

नगद प्रवाह विवरण

Cash Flow Statement

परिचय (Introduction)

कुनै पनि संस्थाको दैनिक कार्य (Daily work) सञ्चालन गर्नका लागि नगदको आवश्यकता पर्दछ । नगदलाई व्यवसायको जीवनरक्त (Life blood) मानिन्छ । जसरी रगतविना कुनै पनि प्राणी बाँच्न सक्दैन त्यसै गरी नगदविना कुनै पनि व्यवसायको परिकल्पनासम्म गर्न सकिँदैन । प्रशस्त नगदविना कम्पनीले कार्यसञ्चालन खर्चहरू, कामदारहरूलाई ज्याला, साहुहरूलाई ब्याज, घरधनीलाई घरभाडा, सेयरधनीलाई लाभांश आदि तिर्न सक्दैन । त्यसैले लगानीकर्ता (Investor), साहुहरू (Creditors) र अन्य कम्पनीसँग सम्बद्ध पक्षहरू कम्पनीको नगद प्राप्ति र नगद भुक्तानीको बारेमा जानकारी राख्न चाहन्छन् । (कम्पनीले प्राप्त गरेको नगद र नगद भुक्तानी देखाउन एउटा विवरण तयार गरिन्छ, जसलाई नगद प्रवाह विवरण (Cash Flow Statement) भनिन्छ) यसलाई अल्पकालीन योजना तयार गर्न प्रयोग गरिन्छ ।

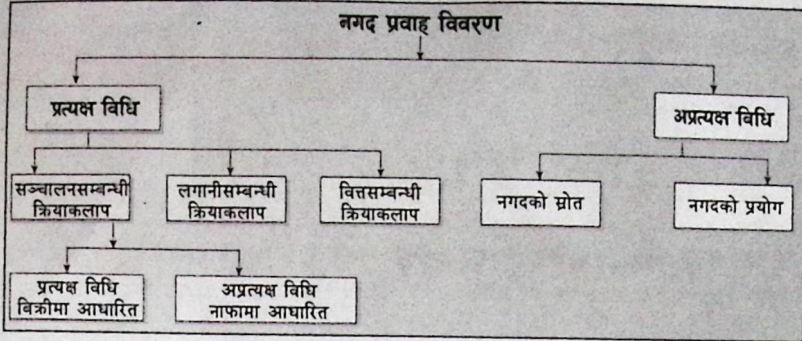
नगद प्रवाह विवरणको अर्थ तथा परिभाषा (Meaning and Definition of Cash Flow Statement)

नगद प्रवाह विवरण (Cash flow statement) कम्पनीका कारोबारका माध्यमबाट प्रत्यक्ष रूपमा नगदमा परेको असर देखाउन केन्द्रीकृत (Centralized) हुन्छ । नगद प्रवाह विवरण दुई वटा शब्दको संयोजन (Combination) हो । ती हुन्—नगद (Cash) र प्रवाह (Flow) । नगदले कम्पनीमा भएको नगद मौज्जात र बैंक मौज्जातलाई जनाउँछ भने प्रवाह (Flow) शब्दले एक वर्षबाट अर्को वर्षमा प्रवेश गर्दा नगदमा भएको परिवर्तनलाई बुझाउँदछ । त्यसैले नगद प्रवाह विवरणले दुई वटा समयको वासलातमा भएको नगदको परिवर्तनलाई सङ्क्षेपीकरण (Summarization) गर्दछ । नगद प्रवाह विवरणले नगदको भित्री प्रवाह (Cash inflow) र नगदको बाह्य प्रवाह (Cash Outflow) को जानकारी दिनुका साथै नगदको भित्री प्रवाह र नगदको बाह्य प्रवाहबीचको फरक निकाली नगद मौज्जातको अवस्थामा भएको परिवर्तनलाई सङ्केत (Indicate) गर्दछ । नगद प्रवाह विवरण प्रायः कोष प्रवाह विवरण जस्तै नै हो । यी दुई विवरणहरूबीच मुख्य भिन्नता भनेको नगद प्रवाह विवरणले एक निश्चित समयवधिमा भएको नगद मौज्जातको अवस्था देखाउँदछ भने कोष प्रवाह विवरणले एक निश्चित समयवधिको कार्यशील पूँजीमा भएको परिवर्तन देखाउँदछ । नगद प्रवाह विवरणमा व्यवसायका क्रियाकलापहरूलाई मुख्यतया तीन भागमा वर्गीकरण गरिन्छ । ती हुन्—

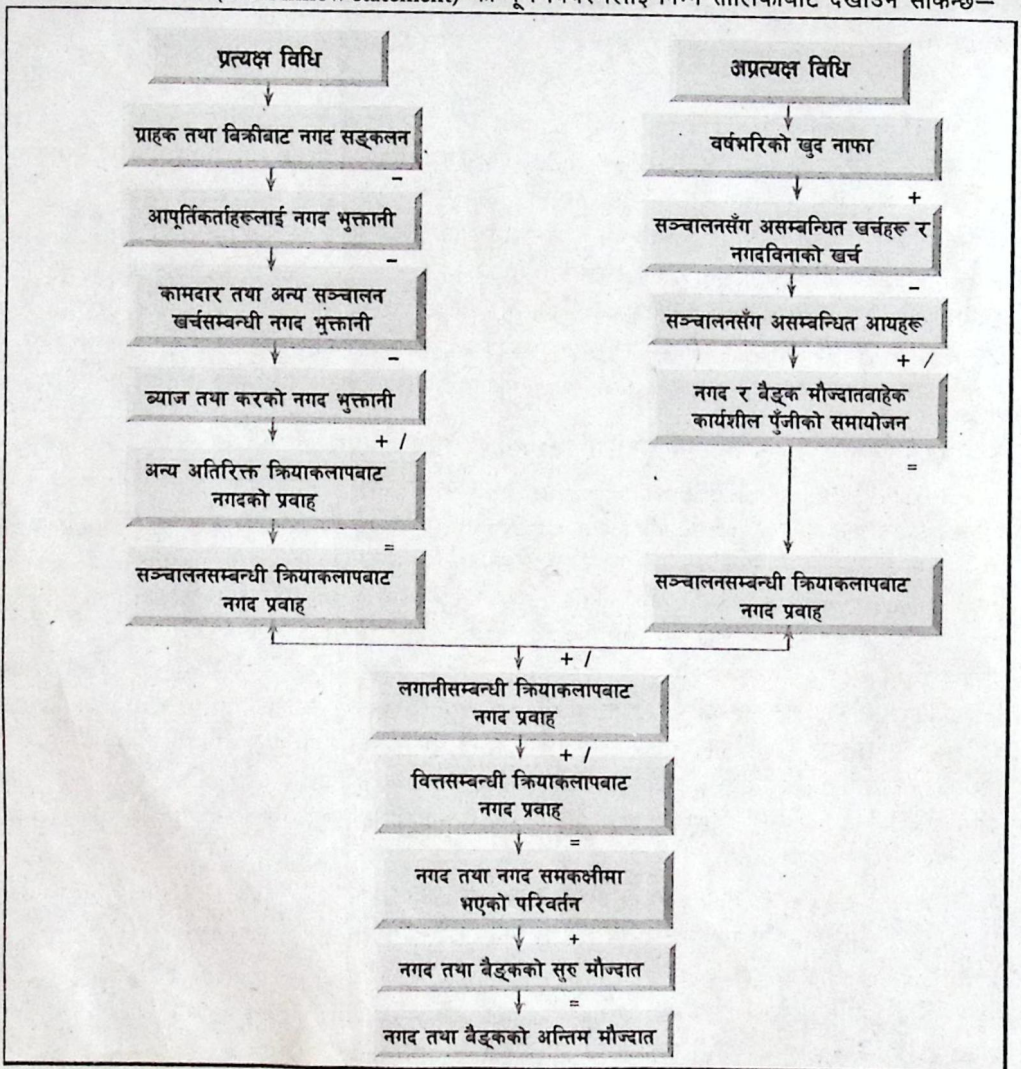
- १) सञ्चालनबाट नगदमा भएको परिवर्तनसम्बन्धी क्रियाकलाप (Cash flow from operating activities)
- २) लगानीबाट नगदमा भएको परिवर्तनसम्बन्धी क्रियाकलाप (Cash flow from investing activities)
- ३) वित्तबाट नगदमा भएको परिवर्तनसम्बन्धी क्रियाकलाप (Cash flow from financing activities)

