Machinery and Furniture, Rs. 20,000, Rs. 30,000 and Rs. 2000 respectively.
- Dividend paid Rs. 50,000 and Income Tax paid Rs. 45,000

Solution

Ledger A/c's

Building A/c

Particulars	Amount	Particulars	Amount
To balance b/d	250000	By Adj. P&L a/c (Dep)	20000
To cash a/c (b/f) (Pur)	70000	By Balance c/d	300000
	320000		320000

Machinery A/c

To balance b/d	300000	By Adj. P&L a/c (Dep)	30000
To cash a/c (b/f) (Pur)	50000	By Balance c/d	320000
	350000		350000

Furniture A/c

To balance b/d	2000	By Adj. P&L a/c (b/f) (Dep)	2000
		By Balance c/d	18000
	20000		20000

Investment A/c

To balance b/d	100000	By Cash a/c (Sales)	70000
To Adj. P&L a/c (Profit on sale)	30000	By Balance c/d	150000
To cash a/c (b/f) (Pur)	70000		
	220000		220000

Equity Share Capital

To balance c/d	400000	By Balance b/d	300000
		By cash a/c (b/f) (issue)	100000
	400000		400000

Redeemable P.S a/c

To cash a/c (Redemption @10% Premium)	220000	By Balance b/d	200000
To balance c/d		By Adj. P&L a/c (Utilize) (b/f)	20000
	320000		320000

Capital Redemption reserve A/c

To balance c/d	100000	By Reserve fund (b/f) (Transfer)	100000
		By Balance b/d	-
	100000		100000

Reserve fund

To CRR a/c (Transfer)	100000	By Balance b/d	20000
To balance c/d	120000	By Adj. P&L a/c (b/f) (Transfer)	20000
	220000		220000

12% Debentures A/c

To balance c/d	300000	By Balance b/d	200000
		By Cash a/c (Issue) (b/f)	100000
	300000		300000

Cash flow statement of _____ Co.ltd.

Particulars	Amt	Amt
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Increase in P/L A/c	60000	
Add: Non-Operating Expenses (Dr. side of Adj. P/L A/c)		
Depn on bldg.	200000	
Depn on furniture	2000	
Depn on Machinery	30000	
Redemption of P.S	20000	
Transfer to R.F	20000	
Dividend paid	50000	
I.T Paid	45000	
Less: Non-Operating incomes (Cr. Side of Adj. P/L A/C)	-	
Profit on sale of investment	(30000)	
Operating profit before working capital changes	217000	
Add: Decrease in current asset and increase in current liability		
Cr's	60000	
Stock (300000-250000)	50000	
Less: Increase in Current Asset and Decrease in Current Liability		
Dr's	(160000)	
Operating profit after W.C. Changes, before I.T. Paid	267000	
Less: Income Tax Paid	(45000)	
NET CASH GENERATED FROM O.A.	222000	222000
B.CASH FROM INVESTING ACTIVITIES INFLOW		
Sale of Investment	70000	
CASH FROM INVESTING ACTIVITIES OUTFLOW		
Purchase of bldg.	(70000)	
Purchase of machinery	(50000)	
Purchase of Investment	(90000)	

NET CASH LOST FROM I.A.	(140000)	(140000)
C. CASH FLOW FROM FINANCING ACTIVITIES INFLOW		
Issue of E.S.	100000	
Issue of debenture	100000	
CASH FLOW FROM FINANCING ACTIVITIES OUTFLOW		
Redemption of P.S.C. @ premium	(220000)	
Dividend paid	(50000)	
NET CASH GENERATED FROM F.A.	70000	70000
Net Increase in Cash or Cash Equivalent		12000
Add: Opening balance of Cash	20000	
Less: Closing Balance of Cash	(32000)	(12000)
		NIL

Assignment Question

4. Balance sheets of N Ltd.

<i>LIABILITIES</i>	<i>31/3/2009</i>	<i>31/3/2010</i>	<i>ASSETS</i>	<i>31/3/2009</i>	<i>31/3/2010</i>
Share capital	4,60,000	4,60,000	Land and Building	3,00,000	3,00,000
Profit and loss a/c	32,000	46,000	Machinery	1,04,000	1,40,000
Reserves	1,20,000	1,20,000	Short term investments	2,20,000	1,48,000
Debentures	1,80,000	1,40,000	Stock	1,64,000	2,12,000
Depreciation fund	80,000	88,000	Debtors	1,34,000	86,000
Creditors	26,000	24,000	Cash	1,80,000	1,76,000
Bank overdraft	2,06,000	1,92,000	Prepaid Expenses	2,000	8,000
	11,04,000	10,70,000		11,04,000	10,70,000

ADDITIONAL INFORMATION:

- 10% Dividend was paid during the year
 - Machinery for RS. 60,000 was purchased
 - Old machinery costing Rs. 24,000 was sold for Rs. 20,000
- Prepare Cash Flow Statement (Indirect Method)

5. From the following Balance sheet of XYZ Company Limited and Additional Information , Prepare a Cash Flow Statement for the year 2009.

