

FUND FLOW STATEMENT

QUESTION & ANSWER

Question 1

From the following information provided by a company as on 31.3.15 and 16, prepare a statement showing changes in working capital

Liabilities	2015	2016	Assets	2015	2016
Equity share capital	4,50,000	4,00,000	Land and building	5,00,000	4,00,000
Profit and loss account	2,00,000	2,20,000	Plant and machinery	2,00,000	1,50,000
6% Debentures	3,00,000	3,00,000	Stock	1,25,000	75,000
Sundry creditors	90,000	65,000	Debtors	1,50,000	2,00,000
Bills payable	10,000	10,000	Cash in hand	70,000	1,70,000
Outstanding expenses	2,000	5,000	Prepaid expenses	7,000	5,000
Total	10,52,000	10,00,000	Total	10,52,000	10,00,000

Statement showing changes in working capital

Particulars	2015	2016	Increase in WK	Decrease in wk
A. Current Assets				
Stock	1,25,000	75,000	-	50,000
Debtors	1,50,000	2,00,000	50,000	-
Cash in hand	70,000	1,70,000	1,00,000	-
Prepaid expenses	7,000	5,000	-	2,000
Total Current Assets(A)	3,52,000	4,50,000		
B. Current Liabilities				
S. Creditors	90,000	65,000	25,000	-
Bills payable	10,000	10,000	-	-
Outstanding expenses	2,000	5,000	-	3,000
Total Current Liabilities(B)	1,02,000	80,000		
Working Capital (A - B)	2,50,000	3,70,000		
Increase in working capital	1,20,000	-	-	1,20,000
Total	3,70,000	3,70,000	1,75,000	1,75,000

Question 2

Following are the balance sheets of Good luck company for the year 2016 and 17. Prepare a schedule of changes in working capital.

Liabilities	2016	2017	Assets	2016	2017
Equity share capital	50,000	60,000	Plant and machinery	30,000	40,000
General reserve	8,000	12,000	Land and building	20,000	40,000
Profit and loss account	6,000	10,000	Stock	26,000	20,000
Short term loan	10,000	2,000	Debtors	13,000	20,000
Sundry creditors	12,000	16,000	Cash and bank balance	5,000	6,000
Provision for tax	4,000	6,000			
Outstanding expenses	4,000	5,000			
Total	94,000	1,11,000	Total	94,000	1,11,000

Statement showing changes in working capital

Particulars	2016	2017	Increase in WK	Decrease in WK
A. Current Assets				
Stock	26,000	20,000	-	6,000
Debtors	13,000	20,000	7,000	-
Cash and bank balance	5,000	6,000	1,000	-
Total Current Assets(A)	44,000	46,000		
B. Current Liabilities				
Short term loan	10,000	2,000	8,000	-
S. Creditors	12,000	16,000	-	4,000
Tax	4,000	6,000	-	2,000
O/S expenses	4,000	5,000	-	1,000
Total current liabilities(B)	30,000	29,000		
Working Capital(A-B)	14,000	17,000		
Increase in working capital	3,000	-	-	3,000
Total	17,000	17,000	16,000	16,000

Question 3

Following are the balance sheets of a company for the year 2015 and 16. Prepare statement showing changes in working capital

Liabilities	2015	2016	Assets	2015	2016
Equity share capital	5,00,000	5,00,000	Fixed assets	6,00,000	7,00,000
Debentures	3,70,000	4,50,000	Investments	2,00,000	1,00,000
Tax payable	77,000	43,000	Work in progress	80,000	90,000
Accounts payable	96,000	1,92,000	Stock in trade	1,50,000	2,25,000
Interest payable	37,000	45,000	Accounts receivable	70,000	1,40,000
Dividend payable	50,000	35,000	Cash	30,000	10,000
Total	11,30,000	12,65,000	Total	11,30,000	12,65,000

Statement showing changes in working capital

Particulars	2015	2016	Increase in WK	Decrease in WK
A. Current Assets				
Work in progress	80,000	90,000	10,000	-
Stock in trade	1,50,000	2,25,000	75,000	-
Accounts receivable	70,000	1,40,000	70,000	-
Cash	30,000	10,000	-	20,000
Total current assets(A)	3,30,000	4,65,000		
B. Current Liabilities				
Tax payable	77,000	43,000	34,000	-
Accounts payable	96,000	1,92,000	-	96,000
Interest payable	37,000	45,000	-	8,000
Dividend payable	50,000	35,000	15,000	-
Total current liabilities(B)	2,60,000	3,15,000		
Working capital (A-B)	70,000	1,50,000		
Increase in working capital	80,000	-	-	80,000
Total	1,50,000	1,50,000	2,04,000	2,04,000

ADJUSTED PROFIT /LOSS ACCOUNT

Particulars	Amount	Particulars	Amount
To loss on sale of fixed asset		By bal b/d(opening bal of p/l a/c)	
To loss on sale of investment		By profits on sale of fixed assets	
To depreciation on fixed asset		By appreciation of goodwill	
To goodwill written off		By transfer from general reserve	
To preliminary expenses written off		By dividend/rent/commission received	
To discount on issue of shares and debentures written off		By excess provision written back	
To discount on redemption of preference shares and debentures		By funds from operation(bal fig)	XX
To provision for tax(if not treated as CL)			
To proposed dividend(if not treated as CL)			
To transfer to reserve			
To bal c/d(closing balance of p/l a/c)			
To fund lost in operation(bal fig)	xx		
Total	xxxx	Total	Xxxx