नगद प्रवाह विवरणले सञ्चालनसम्बन्धी क्रियाकलाप (Operating activities), लगानीसम्बन्धी क्रियाकलाप (Investing activities) र वित्तसम्बन्धी क्रियाकलाप (Financing activities) बाट हुने नगदको भित्री प्रवाह (Cash

inflow) र नगदको बाह्य प्रवाह (Cash outflow) देखाउँदछ । नगद प्रवाह विवरण मुख्यतया दुईवटा विधिबाट तयार पार्न सकिन्छ । ती हुन्— (१) प्रत्यक्ष विधि (Direct method) (२) अप्रत्यक्ष विधि (Indirect method)



नगद प्रवाहको विवरण (Cash inflow statement) को पूर्ण विवरणलाई निम्न तालिकाबाट देखाउन सकिन्छ—



नगद प्रवाह विवरणको उद्देश्य तथा महत्त्व (Objectives & Importance of Cash Flow Statement)

नगद प्रवाह विवरण प्रबन्धकहरूका लागि अल्पकालीन योजना तयार गर्नका लागि एक महत्त्वपूर्ण उपकरण (Important equipment) हो। यसले लाभांश नीति तथा लगानी नीति तय गर्न मद्दत पुऱ्याउँछ। यसको मद्दतबाट ऋण भुक्तान गर्न, दीर्घकालीन योजना तय गर्न र स्थिर सम्पत्तिको प्रतिस्थापन गर्न सहज बन्छ। अन्तर्राष्ट्रिय लेखास्तर (International Accounting Standard) र नेपाल कम्पनी ऐन, २०६३ ले पनि नगद प्रवाह विवरणको महत्त्वका बारेमा जोड दिएको पाइन्छ। अतः यसका महत्त्व तथा उद्देश्यहरूलाई निम्नानुसार उल्लेख गर्न सकिन्छ—

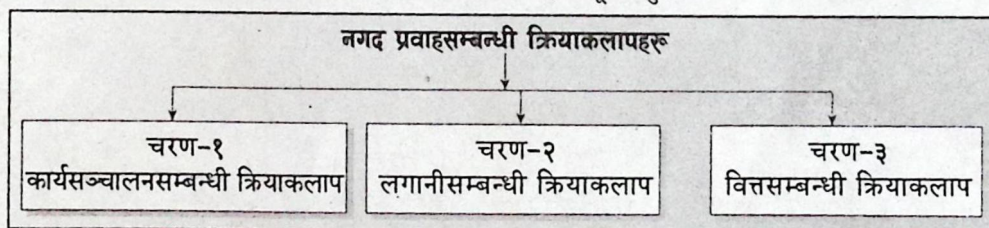
- १) यसले व्यवस्थापकलाई नगदको स्थिति र वित्तीय नीति बारेमा विश्लेषण गर्न मद्दत पुऱ्याउँछ,
- २) यसले नगदको वृद्धि वा कमीका बारेमा जानकारी दिन्छ,
- ३) यसले नगदको प्राप्ति र नगद भुक्तानीको बारेमा विश्लेषण गर्दछ,
- ४) यसले नगदका बारेमा योजना तर्जुमा गर्न मद्दत गर्दछ,
- ५) यसले सम्पत्तिको खरिद बिक्री, सेयरको खरिद बिक्री, ऋणको भुक्तानी आदिका बारेमा जानकारी दिलाउँछ,
- ६) यसले कम्पनीको सञ्चालन क्रियाकलाप, लगानीसम्बन्धी क्रियाकलाप तथा वित्तसम्बन्धी क्रियाकलापको जानकारी दिलाउँछ,
- ७) यसले नगदको स्थितिमा हुने परिवर्तनबारे जानकारी दिलाउँछ।

नगद प्रवाह विवरणको तयारी (Preparation of Cash Flow Statement)

नगद प्रवाह विवरण तयार गर्न तुलनात्मक वासलात, आय विवरण र अन्य जानकारीको आवश्यकता पर्दछ। नगद प्रवाह विवरण बनाउने विभिन्न तरिकाहरू छन्। कोष प्रवाह विवरणको ढाँचाबाट पनि नगद प्रवाह विवरण बनाउन सकिन्छ जुन त्यति प्रचलनमा छैन। प्रायः परोक्ष र अप्रत्यक्ष विधिबाट नगद प्रवाह विवरणको तयारी गरिन्छ। कम्पनी ऐनअनुसार नगद प्रवाह विवरण बनाउँदा प्रत्यक्ष विधि अवलम्बन गर्नुपर्नेमा जोड दिइएको छ। तापनि यदि प्रश्नमा बिक्री (sales) सम्बन्धी सूचना उपलब्ध नभएमा परोक्ष विधि नै बनाउनुपर्छ। अतः नगद प्रवाह विवरण तयार गर्ने निम्न दुई विधिको मात्रै यहाँ व्याख्या गरिएको छ— (१) प्रत्यक्ष विधि (Direct Method) (२) परोक्ष विधि (Indirect Method)

१) प्रत्यक्ष विधि (Direct Method):

यस विधिबाट नगद प्रवाह विवरण तयार गर्न निम्न ४ चरणहरू पूरा गर्नुपर्छ—



चरण-१ : कार्यसञ्चालन प्रक्रियाबाट नगद प्रवाह (Cash flow from operating activities)

चरण-२ : लगानीसम्बन्धी क्रियाकलापबाट नगद प्रवाह (Cash flow from investing activities)

चरण-३ : वित्तसम्बन्धी क्रियाकलापबाट नगद प्रवाह (Cash flow from financing activities)

चरण-४ : पूर्ण नगद प्रवाह विवरण (Preparation of complete cash flow statement)

चरण-१ : कार्यसञ्चालन प्रक्रियाबाट नगद प्रवाह (Cash flow from operating activities)

यस चरणमा कार्यसञ्चालन प्रक्रियाबाट भएको नगद प्राप्ति र भुक्तानीका क्रियाकलापहरू पर्दछन्। यसमा अधिकांश बुँदाहरू आय—विवरण तथा वासलातको चालु सम्पत्ति र चालु दायित्वबाट लिइन्छ। यसभित्र वस्तु तथा सेवाको बिक्रीबाट प्राप्त आय, आसामीबाट प्राप्त नगद रकम, ब्याज तथा लाभांशबाट प्राप्त नगद रकम नगद प्राप्तिका उदाहरण हुन् भने सामग्री र सेवा खरिदवापत तिरीने नगद रकम, ज्याला भुक्तानी, सञ्चालन खर्चसम्बन्धी

भुक्तानी, ब्याज तथा करको भुक्तानी नगद भुक्तानीका उदाहरण हुन्। उपर्युक्त नगद प्राप्ति र नगद भुक्तानीका बुँदाहरू निम्नानुसार प्रस्तुत गर्न सकिन्छ—

नगद प्राप्ति (Cash inflow)

- १) वस्तु तथा सेवाको नगद बिक्री र ग्राहकबाट प्राप्त गरिएको नगद रकम
- २) कर फिर्ताको रकम
- ३) ब्याज तथा लाभांश प्राप्ति
- ४) मौज्जातमा हुने नोक्सानीबापत बिमा कम्पनीबाट प्राप्त रकम

नगद भुक्तानी (Cash Outflow)

- १) वस्तु तथा सेवा प्राप्त गर्दा आपूर्तिकर्तालाई गरिने नगद भुक्तानी
- २) सञ्चालन खर्चहरू तथा कर्मचारीलाई नगद भुक्तानी
- ३) ब्याज तथा आयकरको भुक्तानी

अतः नगद प्राप्तिबाट नगद भुक्तानी घटाउँदा निस्कने परिणाम नै कार्यसञ्चालनबाट हुने नगद प्रवाह (Cash Flow From Operating Activities) हो। यसलाई निम्न ढाँचामा प्रस्तुत गरिएको छ—

Format: 1- Direct method

Cash from Operating activities (under direct method)