<i>LIABILITIES</i>	<i>31/3/2009</i>	<i>31/3/2010</i>	<i>ASSETS</i>	<i>31/3/2009</i>	<i>31/3/2010</i>
Share capital	70,000	80,000	Plant and Machinery	62,000	66,000
Share premium	9,000	11,000	Accumulated		
Retained Earnings	23,820	30,820	Depn On plant	(37,000)	(26,200)
% Mortgage loan	--	20,000	Building	95,000	1,16,000
Creditor	6,900	6,000	Accumulated depn		
Provision for taxation	1,000	1,400	on Building	(43,000)	(45,000)
Outstanding salaries	2,000	1,400	land	10,000	12,000
			Stock	10,220	9,620
			Debtor	8,600	7,600
			Prepaid Expenses	720	800
			Cash	6,180	9,800
	1,12,720	1,50,620		1,12,720	1,50,620

ADDITIONAL INFORMATION:

- Plant costing Rs. 16,000 (Accumulated Depreciation Rs. 14,800) was sold during the year for Rs. 12,000
- Building was acquired during the year at a cost of Rs. 21,000. In addition to cash payment of Rs. 1,000. A 7% Mortgage, loan was raised for the future.
- Dividend of Rs. 8,000 was paid during the year
- A sum of Rs. 13,900 was transferred to provision for taxation account is 2009

Solution

LEDGER A/C's

Plant & Machinery A/c

Prticulars	Amount	Prticulars	Amount
To Balance b/d	62000	By Acc Depn	14800
To Adj. P&L A/C (Profit on Sale)	10800	By cash a/c (Sales)	12000
To cash a/c (b/f) (Purchases)	20000	By Balance c/d	66000
	92800		92800

Acc Depn on P&M A/c

To P&M A/c (Accmulated depn)	14800	By Adj. P&L A/C(b/f)	4000
To Balance b/d	26200	By Balance c/d	37000
	41000		41000

Building A/c

To Balance b/d	95000	By Balance c/d	116000
To Cash a/c (Purchases)	21000		
	116000		116000

Acc depn on Building A/c

To Balance c/d	45000	By Adj. P&L A/C(b/f)	2000
		By Balance c/d	43000
	45000		45000

Land A/c

To Balance b/d	10000	By Balance c/d	12000
To Cash a/c (b/f) (PURCHASE)	2000		
	12000		12000

Share capital A/c

To Balance c/d	80000	By Balance b/d	70000
		By Cash a/c(b/f) (Issue)	10000
	80000		80000

Share premium A/c

To Balance c/d	11000	By Balance b/d	9000
		By cash a/c (b/f) (premium received)	2000
	11000		11000

7% Mortgage loan A/c

To Balance c/d	20000	By Cash A/C(b/f) (Loan raised)	20000
		By Balance c/d	-
	20000		20000

Provision for taxation A/c

To Balance c/d	1400	By Adj. P&L A/C (Provision made)	13900
To cash a/c (b/f)(Tax paid)	13500	By Balance c/d	1000
	14900		14900

Cash flow statement of _____ Co.ltd.

Particulars	Amt	Amt
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Increase in P/L A/c (retained earnings)	7000	
Add: Non-Operating Expenses (Dr. side of Adj. P/L A/c)		
Acc. Depn on P/M a/c	4000	
Acc. Depn on building	2000	
Provision made	13900	
Dividend paid	8000	
Less: Non-Operating incomes (Cr. Side of Adj. P/L A/C)	-	
Profit on sale of P/M a/c	(10800)	
Operating profit before working capital changes	24100	
Add: Decrease in current asset and increase in current liability		
Stock	600	
Debtors	1000	
Less: Increase in Current Asset and Decrease in Current Liability		
Prepaid Expenses	(80)	
Cr's	(900)	
O/S Salaries	(600)	
Operating profit after W.C. Changes, before I.T. Paid	24120	
Less: Income Tax Paid	(13500)	
NET CASH GENERATED FROM O.A.	650	650
B.CASH FROM INVESTING ACTIVITIES INFLOW		
Sale of P/M a/c	12000	
CASH FROM INVESTING ACTIVITIES OUTFLOW		
Purchase of P/M.	(20000)	
Purchase of bldg..	(21000)	
Purchase of land	(2000)	
NET CASH LOST FROM I.A.	(31000)	(31000)
C. CASH FLOW FROM FINANCING ACTIVITIES INFLOW		
Issue of E.S.	10000	
Share premium received	2000	
&% Mortgage loan raised	20000	
CASH FLOW FROM FINANCING ACTIVITIES OUTFLOW		
Dividend paid	(8000)	
NET CASH GENERATED FROM F.A.	24000	24000
Net Increase in Cash or Cash Equivalent		3620
Add: Opening balance of Cash	6180	
Less: Closing Balance of Cash	(9800)	(3620)
		NIL