Question 4

4. From the following information you are required to calculate funds from operation

Particulars	Amount	Particulars	Amount
To operational expenses	1,00,000	By gross profit	2,00,000
To depreciation	40,000	By gain on sale of plant	20,000
To loss on sale of building	10,000		
To advertisement suspense account	5,000		
To discount(allowed to customers)	500		
To discount on issue of shares	500		
To goodwill written off	12,000		
To net profit	52,000		
Total	2,20,000	Total	2,20,000

Statement showing funds from operation

Particulars	Amount	Particulars	Amount
To Depreciation	40,000	By opening balance b/d	-
To loss on sale of building	10,000	By gain on sale of plant	20,000
To advertisement suspense account	5,000		
To discount on issue of shares	500	By Funds from operation (balancing figure)	99,500
To goodwill written off	12,000		
To closing balance c/d	52,000		
Total	1,19,500	Total	1,19,500

Question 5

Calculate funds from operation from the information given below

- ▶ Net profits for the year ended Rs 6,50,000.
- ▶ Gain on sale of building Rs 35,500.
- ▶ Goodwill appears in the books at Rs 1,80,000 out of that 10% has been written off.
- ▶ Old machinery worth Rs 8,000 have been sold for Rs 6,500 during the year.
- ▶ Rs 1,25,000 has been transferred to general reserve fund.
- ▶ Depreciation has been provided during the year on machinery and furniture at 20%, the total cost being Rs 6,50,000.

Statement showing funds from operation

Particulars	Amount	Particulars	Amount
To goodwill written off (1,80,000 * 10%)	18,000	By opening balance b/d	-
To loss on sale of machinery (worth 8,000 less selling price 6,500)	1,500	By gain on sale of building	35,500
To transfer to general reserve fund	1,25,000		
To depreciation on furniture & machinery (6,50,000* 20%)	1,30,000	By funds from operation (balancing figure)	8,89,000
To closing balance c/d	6,50,000		
Total	9,24,500	Total	9,24,500

Question 6

The balance sheet of a company showed a net profit of Rs 40,000 and Rs 50,000 for the year 2016 and 2017.

► During the year 2017-

Proposed dividend was Rs 30,000, Rs 20,000 was transferred to general reserve. Depreciation on fixed assets was Rs 30,000, there was a loss on the sale of furniture to the extent of Rs 5,000 and on plant was Rs 10,000. An asset was sold for Rs 40,000 and profit of Rs 20,000 was made. Preliminary expenses charged to profit and loss account Rs 5,000.

Calculate funds from operation.

Statement showing funds from operation

Particulars	Amount	Particulars	Amount
To proposed dividend	30,000	By opening balance b/d	40,000
To transfer to general reserve	20,000	By profit on sale of asset	20,000
To depreciation on fixed assets	30,000		
To loss on sale of furniture	5,000	By funds from operation (balancing figure)	90,000
To loss on sale of plant	10,000		
To preliminary expenses	5,000		
To closing balance c/d	50,000		
Total	1,50,000	Total	1,50,000

PROBLEMS ON FUND FLOW STATEMENT

- 7. From the balance sheet of a company for the year ending 31st December for the year 2015 & 16, Prepare FFS (Fund Flow Statement)

Liabilities	2015	2016	Assets	2015	2016
Equity share capital	3,00,000	4,00,000	Plant & machinery	50,000	60,000
S Creditors	1,00,000	70,000	Furniture & fixtures	10,000	15,000
P/I account	15,000	30,000	Stock	85,000	1,05,000
			Debtors	1,60,000	1,50,000
			Cash	1,10,000	1.70,000
Total	4,15,000	5,00,000	Total	4,15,000	5,00,000

Step 1: Statement showing changes in working capital

Particulars	2015	2016	Increase in WK	Decrease in WK
A. Current Assets				
Stock	85,000	1,05,000	20,000	-
Debtors	1,60,000	1,50,000	-	10,000
Cash	1,10,000	1,70,000	60,000	-
Total Current Assets (A)	3,55,000	4,25,000		
B. Current Liabilities				
Sundry Creditors	1,00,000	70,000	30,000	-
Total current liabilities (B)	1,00,000	70,000		
Working Capital (A-B)	2,55,000	3,55,000		
Increase in working capital	1,00,000	-	-	1,00,000
Total	3,55,000	3,55,000	1,10,000	1,10,000

Step 2- Ledger Accounts

Particulars	Amount	Particulars	Amount
To balance b/d	50,000	By balance c/d	60,000
To cash a/c (PURCHASES) bal fig	10,000		
	60,000		60,000
Furniture and Fixtures account			
To balance b/d	10,000	By balance c/d	15,000
To cash a/c (PURCHASES) bal fig	5,000		
	15,000		15,000
Equity share capital account			
To bal c/d	4,00,000	By bal b/d	3,00,000
		By cash a/c(ISSUE) bal fig	1,00,000
	4,00,000		4,00,000

Step 3- ADJUSTED PROFIT & LOSS ACCOUNT

PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
To balance c/d	30,000	By balance b/d	15,000
		By funds from operation (balancing figure)	15,000
Total	30,000	Total	30,000

Step 4- FUND FLOW STATEMENT

SOURCES	AMOUNT	APPLICATION	AMOUNT
Funds from operation	15,000	Purchase of plant & machinery	10,000
Issue of equity shares	1,00,000	Purchase of furniture & fixtures	5,000
		Increase in working capital	1,00,000
Total	1,15,000	Total	1,15,000

PROBLEMS ON FUND FLOW STATEMENT

► 8. From the following balance sheet of an industry Prepare FFS (Fund Flow Statement)

Liabilities	2016	2017	Assets	2016	2017
Equity share capital	60,000	65,000	Goodwill	30,000	25,000
P/L account	34,000	26,000	Plant & machinery	60,000	50,000
Current liabilities	12,000	3,000	Current assets	16,000	19,000
Total	1,06,000	94,000	Total	1,06,000	94,000