Particulars	Amount	Amount
A) Cash collection from customers and sales:		
Sales revenue	xxx	
Increase in Sundry debtors/Account receivable and bills receivable	(xxx)	
Decrease in Sundry debtors/Account receivable and bills receivable	xxx	
Bad debts recovered	xxx	
Bad debts written off	(xxx)	
Increase in provision for bad debts	xxx	
Decrease in provision for bad debts.....	(xxx)	
Increase in provision for discount on debtors	xxx	
Decrease in provision for discount on debtors	(xxx)	
Discount allowed	(xxx)	xxx
B) Cash paid to creditors/ suppliers:		
Cost of goods sold including direct wages	(xxx)	
Discount received from suppliers	xxx	
Increase in closing stock/ inventory	(xxx)	
Decrease in closing stock/ inventory.....	xxx	
Increases in Sundry creditors/ accounts payable and bills payable	xxx	
Decrease in Sundry creditors/ accounts payable and bills payable.....	(xxx)	(xxx)
C) Cash paid for operating expenses:		
Salaries	(xxx)	
Rent and rates.....	(xxx)	
Insurance premium.....	(xxx)	
Other operating expenses (Office & selling overheads except depreciation, amortization and capital loss)	(xxx)	
Increase in outstanding expenses.....	xxx	
Decrease in outstanding expenses	(xxx)	
Increase in prepaid/ advance expenses.....	(xxx)	
Decrease in prepaid/ advance expenses.....	xxx	(xxx)
D) Cash paid for interest and tax:		
Interest paid.....	(xxx)	
Tax paid.....	(xxx)	
Increase in interest and tax payable	xxx	
Decrease in interest and tax payable.....	(xxx)	(xxx)
E) Cash from other operating income and extra items:		
Commission received	xxx	
Rent received	xxx	xxx
Cash flow from operating activities (A + B + C + D + E)		xxx

- Note:** (i) (xxx) indicates cash outflow and xxx indicates cash inflow.
 (ii) Interest on investment and dividend received can be dealt in investing activities as they are generated from investment. They are also recorded on operating activities. In this book it is treated on investing activities.
 (iii) Compensation received:
 For Stock- Operating activities
 For fixed Assets- Investing activities
 (iv) Short term investment also treated as investing activities.

Format: 2- Direct method

Cash from operating activities (Under direct method)

Particulars	Amount	Amount
Cash collected from customers:		
Net sales		xxx
Add: Opening sundry debtors.....	xxx	
Opening bills receivable.....	xxx	
Opening accounts receivable.....	xxx	
Closing provision for doubtful debt.....	xxx	
Closing provision for discount on debtors.....	xxx	
Bad debt recovered.....	xxx	xxx
Less: Closing sundry debtors	xxx	
Closing bills receivable	xxx	
Closing accounts receivable	xxx	
Opening provision for doubtful debt.....	xxx	
Opening provision for discount on debtors.....	xxx	
Bad debts written off	xxx	
Discount allowed	xxx	xxx
Cash collection from customers and sales (A)		xxx
Cash paid to suppliers/creditors:		
Cost of goods sold (opening stock + Purchases – Closing stock) or merchandise purchase.....		xxx
Add: Opening sundry creditors.....	xxx	
Opening bills payable.....	xxx	
Opening accounts payable	xxx	
Closing inventory	xxx	xxx
Less: Closing sundry creditors	xxx	
Closing bills payable	xxx	
Opening inventory.....	xxx	
Closing accounts payable.....	xxx	
Discount received	xxx	xxx
Cash paid to suppliers / creditors (B)		xxx
Cash paid to employees and other cash operating expenses:		
Operating expenses (like wage and salary, rent and rates, insurance premium, office and selling expenses etc.).....	xxx	xxx
Add: Closing prepaid expenses.....	xxx	
Opening outstanding expenses	xxx	xxx
Less: Opening prepaid expenses	xxx	
Closing outstanding expenses	xxx	
Cash paid to employees and for other expenses (C)		xxx
Cash paid for interest and tax:		
Interest expenses.....		xxx
Provision for taxation		xxx
Add: Closing prepaid interest and tax	xxx	
Opening outstanding interest and tax.....	xxx	xxx
Less: Opening prepaid interest and tax.....	xxx	
Closing outstanding interest and tax.....	xxx	xxx
Cash paid for interest and tax (D)		xxx

Add: Cash from other operating income		
Rent received	xxx	
Interest received.....	xxx	
Dividend received	xxx	
Compensation received	xxx	
Opening rent, Interest, Dividend receivable.....	xxx	
Closing rent, Interest, Dividend receivable	(xxx)	xxx
Cash from other operating income (E)		xxx
Cash flow from extra ordinary item:		
Opening bank overdraft and short term loan	xxx	
Closing short term investment/ Marketable security	xxx	xxx
Less: Closing bank overdraft and short term loan	xxx	
Opening short term investment/Marketable security	xxx	xxx
Cash flow from extra ordinary item (F)		xxx
Cash flow from Operating activities (A – B – C – D + E ± F)		xxx

Format: 3- Indirect method

Cash from Operating activities (under indirect method)

Particulars	Amount	Amount
Net profit for the year		xxx
Add: Non-operating expenses and non cash item:		
Depreciation on fixed assets	xxx	
Loss on sales of fixed assets	xxx	
Loss on sales of long term investment.....	xxx	
Goodwill/ patent right/ trademark copyright etc. written off.....	xxx	
Preliminary expenses/ Underwriting commission/ broker commission etc. written off	xxx	
Transfer to any reserve and surplus fund	xxx	
Discount on issue of Shares and Debentures written off.....	xxx	
Premium on redemption of Preference share capital and Debenture	xxx	xxx
Total		xxx
Less: Non operating incomes:		
Appreciation of fixed assets	(xxx)	
Profit on sales of fixed assets	(xxx)	
Profit on sales of long term investment.....	(xxx)	
Rent received/ compensation received/ Share transfer fees received etc.	(xxx)	
Refund of excess tax.....	(xxx)	
Profit on revaluation of any fixed assets	(xxx)	
Discount on redemption of Preference share capital and Debenture.....	(xxx)	
Interest on investment.....	(xxx)	(xxx)
Funds from operation		± xxx
Working capital adjustment (except cash and bank balance):		
Increase in Sundry debtors/ account receivable and bills receivable		(xxx)
Decrease in Sundry debtors/ account receivable and bills receivable		xxx
Increase in Sundry creditors/ account payable and bills payable		xxx
Decrease in Sundry creditors/ account payable and bills payable		(xxx)
Increase in closing stock/ inventory		(xxx)
Decrease in closing stock/ inventory.....		xxx
Increase in provision for bad debts or discount on debtors		xxx
Decrease in provision for bad debts or discount on debtors		(xxx)
Increase in prepaid/ advance expenses		(xxx)
Decrease in prepaid/ advance expenses.....		xxx
Increase in outstanding expenses		xxx
Decrease in outstanding expenses.....		(xxx)
Increase in short term loan/ bank overdraft		xxx
Decrease in short term loan/ bank overdraft		(xxx)
Increase in short term investment / marketable securities		(xxx)
Decrease in short term investment / marketable securities		xxx
Increase in interest receivable		(xxx)
Decrease in interest receivable.....		xxx
Cash flow from Operating activities		xxx

Note: (xxx) indicates cash outflow and xxx indicates cash inflow

Key Points:

Following things should be considered while preparing cash flow statement:

- Incomes are always added
- Decrease in assets are added
- Increase in liabilities are added
- Expenses are deducted i.e. written inside the bracket
- Increase in assets are deducted
- Decrease in liabilities are deducted

Illustration - 1

Following are the extracted Balance sheet item:

	<u>Opening</u>	<u>Closing</u>
Sundry debtors (gross).....	Rs.1,00,000	Rs.80,000
Bills receivable.....	Rs.1,50,000	Rs.2,00,000
Provision for bad debts.....	Rs.20,000	Rs.30,000
Provision for discount.....	Rs.65,000	Rs.40,000
Sales revenue during the year		Rs.1,60,000
Bad debts recovered		Rs.5,000

Required: Cash collection from customers and sales.

Solution:

Cash Collection from customers and sales

Particulars	Amount
Sales revenue.....	1,60,000
Decrease in sundry debtors.....	20,000
Increase in bills receivable.....	(50,000)
Increase in provision for bad debts.....	10,000
Decrease in provision for discount.....	(25,000)
Bad debts recovered.....	5,000
Cash sales and collection from customers	1,20,000

Illustration - 2

Calculate cash paid to creditors/suppliers from the following information:

	<u>Last year</u>	<u>Current year</u>
Inventory.....	75,000	1,20,000
Creditors.....	20,000	30,000
Bills payable.....	15,000	7,000
Accounts payable.....	30,000	45,000
Discount received from supplier.....		Rs.25,000
Cost of goods sold during the year.....		Rs.2,70,000

Solution:

Cash paid to suppliers

Particulars	Amount
Cost of goods sold.....	(2,70,000)
Increase in inventory.....	(45,000)
Increase in creditors.....	10,000
Decrease in bills payable.....	(8,000)
Increase in accounts payable.....	15,000
Discount received.....	25,000
Cash payable to suppliers	(2,73,000)

Illustration - 3

Calculate the cash paid to employees and other expenses:

	<u>Last year</u>	<u>Current year</u>
Prepaid rent	10,000	15,000
Outstanding salary	5,000	13,000
Prepaid insurance	15,000	8,000
Operating expenses during the year:		
Salary		Rs.45,000
Rent		Rs.54,000
Insurance		Rs.18,000
Office expenses		Rs.42,000
Selling expenses		Rs.36,000

Solution:

Cash paid to employees and other operating expenses

Particulars	Amount
Salary paid	(45,000)
Rent paid	(54,000)
Insurance	(18,000)
Office expenses	(42,000)
Selling expenses	(36,000)
Prepaid rent increased by	(5,000)
Outstanding salary increased by	8,000
Prepaid insurance decreased by	7,000
Cash payable to workers and for other operating expenses	(1,85,000)

Illustration - 4

From the following information, calculate cash paid for interest and tax.