6. Following are summarised Balance sheet of a company as on 31/3/2011 and 31/3/2012

PARTICULARS	31/3/2011	31/3/2012
LIABILITIES		
Share capital	40,000	50,000
General reserve	10,000	12,000
Profit and Loss A/c	6,000	6,000
Long term loan	14,000	--
Sundry creditors	30,000	27,000
Provision for tax	6,000	7,000
TOTAL	1,06,000	1,02,000
ASSETS		
Land and Buildings	40,000	38,000
Machinery	30,000	33,800
Debtors	16,000	12,800
Stock	17,000	14,800
Cash	3,000	1,600
Goodwill	--	1,000
TOTAL	1,06,000	1,02,000

ADDITIONAL INFORMATION:

- Dividends of 4,600 was paid
- Assets of another company purchased were Machinery-5,000, Stock- 4,000 and Goodwill 1,000 by issuing Equity shares.
- Machinery was further purchased for cash 1,600
- Depreciation written off Machinery 2,400
- Income Tax provided during the year 7,000
- On sale of Machinery 400 was written off.

Prepare a Cash Flow statement as per AS-3 (Indirect Method)

Solution

Land & Building A/c

Particulars	Amount	Particulars	Amount
To Balance b/d	40000	By Adj P&L a/c	2000
		By Balance c/d	38000
	40000		40000

Machinery A/c

To Balance b/d	30000	By Adj P&L a/c (dep written off)	2400
To Equity Shares (Purchases)	5000	By Adj P&L a/c (Loss on sale)	400
To Cash a/c (purchases)	1600	By Balance c/d	33800
	36600		36600

Goodwill A/c

To Balance b/d	-	By Balance c/d	1000
To equity Shares	1000		
	1000		1000

Share Capital A/c

To Balance c/d	50000	By Balance b/d	40000
		By Machinery	5000
		By stock	4000
		By goodwill	1000
	50000		50000

General Reserve A/c

To Balance b/d	12000	By Balance c/d	10000
		By Adj P&L a/c (b/f) (Transfer)	2000
	12000		12000

Long term loan A/c

To Balance b/d	14000	By Balance b/d	14000
To balance c/d	-		
	14000		14000

Provision for tax A/c

To Cash a/c (b/f)	6000	By Adj P&L a/c (provision made)	7000
To Balance b/d	7000	By Balance c/d	6000
	13000		13000

Cash flow statement of _____ Co.ltd.

Particulars	Amt	Amt
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Increase in P/L A/c (retained earnings)	Nil	
Add: Non-Operating Expenses (Dr. side of Adj. P/L A/c)		
Depn on L/B a/c	2000	
Depn on Machinery	2400	
Loss on sale of machinery written off	400	
Transfer to GR	2000	
Provision for tax made	7000	
Dividend paid	4600	
Stock (non-cash transaction)	4000	
Less: Non-Operating incomes (Cr. Side of Adj. P/L A/C)	-	
Operating profit before working capital changes	22400	
Add: Decrease in current asset and increase in current liability		
Stock	2200	
Debtors	3200	
Less: Increase in Current Asset and Decrease in Current Liability		
Cr's	(3000)	
Operating profit after W.C. Changes, before I.T. Paid	24800	
Less: Income Tax Paid	(6000)	
NET CASH GENERATED FROM O.A.	18800	18800
B.CASH FROM INVESTING ACTIVITIES INFLOW	Nil	
CASH FROM INVESTING ACTIVITIES OUTFLOW		
Machinery purchase for cash	(1600)	(1600)
NET CASH LOST FROM I.A.	(1600)	
C. CASH FLOW FROM FINANCING ACTIVITIES INFLOW	Nil	
CASH FLOW FROM FINANCING ACTIVITIES OUTFLOW		
Repayment of loan	(14000)	
Dividend paid	(4600)	
NET CASH LOST FROM F.A.	(18600)	(18600)
Net Decrease in Cash or Cash Equivalent		(1400)
Add: Opening balance of Cash	3000	
Less: Closing Balance of Cash	(1600)	1400
		NILL