Adjustments

1. Depreciation of Rs 20,000 on plant and machinery charged to profit and loss account.
2. Dividend of Rs 18,000 was paid during the year

Step 1- STATEMENT SHOWING CHANGES IN WORKING CAPITAL

Particulars	2016	2017	Increase in WK	Decrease in WK
A. Current Assets				
Current assets	16,000	19,000	3,000	-
Total current assets (A)	16,000	19,000		
B. Current Liabilities				
Current liabilities	12,000	3,000	9,000	-
Total current liabilities	12,000	3,000		
Working Capital (A-B)	4,000	16,000		
Increase in working capital	12,000	-	-	12,000
Total	16,000	16,000	12,000	12,000

Step 2- LEDGER ACCOUNTS

PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
To balance b/d	30,000	By adjusted p/l a/c (written off) (bal fig)	5,000
		By balance c/d	25,000
	30,000		30,000
Plant and machinery account			
To balance b/d	60,000	By adjusted p/l a/c (depreciation)	20,000
To cash a/c (purchase) bal fig	10,000	To balance c/d	50,000
	70,000		70,000
Equity share capital account			
To balance c/d	65,000	By bal b/d	60,000
		By cash account (issue) bal fig	5,000
	65,000		65,000

Step 3- ADJUSTED PROFIT & LOSS ACCOUNT

PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
To goodwill written off	5,000	By balance b/d	34,000
To depreciation on plant and machinery account	20,000		
To dividend paid	18,000	By funds from operation (balancing figure)	35,000
To balance c/d	26,000		
Total	69,000	Total	69,000

Step 4- FUND FLOW STATEMENT

SOURCES	AMOUNT	APPLICATION	AMOUNT
Funds from operation	35,000	Purchase of plant & machinery	10,000
Issue of equity shares	5,000	Dividend paid	18,000
		Increase in working capital	12,000
Total	40,000	Total	40,000

PROBLEMS ON FUND FLOW STATEMENT

► 9. Prepare FFS (Fund Flow Statement)

Liabilities	2016	2017	Assets	2016	2017
Creditors	40,000	44,000	Cash	10,000	7,000
Loan	15,000	3,000	Debtors	30,000	50,000
Bank loan	50,000	50,000	Stock	35,000	25,000
Share capital	1,25,000	1,50,000	Machinery	80,000	55,000
			Building	75,000	1,10,000
	2,30,000	2,47,000		2,30,000	2,47,000

Adjustments

1. Depreciation of machinery Rs 10,000
2. A part of the machinery was sold at cost price

Step 1- STATEMENT SHOWING CHANGES IN WORKING CAPITAL

Particulars	2016	2017	Increase in WK	Decrease in WK
A. Current Assets				
Cash	10,000	7,000	-	3,000
Debtors	30,000	50,000	20,000	-
Stock	35,000	25,000	-	10,000
Total current assets (A)	75,000	82,000		
B. Current liabilities				
Creditors	40,000	44,000	-	4,000
Total Current liabilities(B)	40,000	44,000		
Working capital(A-B)	35,000	38,000		
Increase in working capital	3,000	-	-	3,000
Total	38,000	38,000	20,000	20,000

Step 2- LEDGER ACCOUNTS

PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
To balance b/d	80,000	By Adjusted p/l a/c (depreciation)	10,000
		By cash a/c (sale) balancing figure	15,000
		By bal c/d	55,000
	80,000		80,000
Building account			
To bal b/d	75,000	By bal c/d	1,10,000
To cash a/c (purchase) balancing figure	35,000		
	1,10,000		1,10,000

Step 2- LEDGER ACCOUNTS

PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
Loan account			
To cash a/c (repayment) bal fig	12,000	By bal b/d	15,000
To bal c/d	3,000		
	15,000		15,000
Share capital account			
To bal c/d	1,50,000	By bal b/d	1,25,000
		By cash a/c (issue) bal fig	25,000
	1,50,000		1,50,000

Step 3- ADJUSTED PROFIT & LOSS ACCOUNT

PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
To depreciation on machinery a/c	10,000	By bal b/d	-
To bal c/d	-		
		By funds from operation Bal fig	10,000
	10,000		10,000

Step 4- FUND FLOW STATEMENT

SOURCES	AMOUNT	APPLICATION	AMOUNT
Funds from operation	10,000	Purchase of building	35,000
Sale of machinery	15,000	Loan repaid	12,000
Issue of share capital	25,000	Increase in working capital	3,000
	50,000		50,000

PROBLEMS ON FUND FLOW STATEMENT

► 10. From the following information, balance sheet Prepare FFS (Fund Flow Statement)

Liabilities	2016	2017	Assets	2016	2017
Equity share capital	3,00,000	4,00,000	Goodwill	1,15,000	90,000
12% debenture	1,50,000	1,00,000	Land and building	2,00,000	1,70,000
General reserve	40,000	70,000	Plant	80,000	2,00,000
Profit and loss a/c	30,000	48,000	Current assets	2,82,000	3,57,000
Proposed dividend	42,000	50,000			
Current liability	1,15,000	1,49,000			
Total	6,77,000	8,17,000	Total	6,77,000	8,17,000