	<u>Year 2060</u>	<u>Year 2061</u>
Interest payable	22,000	30,000
Provision for tax	15,000	8,000
Interest expenses during the year		Rs.50,000
Tax provision during the year		Rs.20,000

Solution:

Calculation of cash paid for interest and tax

Particulars	Amount
Interest expenses	(50,000)
Provision for tax	(20,000)
Interest payable increased by	8,000
Tax payable decreased by	(7,000)
Cash paid for interest and tax	(69,000)

Illustration - 5

Following are the Balance sheet items:

	<u>Year 2064</u>	<u>Year 2065</u>
Inventories	50,000	60,000
Sundry debtors	40,000	25,000
Bills receivable	10,000	20,000
Bills payable	40,000	55,000
Sundry creditors	60,000	1,00,000
Outstanding expenses	80,000	50,000
Prepaid expenses	15,000	5,000
Goodwill	8,000	3,000
Cash and bank balance	70,000	90,000

Additional information:

- i) Net profit during the yearRs.1,20,000
- ii) Depreciation during the year.....Rs.30,000
- iii) Provision for taxation.....Rs.40,000
- iv) Rent receivedRs.10,000
- iv) Profit on sale of fixed assetsRs.15,000
- v) Loss on sale of investmentRs.20,000

Required: Calculate cash flow from Operating activities under indirect method.

Solution: Cash flow from Operating activities (Indirect method)

Particulars	Amount
Net profit for the year	1,20,000
Add: Non operating expenses and non cash items:	
Goodwill written off	5,000
Depreciation	30,000
Provision for taxation	40,000
Loss on sale of investment	20,000
	95,000
Less: Non operating income: Profit on sale of fixed assets	15,000
	Funds from operation before tax paid
	2,00,000
Less: Income Tax paid	(40,000)
	Funds from operation after tax paid
	1,60,000
Working capital adjustment (except cash and bank balance):	
Inventory increased by	(10,000)
Sundry debtors decreased by	15,000
Bills receivable increased by	(10,000)
Bills payable increased by	15,000
Sundry creditors increased by	40,000
Outstanding expenses decreased by	(30,000)
Prepaid expenses decreased by	10,000
	Cash flow from operating activities
	1,90,000

Note: • Cash and bank balance is not mentioned in operating activities.
• Since tax provision is not given, tax provision for the year is equal to tax paid assumed

Illustration - 6

Income statement for the year ended 2065:

Particulars	Amount
Sales.....	1,50,000
Less: Cost of goods sold	80,000
	Gross profit
	70,000
Less: Indirect expenses:	
Depreciation	20,000
Interest paid.....	12,000
Selling expenses	8,000
Loss on sale of fixed assets	10,000
	50,000
	Net profit
	20,000

Comparative balance sheet

Items	Year 2064	Year 2065
Cash balance.....	75,000	1,00,000
Bills receivable.....	50,000	30,000
Bills payable.....	30,000	80,000
Closing stock	1,00,000	1,50,000
Preliminary expenses	50,000	45,000
Goodwill	1,00,000	90,000
Accrued expenses	50,000	60,000

Required: Cash flow from operating activities by using indirect method

Solution:**Cash flow from operating activities (Indirect method)**

Particulars	Amount
Net profit for the year.....	20,000
Add: Non operating expenses and non cash items:	
Goodwill written off.....	10,000
Depreciation.....	20,000
Preliminary expenses written off.....	5,000
Loss on sale of fixed assets.....	10,000
Funds from operation	65,000
Working capital adjustment (except cash and bank balance):	
Bills receivable decreased by.....	20,000
Bills payable increased by.....	50,000
Stock increased by.....	(50,000)
Accrued expenses increased by.....	10,000
Cash flow from operating activities	95,000

Illustration - 7**Income statement at the end of Year-II:**

Sales.....	25,00,000
Less: Cost of goods sold.....	15,00,000
Gross profit	10,00,000
Add: Discount received from suppliers.....	20,000
Profit on sales of fixed assets.....	10,000
Discount on redemption on Debenture.....	5,000
35,000	
10,35,000	
Less: Wages and salary.....	3,00,000
Insurance premium.....	35,000
Depreciation on fixed assets.....	1,60,000
Interest.....	40,000
Premium on redemption of Preference share capital.....	15,000
5,50,000	
Net profit	4,85,000

Following are the balance sheet items of Year-I and Year-II:

Particular	Year-I	Year-II
Cash in hand.....	10,000	15,000
Sundry debtors.....	1,00,000	2,00,000
Account receivables.....	1,30,000	90,000
Closing stock.....	1,00,000	50,000
Sundry creditors.....	80,000	1,50,000
Accounts payable.....	1,50,000	1,20,000
Outstanding interest.....	9,000	5,000
Outstanding wages and salary.....	30,000	45,000
Prepaid insurance.....	50,000	60,000
Cash at bank.....	25,000	75,000

Required: Cash flow from operating activities under: (a) Direct method (b) Indirect method

Solution:**(a) Calculation of Cash flow from operating activities (Direct method)**

Particulars	Amount	Amount
A. Cash collection from customers and sales:		
Sales.....	25,00,000	
Sundry debtors increased by.....	(1,00,000)	
Account receivable decreased by.....	40,000	24,40,000
Add: B. Cash payable to suppliers: Cost of goods sold.....	(15,00,000)	
Decrease in closing stock.....	50,000	
Increase in sundry creditors.....	70,000	
Decrease in accounts payable.....	(30,000)	
Discount received from suppliers.....	20,000	(13,90,000)

Add: C. Cash paid for other operating expenses:		
Wages and salary.....	(3,00,000)	
Insurance premium.....	(35,000)	
Outstanding wages and salary increased by.....	15,000	
Prepaid insurance increased by.....	(10,000)	(3,30,000)
Add: D. Cash paid for interest and tax: Interest paid.....	(40,000)	
Outstanding interest decreased by.....	(4,000)	(44,000)
Cash flow from operating activities		6,76,000

(b) Calculation of Cash flow from Operating activities (Indirect method)

Particular	Amount
Net profit for the year.....	4,85,000
Add: Non operating expenses and non cash item:	
Depreciation on fixed assets.....	1,60,000
Premium on redemption of Preference share capital.....	15,000
	6,60,000
Less: Non operating incomes: Profit on sales of fixed assets.....	10,000
Discount on redemption on debenture.....	5,000
	6,45,000
Add: Working capital adjustment: (except cash and bank balance)	
Sundry debtors increased by.....	(1,00,000)
Account receivable decreased by.....	40,000
Closing stock decreased by.....	50,000
Sundry creditors increased by.....	70,000
Accounts payable decreased by.....	(30,000)
Outstanding interest decreased by.....	(4,000)
Outstanding wages and salary increased by.....	15,000
Prepaid insurance increased by.....	(10,000)
Cash flow from operating activities	6,76,000

Illustration – 8

The Trading and profit and loss account of a Company are as under:

Cr		Dr	
Particulars	Amount	Particulars	Amount
To Opening stock.....	60,000	By Sales.....	5,00,000
To Purchase.....	3,00,000	By Closing stock.....	1,40,000
To Wages.....	80,000		
To Gross profit.....	2,00,000		
	6,40,000		6,40,000
To Office expenses.....	90,000	By Gross profit.....	2,00,000
To Selling expenses.....	30,000	By Discount received.....	20,000
To Discount allowed.....	10,000	By Profit on sales of fixed assets.....	25,000
To Depreciation on fixed assets.....	40,000		
To Preliminary expenses written off.....	8,000		
To Loss on sales of furniture.....	12,000		
To Net profit.....	55,000		
	2,45,000		2,45,000

The opening and closing balances of current assets and current liabilities are given below:

Items	Opening	Closing
Inventory.....	60,000	1,40,000
Account receivable.....	40,000	25,000
Book debts.....	25,000	45,000
Accrued expenses.....	10,000	6,000
Prepaid expenses.....	9,000	15,000
Sundry creditors.....	40,000	20,000
Bills payable.....	10,000	25,000

Required: Cash flow from operating activities by using direct and indirect method

Solution: Cash flow from Operating activities (Direct method)

Particulars	Amount
A. Cash collection from customers and sales:	
Sales revenue.....	5,00,000
Discount allowed	(10,000)
Account receivable decreased by	15,000
Book debts increased by	<u>(20,000)</u>
	4,85,000
B. Cash paid to suppliers :	
Purchase	(3,00,000)
Discount received	20,000
Sundry creditors decreased by	(20,000)
Bills payable increased by	<u>15,000</u>
	(2,85,000)
C. Cash paid to employees and operating expenses:	
Wages	(80,000)
Office expenses	(90,000)
Selling expenses	(30,000)
Accrued expenses decreased by	(4,000)
Prepaid expenses increased by	<u>(6,000)</u>
	(2,10,000)
Cash flow from operating activities (A + B + C)	(10,000)

Cash flow from operating activities (Indirect method)

Particulars	Amount
Net profit for the year.....	55,000
Add: Non operating expenses and non cash items:	
Depreciation	40,000
Preliminary expenses written off	8,000
Loss on sales on furniture	<u>12,000</u>
	60,000
	1,15,000
Less: Non operating incomes: Profit on sales of fixed assets	25,000
	Funds from operation
	90,000
Working capital adjustment (except cash and bank balance):	
Inventory increased by	(80,000)
Accounts receivable decreased by	15,000
Book debts increased by	(20,000)
Accrued expenses decreased by	(4,000)
Prepaid expenses increased by	(6,000)
Sundry creditors decreased by	(20,000)
Bills payable increased by	<u>15,000</u>
	(10,000)
Cash flow from operating activities	(10,000)

चरण-२: लगानीसम्बन्धी क्रियाकलापबाट नगद प्रवाह (Cash flow from investing activities)

यसमा स्थिर सम्पत्तिहरू जस्तै : Land and building, Plant and machinery, Furniture, Vehicle etc. र लगानी (Investment) को खरिद विक्रीसम्बन्धी क्रियाकलापहरू मात्र समावेश गरिन्छन् । खरिद गर्दा नगदको बाहिरी प्रवाह हुने र विक्री गर्दा नगद भित्री प्रवाह हुने भएकाले नगदमा हुने परिवर्तनबारे जानकारी हासिल गर्न सकिन्छ । लगानीसम्बन्धी क्रियाकलाप तयार गर्न निम्न बुँदाहरू प्रयोग गर्नुपर्दछ :

अचल सम्पत्तिहरू बढ्दा वा घट्दा निम्न परिणाम प्राप्त हुन्छ-

- दृश्य स्थिर सम्पत्तिहरू बढ्दा स्थिर सम्पत्तिको खरिद मानिन्छ र नगदको वाह्य प्रवाह (Cash outflow) हुन्छ ।
- दृश्य स्थिर सम्पत्तिहरू घट्दा स्थिर सम्पत्तिको विक्री मानिन्छ र नगदको भित्री प्रवाह (Cash inflow) हुन्छ ।
- अदृश्य स्थिर सम्पत्तिहरू बढ्दा अदृश्य स्थिर सम्पत्तिको खरिद मानिन्छ र नगदको वाह्य प्रवाह (Cash outflow) हुन्छ ।
- अदृश्य स्थिर सम्पत्तिहरू घट्दा अदृश्य स्थिर सम्पत्तिको अपलेखन (Written off) मानिन्छ र यसलाई खुद नाफामा जोडी सञ्चालन कोष पत्ता लगाइन्छ । उपर्युक्त तथ्यहरूलाई विस्तृत रूपमा तल देखाइएको छ-

Condition	Result
i) घरजग्गा, मेशीनरी, फर्निचर, सवारीसाधन, दीर्घकालीन लगानी आदिमा वृद्धि हुँदा (↑)	i) नगदको बाह्य प्रवाह (Cash outflow / Purchase (Application))
ii) घरजग्गा, मेशीनरी, फर्निचर, सवारीसाधन, दीर्घकालीन लगानी आदिमा कमी हुँदा (↓)	ii) नगदको आन्तरिक प्रवाह (Cash inflow / Sales (Source))

Format of cash flow from investing activities

Particulars	Amount
Increase or purchase of plant and machinery	(xxx)
Increase or purchase of furniture and fixture.....	(xxx)
Increase or purchase of land and building	(xxx)
Increase or purchase of other fixed assets	(xxx)
Increase or purchase of investment	(xxx)
Decrease or sale of furniture and fixture	xxx
Decrease or sale of plant and machinery.....	xxx
Decrease or sale of land and building	xxx
Decrease or sale of other fixed assets.....	xxx
Decrease or sale of investment.....	xxx
Increase in goodwill, trade mark, patent and franchise (purchase).....	(xxx)
Cash flow from investing activities	± xxx

Note: (xxx) indicates cash outflow and xxx indicates cash inflow

Illustration - 9

Following are the information given to you:

	<u>Last year</u>	<u>This year</u>
Plant and Machinery.....	1,50,000	2,25,000
Land and Building	75,000	60,000
Investment.....	1,35,000	1,20,000

Required: Cash collection from Investing activities

Solution:

Cash flow from investing activities

Particulars	Amount
Purchase of plant and machinery.....	(75,000)
Sale of land and building	15,000
sales of investment.....	15,000
Cash flow from investing activities	(45,000)

Illustration - 10

Calculate cash flow from investing activities from the following details:

Increase in fixed assets	Rs.10,00,000
Decrease in plant and machinery.....	Rs.6,80,000
Sale of investment	Rs.5,00,000
Sale of live stocks.....	Rs.2,00,000
Increase in furniture	Rs.1,00,000

Solution:

Cash flow from investing activities

Particulars	Amount
Purchase of fixed assets	(10,00,000)
Sale of plant and machinery.....	6,80,000
Sales of investment	5,00,000
Sales of livestock.....	2,00,000
Purchase of furniture	(1,00,000)
Cash flow from investing activities	2,80,000

Illustration - 11

The following extract of the balance sheet items are given to you:

Items	Last year	This year
Investment.....	3,00,000	4,50,000
Plant and Machinery.....	6,00,000	4,50,000
Land and Building.....	1,50,000	2,70,000
Furniture.....	4,50,000	2,00,000

Other information:

- i) Purchase of investment Rs.2,50,000.
- ii) Plant with book value of Rs.2,20,000 was sold at a loss of Rs.20,000.
- iii) Depreciation on plant for the year Rs.80,000.
- iii) Purchase of land and building Rs.2,50,000.
- iv) Sale of furniture Rs.2,50,000.

Required: Cash flow from Investing activities

Working Note:

Investment Account

Particulars	Amount	Particulars	Amount
To Balance b/d	3,00,000	By Bank A/c (Sales balancing figure)	1,00,000
To Bank A/c (purchase).....	2,50,000	By Balance c/d.....	4,50,000
	5,50,000		5,50,000

Dr		Plant and machinery Account		Cr	
Particulars	Amount	Particulars	Amount		
To Balance b/d	6,00,000	By Depreciation for the year	80,000		
To Bank A/c (purchase balancing figure).....	1,50,000	By Bank A/c (Sales).....	2,00,000		
		By Loss on sales of plant.....	20,000		
		By Balance c/d.....	4,50,000		
	7,50,000		7,50,000		

Dr		Land and building Account		Cr	
Particulars	Amount	Particulars	Amount		
To Balance b/d	1,50,000	By Bank A/c (Sales balancing figure)	1,30,000		
To Bank A/c (purchase).....	2,50,000	By Balance c/d.....	2,70,000		
	4,00,000		4,00,000		

Dr		Furniture Account		Cr	
Particulars	Amount	Particulars	Amount		
To Balance b/d	4,50,000	By Bank A/c (Sales).....	2,50,000		
		By Balance c/d.....	2,00,000		
	4,50,000		4,50,000		

Solution:

Cash flow from investing activities

Particulars	Amount
Sale of investment.....	1,00,000
Purchase of investment.....	(2,50,000)
Sales of plant and machinery.....	2,00,000
Purchase of plant and machinery.....	(1,50,000)
Sales of land and building.....	1,30,000
Purchase of land and building.....	(2,50,000)
Sales of furniture.....	2,50,000
Cash flow from Investing activities	30,000