7. From the following Balance sheet of Nischal Ltd., and Additional Information prepare Cash Flow Statement.

<i>LIABILITIES</i>	<i>31/3/2009</i>	<i>31/3/2010</i>	<i>ASSETS</i>	<i>31/3/2009</i>	<i>31/3/2010</i>
Equity Share capital	13,00,000	15,00,000	Goodwill	30,000	20,000
General reserve	2,00,000	2,50,000	Land and Building	7,50,000	10,00,000
Profit and loss a/c	1,20,000	1,80,000	Plant and Machinery	6,00,000	8,00,000
Bank loan(Long term)	3,00,000	2,00,000	Investments	1,35,000	1,00,000
Creditors	1,00,000	1,60,000	Stock	3,30,000	2,30,000
Bill payable	80,000	60,000	Debtors	2,30,000	3,32,000
Provision for taxation	45,000	60,000	Cash and Bank	1,50,000	88,000
Proposed dividend	1,00,000	1,75,000	Preliminary Expenses	20,000	15,000
	22,45,000	25,85,000		22,45,000	25,85,000

ADDITIONAL INFORMATION:

- Depreciation written off during the year ending 31/3/2010 on Plant and Machinery Rs. 1,20,000
- Equity shares were issued against the acquisition of assets of another company. The assets consisted of Land and Buildings worth Rs. 1,50,000 and stock worth Rs. 50,000. No depreciation has been provided on Land and Buildings during the year.
- A dividend of Rs. 13,500 was received during the year

NOTE: Provision for taxation and proposed dividend shall be treated as non-current liabilities.

Solution

LEDGER A/C's

Goodwill A/c

Particulars	Amount	Particulars	Amount
To Balance b/d	30000	By Adj. P&L A/C(b/f) (Written off)	10000
		By Balance c/d	20000
	30000		30000

Land & Building A/c

To Balance b/d	750000	By Balance c/d	1000000
To Equity Share (Purchases)	150000		
To Cash a/c (Purchases) (b/f)	100000		
	1000000		1000000

Plant & Machinery A/c

To Balance b/d	600000	By Adj. P&L a/c (Depn)	12000
To Cash a/c (Purchases) (b/f)	320000	By Balance c/d	800000
	920000		920000

Investment A/c

To Balance b/d	135000	By Balance c/d	100000
		By cash a/c (b/f) (sales)	35000
	135000		135000

Preliminary Expenses A/c

To Balance b/d	20000	By Adj P&L a/c (b/f) (written off)	15000
		By Balance c/d	15000
	20000		20000

Equity Share Capital A/c

To Balance b/d	1500000	By Balance c/d	1300000
		By Land & Building A/c	150000
		By Stock	50000
	1500000		1500000

General Reserve A/c

To Balance b/d	250000	By Balance c/d	200000
		By Adj. P&L a/c (b/f) (Transfer)	50000
	250000		250000

Long term bank loan A/c

To Cash a/c (b/f) (Repayment)	100000	By Balance c/d	300000
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To Balance b/d	200000		
	300000		300000

Provision for taxation A/c

To cash a/c (Tax Paid)	4500	By Balance c/d	45000
To Balance b/d	60000	By Adj P&L a/c	60000
	105000		105000

Proposed dividend A/c

To Cash a/c (Dividend paid)	100000	By Balance c/d	1000000
To Balance b/d	175000	By Adj P&L a/c (b/f)(Transfer)	175000
	275000		275000

Cash flow statement of _____ Co.ltd.

Particulars	Amt	Amt
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Increase in P/L A/c (retained earnings)	60000	
Add: Non-Operating Expenses (Dr. side of Adj. P/L A/c)		
Goodwill written off	10000	
Depn on P/M	120000	
Preliminary Expenses written off	5000	
Transfer to R.F	50000	
Provision for tax made	60000	
Transfer to proposed dividend	175000	
Stock	50000	
Less: Non-Operating incomes (Cr. Side of Adj. P/L A/C)		
Dividend Received	13500	
Operating profit before working capital changes	516500	
Add: Decrease in current asset and increase in current liability		
Stock	100000	
Cr,s	60000	
Less: Increase in Current Asset and Decrease in Current Liability		
Dr's	(102000)	
B/P	(20000)	
Operating profit after W.C. Changes, before I.T. Paid	554500	
Less: Income Tax Paid	45000	
NET CASH GENERATED FROM O.A.	509500	509500
B.CASH FROM INVESTING ACTIVITIES INFLOW		

Sale of investments	35000	
Dividend received	13500	
CASH FROM INVESTING ACTIVITIES OUTFLOW		
Purchase of I/b	(100000)	
Purchase of P/M	(320000)	
NET CASH LOST FROM I.A.	(371500)	(371500)
C. CASH FLOW FROM FINANCING ACTIVITIES INFLOW	Nil	
CASH FLOW FROM FINANCING ACTIVITIES OUTFLOW		
Repayment of loan	(100000)	
Dividend paid	(100000)	
NET CASH LOST FROM F.A.	(200000)	(200000)
Net Decrease in Cash or Cash Equivalent		(62000)
Add: Opening balance of Cash	150000	
Less: Closing Balance of Cash	(88000)	62000
		NIL

VVN DEGREE COLLEGE