Adjustments

1. Depreciation on plant Rs 20,000
2. Gain on sale of land Rs 25,000

Step 1- STATEMENT SHOWING CHANGES IN WORKING CAPITAL

Particulars	2016	2017	Increase in WK	Decrease in WK
A. Current assets				
Current assets	2,82,000	3,57,000	75,000	-
Total current assets (A)	2,82,000	3,57,000		
B. Current Liabilities				
Proposed dividend	42,000	50,000	-	8,000
Current liability	1,15,000	1,49,000	-	34,000
Total Current liability (B)	1,57,000	1,99,000		
Working capital (A-B)	1,25,000	1,58,000		
Increase in working capital	33,000	-	-	33,000
Total	1,58,000	1,58,000	75,000	75,000

Step 1- STATEMENT SHOWING CHANGES IN WORKING CAPITAL

Particulars	2016	2017	Increase in WK	Decrease in WK
A. Current assets				
Current assets	2,82,000	3,57,000	75,000	-
Total current assets (A)	2,82,000	3,57,000		
B. Current Liabilities				
Proposed dividend	42,000	50,000	-	8,000
Current liability	1,15,000	1,49,000	-	34,000
Total Current liability (B)	1,57,000	1,99,000		
Working capital (A-B)	1,25,000	1,58,000		
Increase in working capital	33,000	-	-	33,000
Total	1,58,000	1,58,000	75,000	75,000

Step 2- LEDGER ACCOUNTS

PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
Goodwill account			
To bal b/d	1,15,000	By adjusted profit n loss a/c (written off) bal fig	25,000
		By bal c/d	90,000
	1,15,000		1,15,000
Land and building account			
To bal b/d	2,00,000	By cash a/c (sale)	55,000
To adjusted p/l a/c (profit on sale)	25,000	By bal c/d	1,70,000
	2,25,000		2,25,000

Step 2- LEDGER ACCOUNT

PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
Plant account			
To bal b/d	80,000	By adjusted p/l a/c (depreciation)	20,000
To cash a/c (purchases) bal fig	1,40,000	By bal c/d	2,00,000
	2,20,000		2,20,000
Equity share capital a/c			
To bal c/d	4,00,000	By bal b/d	3,00,000
		By cash a/c (Issue) bal fig	1,00,000
	4,00,000		4,00,000
12% Debenture a/c			
To cash a/c (Redemption) bal fig	50,000	By bal b/d	1,50,000
To bal c/d	1,00,000		
	1,50,000		1,50,000

Step 3- ADJUSTED PROFIT & LOSS ACCOUNT

PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
To goodwill written off	25,000	By bal b/d	30,000
To depreciation on plant	20,000	By gain on sale of land & building	25,000
To transfer to general reserve	30,000		
To bal c/d	48,000	By funds from operation (balancing figure)	68,000
	1,23,000		1,23,000

Step 4- FUND FLOW STATEMENT

SOURCES	AMOUNT	APPLICATION	AMOUNT
Funds from operation	68,000	Purchase of plant	1,40,000
Sale of land & building	55,000	Redemption of 12% debentures	50,000
Issue of equity shares	1,00,000	Increase in working capital	33,000
	2,23,000		2,23,000

PROBLEMS ON FUND FLOW STATEMENT

► 11. From the following balance sheet of a company for the year ending 2015 & 2016 Prepare FFS (Fund Flow Statement)

Liabilities	2015	2016	Assets	2015	2016
Equity share capital	10,00,000	10,00,000	Goodwill	12,000	10,000
Reserves and surplus	14,000	18,000	Building	77,000	72,000
Profit and loss a/c	16,000	3,000	Investments	9,10,000	9,03,600
Creditors	8,000	5,400	Stock	32,000	26,000
Bills payable	1,200	800	Debtors	18,000	19,000
Provision for tax	16,000	18,000	Cash	6,600	15,200
Provision for draft	400	600			
	10,55,600	10,45,800		10,55,600	10,45,800

Adjustments

1. Depreciation provided on building on Rs 8,000
2. Provision for tax of Rs 19,000 was made during the year
3. Interim dividend paid Rs 8,000

STEP 1- Statement showing changes in working capital

PARTICULARS	2015	2016	INC in WK	DEC in WK
A. Current Asset				
Stock	32,000	26,000	-	6,000
Debtors	18,000	19,000	1,000	-
Cash	6,600	15,200	8,600	-
Total Current assets (A-B)	56,600	60,200		
B. Current Liabilities				
Creditors	8,000	5,400	2,600	-
Bills payable	1,200	1,800	400	-
Provision for draft	400	600	-	200
Total current liability	9,600	6,800		
Working capital (A-B)	47,000	53,400		
Increase in working capital	6,400			
Total	53,400	53,400	12,600	12,600

Step 2- LEDGER ACCOUNTS

PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
GOODWILL ACCOUNT			
To bal b/d	12,000	By adjusted p/l a/c (written off) bal fig	2,000
		By bal c/d	10,000
	12,000		12,000
BUILDING ACCOUNT			
To bal b/d	77,000	By Adjusted profit n loss a/c (depreciation)	8,000
To cash a/c (purchase) bal fig	3,000	By bal c/d	72,000
	80,000		80,000

Step 2- LEDGER ACCOUNTS

PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
INVESTMENT ACCOUNT			
To bal b/d	9,10,000	By cah a/c (sale) bal fig	6,400
		By bal c/d	9,03,600
	9,10,000		9,10,000
Reserves and surplus account			
To bal c/d	18,000	By bal b/d	14,000
		By adjusted p/l a/c (transfer) bal fig	4,000
	18,000		18,000
Provision for taxation account			
To cash a/c(TAX PAID) bal fig	17,000	By bal b/d	16,000
To bal c/d	18,000	By adjusted p/l a/c (provision MADE)	19,000
	35,000		35,000