Illustration - 12

The items of balance sheet are extracted from Mach Company Limited:

Items	Year - I	Year - II
Machinery.....	7,00,000	15,00,000
Investment.....	5,00,000	3,00,000

Additional information:

- Depreciation on machinery Rs.1,80,000
- Machinery with a book value Rs.60,000 was sold at a profit of Rs.10,000.
- Loss on sale of investment Rs.50,000

Required: (i) Necessary ledger accounts (ii) Cash flow from investing activities

Working Note:

Machinery Account			
Particulars	Amount	Particulars	Amount
To Balance b/d	7,00,000	By Depreciation for the year.....	1,80,000
To Profit on sales of machinery A/c	10,000	By Bank A/c (Sales)	70,000
To Bank A/c (purchase B/F)	10,40,000	By Balance c/d	15,00,000
	17,50,000		17,50,000

Investment Account			
Dr	Amount	Particulars	Cr
To Balance b/d	5,00,000	By Bank A/c (Sales)	1,50,000
		By Loss on sales of investment	50,000
		By Balance c/d	3,00,000
	5,00,000		5,00,000

Solution:

Cash flow from investing activities

Particulars	Amount
Sales of machinery.....	70,000
Purchase of machinery.....	(10,40,000)
Sales of investment.....	1,50,000
Cash flow from investing activities	(8,20,000)

Illustration - 13

The following are the changes on the value of different assets of a company:

Particulars	Year 1	Year 2
Land and Building.....	8,00,000	5,00,000
Plant and Machinery.....	3,00,000	4,30,000
Investment.....	60,000	40,000

Additional information:

- Building has been sold at a gain of Rs.50,000.
- A plant with book value of Rs.30,000 has been sold at a loss of Rs.10,000.
- Plant purchased during the year was Rs.1,60,000.
- Investment costing Rs.50,000 has been sold for Rs.60,000.

Required: Cash from investing activities

Working Note:

Land and building Account			
Particulars	Amount	Particulars	Amount
To Balance b/d	8,00,000	By Bank A/c (Sales balancing figure)	3,50,000
To Profit on sales of building	50,000	By Balance c/d.....	5,00,000
	8,50,000		8,50,000

Plant and machinery Account			
Dr	Amount	Particulars	Cr
To Balance b/d	3,00,000	By Bank A/c (sales)	20,000
To Bank A/c (purchase).....	1,60,000	By Loss on sales of plant.....	10,000
	4,60,000	By Balance c/d.....	4,30,000
			4,60,000

Dr		Investment Account		Cr
Particulars	Amount	Particulars	Amount	
To Balance b/d	60,000	By Bank A/c (sales)	60,000	
To Profit on sales of investment	10,000	By Balance c/d	40,000	
To Bank A/c (purchase B/F)	30,000			
	1,00,000			1,00,000

Solution:**Cash flow from investing activities**

Particulars	Amount
Sales of land and building	3,50,000
Sales of plant and machinery	20,000
Purchase of plant and machinery	(1,60,000)
Sales of investment	60,000
Purchase of investment	(30,000)
Cash flow from investing activities	2,40,000

चरण-३: वित्तसम्बन्धी क्रियाकलापबाट नगद प्रवाह (Cash flow from financing activities)

वित्तसम्बन्धी क्रियाकलापमा दीर्घकालीन ऋणहरू जस्तै : Debenture, Bank loan, Mortgage loan and Long term loan आदि सुरक्षित ऋणहरू पर्दछ र सेयर पूँजीहरू जस्तै : Equity share capital, Preference share capital and Share premium समावेश गरिन्छ । यसको अलावा लाभांश भुक्तानी (Dividend paid) पनि समावेश गर्नुपर्दछ । दीर्घकालीन दायित्व र स्वामित्व पूँजी वृद्धि भएमा नगदको भित्री प्रवाह (Cash inflow) हुन्छ भने घटेमा नगदको बाह्य प्रवाह (Cash outflow) हुन्छ । त्यसै गरी लाभांश भुक्तानी गर्दा पनि नगद बाह्य प्रवाह हुन्छ । वित्तसम्बन्धी क्रियाकलापबाट नगदको प्रवाह पत्ता लगाउन निम्न बुँदाहरूमा ध्यान दिनुपर्दछ :

अचल दायित्वहरू (Non-Current Liabilities)

कम्पनीमा लामो समयका लागि प्रयोग गरिएको भित्री तथा बाहिरी दायित्वहरूलाई अचल दायित्वहरू (Non current liabilities) भनिन्छ । यसअन्तर्गत मालिकहरूको पूँजीहरू जस्तै : Equity share capital, Preference share capital and Share premium पर्दछ भने दीर्घकालीन बाह्य दायित्वहरू जस्तै : Long term loan, Bank loan, Secured loan, Mortgage loan, Debenture आदि पर्दछन् । अचल दायित्वहरूका बारेमा थप जानकारी नदिइएको अवस्थामा कोषको भित्री प्रवाह (Cash inflow) र कोषको बाह्य प्रवाह (Cash outflow) थाहा पाउन तिनीहरूको खाता खोलिरहनु पर्दैन । तिनीहरूको सुरुको मौज्जात र अन्तिम मौज्जातको फरक रकम नै कोषको प्रवाह हुने गर्दछ । यदि चालु वर्षको अचल दायित्वहरूको रकम गतवर्षको रकमभन्दा बढी भएमा त्यस्तो बढी रकमलाई नगदको भित्री प्रवाह (Cash inflow) भनिन्छ । त्यसै गरी यदि चालु वर्षको अचल दायित्वहरूको रकम गतवर्षको रकमभन्दा कम भएमा यस्तो कमी भएको रकमलाई नगदको बाह्य प्रवाह (Cash outflow) भनिन्छ । अचल दायित्वहरूमा निम्न शीर्षकहरू समावेश गरिएको हुन्छ ।

अचल दायित्वहरू बढ्दा वा घट्दा नगदमा कस्तो प्रभाव पर्दछ भन्ने कुराको जानकारी तल दिइएको छ-

क) अचल दायित्व बढेको खण्डमा उक्त बढेको रकमलाई भित्री प्रवाह (Cash inflow) मानिन्छ ।

ख) अचल दायित्व घटेको खण्डमा उक्त घटेको रकमलाई बाहिरी प्रवाह (Cash outflow) मानिन्छ । यसलाई विस्तृत रूपमा तल देखाइएको छ ।

Condition	Result
i) शेयर पूँजीमा वृद्धि हुँदा An increase in share capital (↑)	i) नगदको आन्तरिक प्रवाह Cash inflow / issue (sources)
ii) शेयर पूँजीमा कमि हुँदा A decrease in share capital (↓)	ii) नगदको बाह्य प्रवाह Cash outflow / Redemption (Application)
iii) शेयर प्रिमियम र शेयर जफत वृद्धि हुँदा An increase in share premium (↑)	iii) नगदको आन्तरिक प्रवाह Cash inflow (sources)
iv) शेयर प्रिमियम र शेयर जफत कमि हुँदा A decrease in share premium and share forfeiture (↓)	iv) नगदको बाह्य प्रवाह Added to net profit for the year
v) दीर्घकालीन दायित्वमा वृद्धि हुँदा An increase in long term liabilities (↑)	v) नगदको आन्तरिक प्रवाह Cash inflow / issue or borrowed (sources)
vi) दीर्घकालीन दायित्वमा कमि हुँदा A decrease in long term liabilities (↓)	vi) नगदको बाह्य प्रवाह Cash outflow / Redemption or paid (Application)

Cash flow from financing activities can be calculated in the following form:

Particulars	Amount
Issue of Equity share capital (increase)	xxx
Issue of Preference share capital (increase)	xxx
Issue of Debentures and Bonds (increase)	xxx
Long term loan borrowed (increase)	xxx
Increase in share premium	xxx
Repayment of long term of loan (decrease)	(xxx)
Redemption of Debentures and Bonds (decrease)	(xxx)
Redemption of Preference share capital (decrease)	(xxx)
Dividend paid	(xxx)
Cash flow from financing activities	± xxx

Note: (xxx) indicates cash outflow and xxx indicates cash inflow.