Step 3- ADJUSTED PROFIT & LOSS ACCOUNT

PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
To goodwill written off	2,000	By bal b/d	16,000
To depreciation building	8,000		
To transfer to reserves	4,000	By funds from operation (bal fig)	28,000
To provision for taxation made	19,000		
To interim dividend paid	8,000		
	44,000		44,000

Step 4- FUND FLOW STATEMENT

SOURCES	AMOUNT	APPLICATION	AMOUNT
Funds from operation	28,000	Purchase of building	3,000
Sale of investment	6,400	Tax paid	17,000
		Interim dividend paid	8,000
		Increase in working capital	6,400
	34,400		34,400

12. The following are the summaries of balance sheets of a Priya company on at 31st Dec 2015 and 31st Dec 2016

LIABILITIES	31/12/2015	31/12/2016	ASSETS	31/12/2015	31/12/2016
Equity share capital	3,00,000	4,00,000	Goodwill	60,000	55,000
10% Preference share capital (Redeemable)	80,000	50,000	Land and Building	1,25,000	85,000
Capital Reserve	--	20,000	Plant and machinery	1,20,000	2,25,000
General Reserve	30,000	40,000	Furniture	15,000	12,000
Profit and loss a/c	26,000	35,000	Trade investment	12,000	48,000
Sundry Creditors	30,000	58,000	Sundry debtors	65,000	1,05,000
Bills payable	12,000	8,000	Stock	90,000	84,000
Outstanding expenses	6,000	5,000	Bills receivable	16,000	30,000
Proposed dividend	30,000	42,000	Cash in hand	13,000	20,000
Provision for taxation	32,000	36,000	Cash at bank	15,000	20,000
			Preliminary expenses	15,000	10,000
	5,46,000	6,94,000		5,46,000	6,94,000

ADDITIONAL INFORMATION:

- ▶ **A piece of Land has been sold in 2016 and the balance has been recovered. Profits on sale and revaluation being transferred to capital reserve a/c**
- ▶ **Depreciation on Plant and Machinery has been written off RS. 24,000 and no depreciation has been charged on land and building.**
- ▶ **A Machinery was sold for Rs. 16,000 (W.D.V being Rs. 20,000) and no Furniture has been sold during the year**
- ▶ **An Interim dividend of Rs.20,000 has been paid in 2016**
- ▶ **Rs.3000 has been received as Dividend on Trade Investments.**

Prepare a statement of changes in working capital and a Fund Flow statement for the year 2016

STEP 1- Statement showing changes in working capital

PARTICULARS	2015	2016	INC in WK	DEC in WK
A. Current Assets				
Trade investment	12,000	48,000	36,000	-
Debtors	65,000	1,05,000	40,000	-
Stock	90,000	84,000	-	6,000
Bills receivable	16,000	30,000	14,000	-
Cash in hand	13,000	20,000	7,000	-
Cash at bank	15,000	20,000	5,000	-
Total Current Assets (A)	2,11,000	3,07,000		
B. Current liabilities				
Creditors	30,000	58,000	-	28,000

STEP 1- Statement showing changes in working capital

PARTICULARS	2015	2016	INC in WK	DEC in WK
Bills payable	12,000	8,000	4,000	-
Outstanding expenses	6,000	5,000	1,000	-
Proposed dividend	30,000	42,000	-	12,000
Provision for taxation	32,000	36,000	-	4,000
Total current liability (B)	1,10,000	1,49,000		
Working Capital (A-B)	1,01,000	1,58,000		
Increase in working capital	57,000	-	-	57,000
Total	1,58,000	1,58,000	1,07,000	1,07,000

Step 2- LEDGER ACCOUNTS

PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
Goodwill account			
To bal b/d	60,000	By adjusted p/l a/c (written off) bal fig	5,000
		By bal c/d	55,000
	60,000		60,000
Land and building account			
To bal b/d	1,25,000	By cash a/c (sale) bal fig	60,000
To capital reserve a/c (profit on sale transferred)	20,000	By bal c/d	85,000
	1,45,000		1,45,000

PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
Plant and machinery account			
To bal b/d	1,20,000	By adjusted p/l a/c (Dep)	24,000
To cah a/c (purchases) bal fig	1,49,000	By cash a/c (sale)	16,000
		By adjusted p/l a/c (loss on sale)	4,000
		By bal c/d	2,25,000
	2,69,000		2,69,000
Furniture account			
To bal b/d	15,000	By adjusted p/l a/c (Dep) bal fig	3,000
		By bal c/d	12,000
	15,000		15,000

PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
Equity share capital account			
To bal c/d	4,00,000	By bal b/d	3,00,000
		By cash a/c (issue) bal fig	1,00,000
	4,00,000		4,00,000
10% Preference Sh Capital a/c			
To cash a/c (redemption) bal fig	30,000	By bal b/d	80,000
To bal c/d	50,000		
	80,000		80,000
Capital Reserve a/c			
To bal c/d	20,000	By bal b/d	-
		By land & building a/c (profit on sale transferred)	20,00
	20,000		20,000
General Reserve account			
To bal c/d	40,000	By bal b/d	30,000
		By adjusted p/l a/c (transfer) bal fig	10,000

Step 3- ADJUSTED PROFIT & LOSS ACCOUNT

PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
To goodwill written off	5,000	By bal c/d	26,000
To depreciation on plant & mach	24,000	By dividend received on trade investment	3,000
To loss on sale of plant & mach	4,000		
To depreciation on furniture	3,000	By funds from operation	77,000
To preliminary exp written off	5,000		
To transfer to general reserve	10,000		
To interim dividend paid	20,000		
To bal c/d	35,000		
	1,06,000		1,06,000

Step 4- FUND FLOW STATEMENT

SOURCES	AMOUNT	APPLICATION	AMOUNT
Funds from operation	77,000	Purchase of plant & mach	1,49,000
Sale of building	60,000	Redemption of preference shares	30,000
Sale of plant & mach	16,000	Interim dividend paid	20,000
Issue of equity shares	1,00,000	Increase in working capital	57,000
Dividend received on investment	3,000		
	2,56,000		2,56,000

13. From the following information prepare a Fund Flow statement for the year ended 31/3/2017

LIABILITIES	31/3/2016	31/3/2017	ASSETS	31/3/2016	31/3/2017
Equity share of Rs.10 each	10.00	15.00	Plant at WDV	15.00	18.00
Redeemable Preference share of Rs.100 each	5.00	--	Stock	6.00	3.00
Rs.50 paid			Debtors	15.00	9.00
Share premium	0.25	--	Cash balance	1.00	2.00
Capital redemption Reserve	--	5.00	Miscellaneous expenditure	1.00	4.00
General Reserve	10.00	7.00			
Profit and loss a/c	2.75	3.00			
Current liabilities	7.00	2.00			
Provision for taxation	3.00	4.00			
	<hr/>				
	38.00	36.00		38.00	36.00

ADDITIONAL INFORMATION:

- ▶ **During the year the company paid Rs. 2,00,000 as Equity Dividend and Rs. 56,250 as Preference dividend.**
- ▶ **The Company redeemed the preference shares at a premium of 5% after making a call of Rs.50 per share to make the shares fully paid.**
- ▶ **Miscellaneous Expenditure included Rs. 5,00,000 shares issue and other expenses paid during the year.**
- ▶ **During the year one plant whose book value was Rs.1,00,000 was sold at a loss of Rs.25,000 and the company purchased plant for Rs. 6,00,000**
- ▶ **A sum of Rs. 3,50,000 has been provided for taxation for the year**

STEP 1- Statement showing changes in working capital

PARTICULARS	2016	2017	INC in WK	DEC in WK
A. Current Assets				
Stock	6,00,000	3,00,000	-	3,00,000
Debtors	15,00,000	9,00,000	-	6,00,000
Cash balance	1,00,000	2,00,000	1,00,000	-
Total current assets (A)	22,00,000	14,00,000		
B. Current Liabilities				
Current liabilities	7,00,000	2,00,000	5,00,000	
Total current liabilities (B)	7,00,000	2,00,000		
Working Capital (A-B)	15,00,000	12,00,000		
Decrease in working capital	-	3,00,000	3,00,000	-
Total	15,00,000	15,00,000	9,00,000	9,00,000

Step 2- LEDGER ACCOUNTS

PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
Plant account			
To bal b/d	15,00,000	By cash a/c (sale)	75,000
To cash a/c (purchase)	6,00,000	By adjusted p/l a/c (loss on sale)	25,000
		By adjusted p/l a/c (depreciation) bal fig	2,00,000
		By bal c/d	18,00,000
	21,00,000		21,00,000
Miscellaneous expenditure a/c			
To bal b/d	1,00,000	By adj p/l a/c (bal fig)	2,00,000
To cash a/c (expense related to shares)	5,00,000	By bal c/d	4,00,000
	6,00,000		6,00,000

PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
Equity share capital a/c			
To bal c/d	15,00,000	By bal b/d	10,00,000
		By cash a/c (issue) bal fig	5,00,000
	15,00,000		15,00,000
Preference sh capital a/c			
To cash a/c (Redemption at premium)	10,50,000	By bal b/d	5,00,000
		By cash a/c (call money received)	5,00,000
		By share premium (utilised for redemption)	25,000
		By adjusted p/l a/c	25,000
	10,50,000		10,50,000

PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
Share premium a/c			
To preference share a/c (redemption)	25,000	By bal b/d	25,000
To bal c/d	0		
	25,000		25,000
Capital redemption reserve a/c			
To bal c/d	5,00,000	By bal b/d	0
		By general reserve (transfer)	5,00,000
	5,00,000		5,00,000
General reserve a/c			
To capital redemption res a/c	5,00,000	By bal b/d	10,00,000
To bal c/d	7,00,000	By adjusted p/l a/c	2,00,000
	12,00,000		12,00,000
Provision for taxation a/c			

Step 3- ADJUSTED PROFIT & LOSS ACCOUNT

PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
To loss on sale of plant	25,000	By bal b/d	2,75,000
To depreciation on building	2,00,000		
To miscellaneous expenses	2,00,000	By funds from operation	12,81,250
To preference share redemption	25,000		
To transfer to general reserve	2,00,000		
To provision for tax	3,50,000		
To equity dividend paid	2,00,000		
To preference share dividend paid	56,250		
To bal c/d	3,00,000		
	15,56,250		15,56,250

Step 4- FUND FLOW STATEMENT

SOURCES	AMOUNT	APPLICATION	AMOUNT
Funds from operation	12,81,250	Purchase of plant	6,00,000
Sale of plant	75,000	Expenses of shares (misc)	5,00,000
Issue of equity shares	5,00,000	Redemption of preference shares	10,50,000
Preference share call money received	5,00,000	Tax paid	2,50,000
Decrease in working capital	3,00,000	Equity dividend	2,00,000
		Preference dividend	56,250
	26,56,250		26,56,250

14. From the following balance sheets of Evershine company ltd as 31/3/2008 and 31/3/2009. You are required to prepare i) Statement of changes in working capital and ii) Fund flow Statement.