Illustration - 14

Calculate the financing activities from the following information:

	<u>Year 2064 (Rs.)</u>	<u>Year 2065 (Rs.)</u>
Equity share capital	1,50,000	2,80,000
Preference share capital	1,80,000	80,000
Share premium.....	60,000	80,000
Debentures	75,000	60,000
Mortgage loan.....	60,000	85,000
Dividend paid during the year.....	-	12,000

Solution: **Cash flow from financing activities**

Particulars	Amount
Issue of Equity share capital	1,30,000
Redemption of Preference share capital	(1,00,000)
Share premium increased	20,000
Redemption of Debenture	(15,000)
Mortgage loan borrowed	25,000
Dividend paid	(12,000)
Cash flow from financing activities	48,000

Illustration - 15

Calculate the financing activities from the following information:

	<u>Year 2068 (Rs.)</u>	<u>Year 2069 (Rs.)</u>
Equity share capital	1,50,000	1,80,000
Preference share capital	1,70,000	2,70,000
Share premium.....	1,00,000	1,25,000
Debentures	1,75,000	25,000
Long term loan	60,000	20,000
Dividend paid during the year.....	-	50,000

Solution: **Cash flow from financing activities**

Particulars	Amount
Issue of Equity share capital	30,000
Issue of Preference share capital	1,00,000
Share premium increased	25,000
Redemption of Debenture	(1,50,000)
Repayment of long term loan	(40,000)
Dividend paid	(50,000)
Cash flow from financing activities	(85,000)

चरण-४: पूर्ण नगद प्रवाह विवरणको तयारी (Preparation of complete cash flow statement)

सञ्चालनसम्बन्धी क्रियाकलाप (Operating activity), लगानीसम्बन्धी क्रियाकलाप (Investing activity) र वित्तसम्बन्धी क्रियाकलाप (Financing activity) यी तीनवटै चरण पूरा गरेपछि यसलाई चौथो चरणमा जोड्ने काम गर्नुपर्छ र जोडेर आएको कुल जोड रकममा सुरुको नगद र बैङ्क मौज्दात (Opening cash and bank balance) जोडी अन्तिम नगद र बैङ्क मौज्दात (Closing cash and bank balance) पत्ता लगाउनुपर्छ अनि मात्र पूर्ण रूपले नगद प्रवाह विवरणपत्र तयार हुन्छ। पूर्णरूपको नगद प्रवाह विवरण निम्नानुसार तयार गरिन्छ—

Cash flow statement under direct method:

Particulars	Amount
Cash flows from operating activities.....	xxx
Add: Cash flows from investing activities	xxx
Add: Cash flows from financing activities	xxx
Change in cash or cash equivalent	xxx
Add: Opening cash and bank balance.....	xxx
Closing cash and bank balance	xxx

Illustration - 16

Prepare Cash flow statement by showing closing cash and bank balance from the following detailed and summarized information:

Cash flow from operating activities	Rs.5,78,000	Cash flow from investing activities	Rs.(5,85,000)
Cash flow from financing activities	Rs.1,20,000	Opening cash and bank balance	Rs.37,000
Closing cash and bank balance ?		

Solution:**Cash flow statement**

Particulars	Amount
Cash flows from operating activities.....	5,78,000
Add: Cash flows from investing activities	(5,85,000)
Add: Cash flows from financing activities	1,20,000
Change in cash or cash equivalent	1,13,000
Add: Opening cash and bank balance.....	37,000
Closing cash and bank balance	1,50,000

Illustration - 17

Prepare Cash flow statement by showing closing cash and bank balance from the following detailed and summarized information:

Cash flow from operating activities	Rs.3,75,700	Cash flow from investing activities	Rs.3,80,250
Cash flow from financing activities	Rs.(8,35,250)	Opening cash and bank balance	Rs.1,13,300
Closing cash and bank balance..... ?		

Solution:**Cash flow statement**

Particulars	Amount
Cash flows from operating activities.....	3,75,700
Add: Cash flows from investing activities	3,80,250
Add: Cash flows from financing activities	(8,35,250)
Change in cash or cash equivalent	(79,300)
Add: Opening cash and bank balance.....	1,13,300
Closing cash and bank balance	34,000

Format: 4- Full format of Cash flow statement (Direct method)

Cash flow statement (under direct method)

Particulars	Amount	Amount
Step-1: Cash flow from operating activities:		
A) Cash collection from customers and sales:		
Sales revenue	xxx	
Increase in sundry debtors/Account receivable and bills receivable	(xxx)	
Decrease in Sundry debtors/Account receivable & bills receivable	xxx	
Bad debts recovered	xxx	
Bad debts written off	(xxx)	
Increase in provision for bad debts	xxx	
Decrease in provision for bad debts	(xxx)	
Increase in provision for discount on debtors	xxx	
Decrease in provision for discount on debtors.....	(xxx)	
Discount allowed	(xxx)	xxx
B) Cash paid to creditors/ suppliers:		
Cost of goods sold excluding wages or merchandise purchase.....	(xxx)	
Discount received from suppliers.....	xxx	
Increase in closing stock/ inventory.....	(xxx)	
Decrease in closing stock/ inventory	xxx	
Increase in sundry creditors/ accounts payable and bills payable.....	xxx	
Decrease in sundry creditors/ accounts payable and bills payable.....	(xxx)	(xxx)
C) Cash paid for workers and other operating expenses:		
Wages and salary, bonus, allowance etc.	(xxx)	
Rent and rates	(xxx)	
Insurance premium	(xxx)	
Other operating expenses (Office and selling overheads except depreciation and capital loss)	(xxx)	
Increase in outstanding expenses	xxx	
Decrease in outstanding expenses.....	(xxx)	
Increase in prepaid/ advance expenses	(xxx)	
Decrease in prepaid/ advance expenses.....	xxx	(xxx)
D) Cash paid for interest and tax:		
Interest expenses.....	(xxx)	
Provision for taxation	(xxx)	
Increase in interest and tax payable (outstanding).....	xxx	
Decrease in interest and tax payable (outstanding)	(xxx)	
Increase in prepaid/ advance interest and tax paid	(xxx)	
Decrease in prepaid/ advance interest and tax paid.....	xxx	(xxx)
E) Cash from other operating income:		
Rent received.....	xxx	
Compensation received	xxx	xxx
Step-1: Cash flow from Operating Activities (A + B + C + D + E)		xxx
Step-2: Cash flow from investing activities:		
Increase or purchase of plant and machinery.....	(xxx)	
Increase or purchase of furniture and fixture	(xxx)	
Increase or purchase of land and building	(xxx)	
Increase or purchase of other fixed assets.....	(xxx)	
Increase or purchase of investment (Short and long term both)	(xxx)	
Decrease or sale of furniture and fixture.....	xxx	
Decrease or sale of plant and machinery	xxx	
Decrease or sale of land and building	xxx	
Decrease or sale of other fixed assets	xxx	

Decrease or sale of investment (Short and long term both)	xxx	
Interest on investment	xxx	
Dividend received	xxx	± xxx
Step-3: Cash flow from financing activities:		
Increase or Issue of Equity share capital	xxx	
Increase or Issue of Preference share capital	xxx	
Increase or Issue of Debentures and Bonds	xxx	
Increase or Long term loan borrowed	xxx	
Increase in share premium	xxx	
Decrease or repayment of long term loan	(xxx)	
Decrease or redemption of Debentures and bonds	(xxx)	
Decrease or redemption of Preference share capital	(xxx)	
Dividend paid	(xxx)	
Short term loan/ bank overdraft increased	xxx	
Short term loan/ bank overdraft decreased	(xxx)	± xxx
Step-4: Change in cash or cash equivalent (step-1 +step-2+step-3)		± xxx
Add: Opening cash and bank balance		xxx
∴ Closing cash and bank balance		xxx

Particulars	Amount	Amount
Step-1: Cash flow from operating activities:		
A) Cash collection from customers and sales:		
Sales revenue	xxx	
Increase in sundry debtors/Account receivable and bills receivable	(xxx)	
Decrease in Sundry debtors/Account receivable & bills receivable	xxx	
Bad debts recovered	xxx	
Bad debts written off	(xxx)	
Increase in provision for bad debts	xxx	
Decrease in provision for bad debts	(xxx)	
Increase in provision for discount on debtors	xxx	
Decrease in provision for discount on debtors	(xxx)	
Discount allowed	(xxx)	xxx
B) Cash paid to creditors/ suppliers:		
Cost of good sold (opening stock + purchase – closing stock) or merchandise purchase	(xxx)	
Discount received from suppliers	xxx	
Increase in closing stock/ inventory	(xxx)	
Decrease in closing stock/ inventory	xxx	
Increase in sundry creditors/ accounts payable and bills payable	xxx	
Decrease in sundry creditors/ accounts payable and bills payable	(xxx)	(xxx)
C) Cash paid for workers and other operating expenses:		
Wages and salary	(xxx)	
Rent and rates	(xxx)	
Insurance premium	(xxx)	
Other operating expenses (Office and selling overheads except depreciation and capital loss)	(xxx)	
Increase in outstanding expenses	xxx	
Decrease in outstanding expenses	(xxx)	
Increase in prepaid/ advance expenses	(xxx)	
Decrease in prepaid/ advance expenses	xxx	(xxx)
D) Cash paid for interest and tax:		
Interest expenses	(xxx)	
Provision for taxation	(xxx)	
Increase in interest and tax payable (outstanding)	xxx	