LIABILITIES	31/3/2008	31/3/2009	ASSETS	31/3/2008	31/3/2009
Share capital	4,00,000	5,00,000	Land and	4,00,000	4,80,000
General reserve	80,000	1,40,000	Building		
Profit and loss a/c	64,000	78,000	Machinery	3,60,000	2,60,000
Bank loan (long term)	3,20,000	80,000	Stock	2,00,000	2,52,000
Creditors	3,00,000	2,60,000	Debtors	1,60,000	1,28,000
Provision for taxation	60,000	80,000	Bank	1,04,000	18,000
	12,24,000	11,38,000		12,24,000	11,38,000

ADDITIONAL INFORMATION:

- ▶ **During the year 31/3/2009 Dividend of Rs. 84,000 was paid**
- ▶ **Assets of another company were purchased for a consideration of Rs. 1,00,00 payable by the issue of shares and assets include land and Building Rs. 50,000 and stock Rs. 50,000**
- ▶ **Income tax paid during the year Rs. 70,000**
- ▶ **Depreciation written off machinery Rs. 24,000 and land and building Rs. 45,000**

STEP 1- Statement showing changes in working capital

PARTICULARS	2008	2009	INC in WK	DEC in WK
A. Current assets				
Stock	2,00,000	2,52,000	52,000	-
Debtors	1,60,000	1,28,000	-	32,000
Bank	1,04,000	18,000	-	86,000
Total current assets (A)	4,64,000	3,98,000		
B. Current liability				
Creditors	3,00,000	2,60,000	40,000	-
Total current liability (B)	1,64,000	1,38,000		
Decrease in working capital	-	26,000	26,000	-
Total	1,64,000	1,64,000	1,18,000	1,18,000

Step 2- LEDGER ACCOUNTS

PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
Land & building account			
To bal b/d	4,00,000	By adjusted p/l a/c (Dep)	45,000
To shares a/c (Purchase)	50,000	By bal c/d	4,80,000
To cash a/c (Purchase) bal fig	75,000		
	5,25,000		5,25,000
Machinery account			
To bal b/d	3,60,000	By adjusted p/l a/c (Dep)	24,000
		By cash a/c (sales) bal fig	76,000
		By bal c/d	2,60,000
	3,60,000		3,60,000

PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
Share capital account			
To bal c/d	5,00,000	By bal b/d	4,00,000
		By land & building a/c	50,000
		By Stock a/c	50,000
	5,00,000		5,00,000
General Reserve a/c			
To bal c/d	1,40,000	By bal b/d	80,000
		By Adjusted p/l a/c (Transfer) bal fig	60,000
	1,40,000		1,40,000

PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
Long term debt			
To cash a/c (Repaid) bal fig	2,40,000	By bal b/d	3,20,000
To bal c/d	80,000		
	3,20,000		3,20,000
Provision for taxation a/c			
To cash a/c (Tax paid)	70,000	By bal b/d	60,000
To bal c/d	80,000	By adjusted p/l a/c (provision Made) bal fig	90,000
	1,50,000		1,50,000

Step 3- ADJUSTED PROFIT & LOSS ACCOUNT

PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
To depreciation on land	45,000	By bal b/d	64,000
To depreciation on machinery	24,000		
To transfer to general reserve	60,000	By funds from operation (bal fig)	3,17,000
To provision for taxation	90,000		
To dividend paid	84,000		
To bal c/d	78,000		
	3,81,000		3,81,000

Step 4- FUND FLOW STATEMENT

SOURCES	AMOUNT	APPLICATION	AMOUNT
Funds from operation	3,17,000	Purchase of land & building	75,000
Sale of machinery	76,000	Repayment of long term loan	2,40,000
Stock purchased through shares	50,000	Tax paid	70,000
Decrease in working capital	26,000	Dividend paid	84,000
	4,69,000		4,69,000

15. Balance sheets of Aneeta ltd. As on 31/12/2017 and 31/12/2018. Prepare a Fund Flow statement.

LIABILITIES	2017	2018	ASSETS	2017	2018
Share capital	2,00,000	3,00,000	Plant and Machinery	2,00,000	3,00,000
Share premium	--	10,000	Land and Building	50,000	1,10,000
Debentures	1,00,000	50,000	Investments	10,000	50,000
General reserve	50,000	80,000	Stock	80,000	60,000
Profit and loss a/c	50,000	70,000	Debtors	90,000	80,000
Provision for taxation	30,000	40,000	Cash and Bank	70,000	50,000
Proposed dividend	20,000	30,000			
Sundry creditors	50,000	70,000			
	5,00,000	6,50,000		5,00,000	6,50,000

ADDITIONAL INFORMATION:

- Investment costing Rs. 8,000 was sold for Rs. 15,000, the profit being credit to P&L A/c
- An interim dividend of Rs. 20,000 was paid during the year
- Accumulated Depreciation on

	2017	2018
Land and Building	30,000	40,000
Plant and Machinery	40,000	60,000
4. Debentures were redeemed at par		
5. Profit and loss a/c (balance) 2017		50,000
Add profit for the year 2008		<u>40,000</u>
		90,000
Less Interim dividend paid		<u>20,000</u>
Profit and loss a/c (balance) 2008		70,000

NOTE: Treat provision for tax and proposed dividend as current liabilities.

STEP 1- Statement showing changes in working capital

PARTICULARS	2017	2018	INC in WK	DEC in WK
A. Current assets				
Stock	80,000	60,000	-	20,000
Debtors	90,000	80,000	-	10,000
Cash and bank	70,000	50,000	-	20,000
Total current assets (A)	2,40,000	1,90,000		
B. Current liabilities				
Provision for tax	30,000	40,000	-	10,000
Proposed dividend	20,000	30,000	-	10,000
S. creditors	50,000	70,000	-	20,000
Total current liability (B)	1,00,000	1,40,000		
Working capital (A-B)	1,40,000	50,000		
Decrease in working capital	-	90,000	90,000	-
Total	1,40,000	1,40,000	90,000	90,000

Step 2- LEDGER ACCOUNTS

PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
Plant & Machinery a/c			
To bal b/d (2,00,000+40,000)	2,40,000	By balance c/d (3,00,000+60,000)	3,60,000
To cash a/c (purchase) bal fig	1,20,000		
	3,60,000		3,60,000
Accumulated depreciation on plant			
To bal c/d	60,000	By bal b/d	40,000
		By adjusted p/l ac (current yr) bal fig	20,000
Land & building a/c			
To bal b/d (50,000+30,000)	80,000	By bal c/d (1,10,000 +40,000)	1,50,000
To cash a/c (purchase) bal fig	70,000		
	1,50,000		1,50,000
Accumulated depreciation on Land			
To bal c/d	40,000	By bal b/d	30,000
		By adjusted p/l ac (current yr) bal fig	10,000

PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
Investment account			
To bal b/d	10,000	By cash a/c (sales)	15,000
To adjusted p/l a/c (profit on sale)	7,000	By bal c/d	50,000
To cash a/c (purchase) bal fig	48,000		
	65,000		65,000
Equity share capital account			
To bal c/d	3,00,000	By bal b/d	2,00,000
		By cash a/c (issue) bal fig	1,00,000
	3,00,000		3,00,000
Share premium a/c			
To bal c/d	10,000	By bal b/d	-
		By cash a/c (premium received) bal fig	10,000
	10,000		10,000

PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
Debentures a/c			
To cash a/c (Redemption) bal fig	50,000	By bal b/d	1,00,000
To bal c/d	50,000		
	1,00,000		1,00,000
General Reserve a/c			
To bal c/d	80,000	By bal b/d	50,000
		By adjusted p/l a/c	30,000
		(transfer) bal fig	
	80,000		80,000

Step 3- ADJUSTED PROFIT & LOSS ACCOUNT

PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
To accumulated dep on plant & machinery	20,000	By bal c/d	50,000
To accumulated dep on land & building	10,000	By profit on sale of investment	7,000
To transfer to general reserve	30,000		
To interim dividend paid	20,000	By funds from operation (bal fig)	93,000
To bal c/d	70,000		
	1,50,000		1,50,000

Step 4- FUND FLOW STATEMENT

SOURCES	AMOUNT	APPLICATION	AMOUNT
Funds from operation	93,000	Purchase of plant & machinery	1,20,000
Sale of investment	15,000	Purchase of land & building	70,000
Issue of equity share	1,00,000	Purchase of investment	48,000
Premium received	10,000	Redemption of debt	50,000
Decrease in working capital	90,000	Interim dividend paid	20,000
	3,08,000		3,08,000

Assignment question

16. From the following Balance sheet of M/s PQR limited as on 31/12/2009 and 2010.
Prepare Fund Flow Statement

LIABILITIES	31/3/2008	31/3/2009	ASSETS	31/3/2008	31/3/2009
Share capital	5,00,000	6,00,000	Plant and Machinery	3,00,000	2,50,000
General reserve	80,000	1,20,000	Land and Building	2,00,000	4,00,000
Profit and loss a/c	60,000	1,00,000	Stock	2,60,000	2,00,000
Bank loan (long term)	1,60,000	1,00,000	Debtors	1,30,000	2,00,000
Sundry Creditors	1,20,000	1,60,000	Cash	50,000	60,000
Provision for taxation	40,000	60,000	Investments	60,000	80,000
Outstanding expenses	40,000	50,000			
	10,00,000	11,90,000		10,00,000	11,90,000

ADDITIONAL INFORMATION:

- ▶ Interest paid on Bank loan Rs. 10,000
- ▶ Income Tax paid for the year 2010 Rs. 44,000
- ▶ Assets of another company were purchased for a consideration of Rs. 1,00,000 paid in shares. Assets consisted of land and building Rs. 40,000 and stock Rs. 60,000
- ▶ A Machinery costing Rs. 50,000, accumulated depreciation Rs. 20,000, sold for Rs. 10,000. The loss being written off against General reserve.
- ▶ Closing Stock of 2010 was over valued by Rs. 5,000
- ▶ Investments are Trade Investments Rs. 600 by way of dividend was received including Rs.200 from pre acquisition profits which has been credited to Investment Account.

ASSIGNMENT QUESTION

17. From the following Balance sheet of BKS Ltd., and additional information, prepare Schedule of changes in Working capital and Funds Flow statement.

LIABILITIES	31/3/2009	31/3/2010	ASSETS	31/3/2009	31/3/2010
Equity Share capital	12,00,000	14,00,000	Land and Building	9,00,000	12,00,000
Profit and loss a/c	1,50,000	2,00,000	Plant and Machinery	6,60,000	8,00,000
Long term Debts	6,00,000	8,00,000	Furniture and Fixtures	1,70,000	2,10,000
Creditors	9,00,000	10,80,000	Stock	7,20,000	9,00,000
Bank over draft	1,70,000	1,90,000	Debtors	4,20,000	3,40,000
Outstanding expenses	10,000	20,000	Cash and Bank	1,40,000	2,40,000
			Preliminary Expenses	20,000	--
	<hr/>	<hr/>		<hr/>	<hr/>
	30,30,000	36,90,000		30,30,000	36,90,000

▶ **ADDITIONAL INFORMATION:**

- ▶ Land and Building purchased during the year Rs. 3,00,000
- ▶ Depreciation written off on Plant and Machinery Rs. 60,000 and on Furniture Rs. 30,000
- ▶ Preliminary Expenses written off Rs. 20,000