Decrease in interest and tax payable (outstanding)	(xxx)	
Increase in prepaid/ advance interest and tax paid	(xxx)	
Decrease in prepaid/ advance interest and tax paid	xxx	(xxx)
E) Cash from other operating income:		
Rent received	xxx	
Commission received	xxx	xxx
Step-1: Cash flow from Operating Activities (A + B + C + D + E)		xxx
Step-2: Cash flow from investing activities:		
Increase or purchase of plant and machinery	(xxx)	
Increase or purchase of furniture and fixture	(xxx)	
Increase or purchase of land and building	(xxx)	
Increase or purchase of other fixed assets	(xxx)	
Increase or purchase of investment (Short and long term both)	(xxx)	
Decrease or sale of furniture and fixture	xxx	
Decrease or sale of plant and machinery	xxx	
Decrease or sale of land and building	xxx	
Decrease or sale of other fixed assets	xxx	
Decrease or sale of investment (Short and long term both)	xxx	
Interest on investment	xxx	
Dividend received	xxx	± xxx
Step-3: Cash flow from financing activities:		
Increase or Issue of Equity share capital	xxx	
Increase or Issue of Preference share capital	xxx	
Increase or Issue of Debentures and Bonds	xxx	
Increase or Long term loan borrowed	xxx	
Increase in share premium	xxx	
Decrease or repayment of long term loan	(xxx)	
Decrease or redemption of Debentures and bonds	(xxx)	
Decrease or redemption of Preference share capital	(xxx)	
Dividend paid	(xxx)	
Short term loan/ bank overdraft increased	xxx	
Short term loan/ bank overdraft decreased	(xxx)	± xxx
Step-4: Change in cash or cash equivalent (step-1 +step-2+step-3)		± xxx
Add: Opening cash and bank balance		xxx
∴ Closing cash and bank balance		xxx

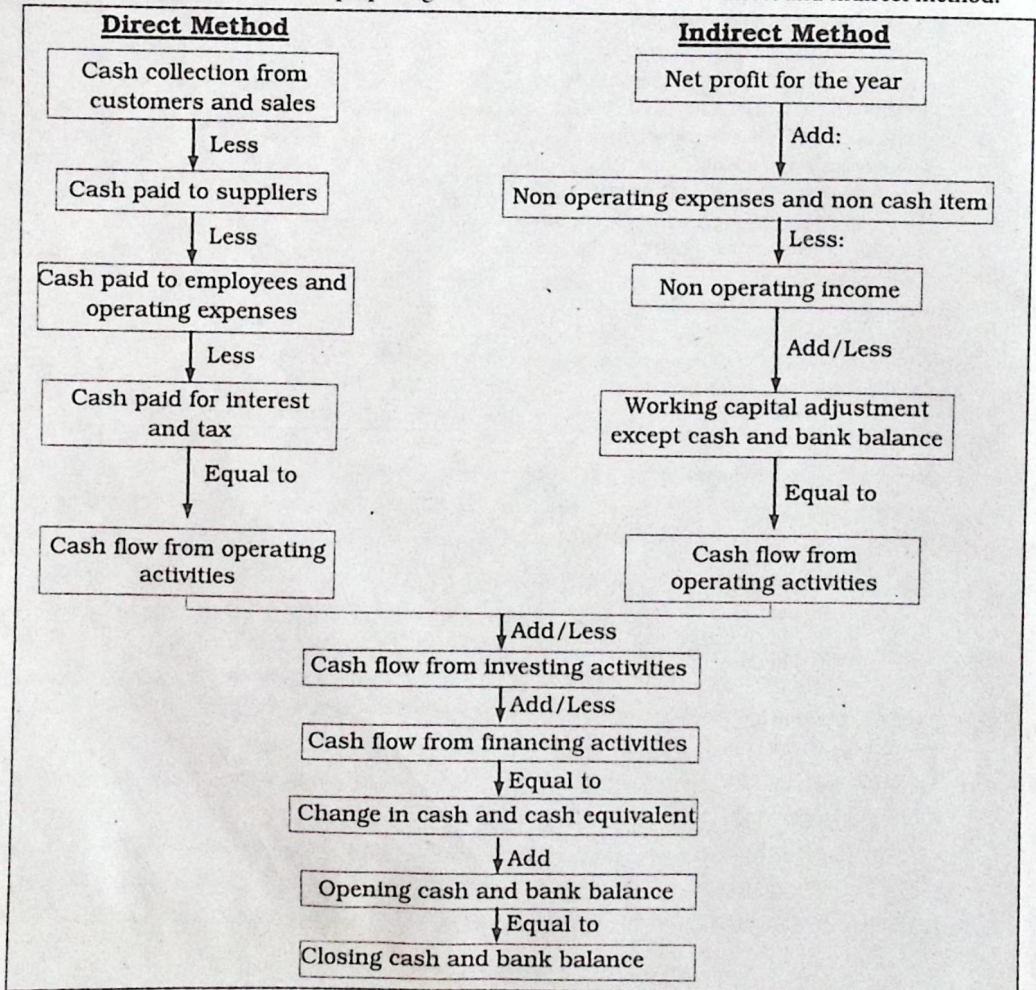
नगद प्रवाह विवरण पत्र तयार पादां याद राज्नु पर्ने मुख्य बुँदाहरु:

१. ऋणमा तिरिने ब्याजलाई सञ्चालन क्रियाकलाप वा वित्तिय क्रियाकलाप दुई मध्ये कुनै एक ठाउँमा लेखा राख्न सकिन्छ । यस कितावमा ऋणमा तिरिने ब्याज (Interest paid) लाई सञ्चालन क्रियाकलाप (operating activity) मा लेखा राखिएको छ ।
२. लगानी बाट प्राप्त ब्याज (Interest on investment) र लाभांस प्राप्त (Dividend received) लाई सञ्चालन क्रियाकलाप वा लगानी सम्बन्धी क्रियाकलाप दुई ठाउँ मध्ये कुनै एक ठाउँमा देखाउन सकिन्छ । यस कितावमा यस किसिमको आम्शनीलाई लगानी सम्बन्धी क्रियाकलाप (Investing activities) मा प्रयोग देखाइएको छ ।
३. सानो अवधिको लागनी (Short term investment) लाई सञ्चालन क्रियाकलाप वा लगानी सम्बन्धी क्रियाकलाप दुई ठाउँ मध्ये कुनै एक ठाउँमा देखाउन सकिन्छ । यस कितावमा यसलाई लगानी सम्बन्धी क्रियाकलापमा प्रयोग गरिएको छ ।
४. सानो अवधिको ऋण (Short term loan) र अधिविकर्ष (Bank overdraft) लाई सञ्चालन क्रियाकलाप वा वित्तिय क्रियाकलाप दुई ठाउँ मध्ये कुनै एक ठाउँमा देखाउन सकिन्छ । यस कितावमा यस किसिमको कारोवारलाई वित्तिय क्रियाकलाप (Financing activities) मा प्रयोग गरिएको छ ।

Classification of items on the statement of cash flow:

Activity	Examples	Effect on cash	Related balance A/c
Operating	» Cash collection from customers	Inflow	A/c receivable, debtors, provision for bad debt
	» Cash paid to suppliers	Outflow	A/c payable, creditors, inventory
	» Cash paid for operating expenses	Outflow	Prepaid expenses, outstanding expenses
	» Cash paid for interest and tax	Outflow	Tax payable, prepaid & outstanding interest
Investing	» Purchase of fixed assets	Outflow	Fixed assets
	» Purchase of investment (short and long term both)	Outflow	Long term investment
	» Sales of fixed assets	Inflow	Fixed assets
	» Sales of investment (short and long term both)	Inflow	Long term investment
	» Income from other sources	Inflow	Dividend received/ interest on investment
Financing	» Issued of equity share capital	Inflow	Equity share capital
	» Issued of preference share capital	Inflow	Preference share capital
	» Issued of debenture	Inflow	Debenture
	» Borrowing bank loan (short and long term both)	Inflow	Bank loan
	» Repayment of preference share capital	Outflow	Preference share capital
	» Repayment of debenture	Outflow	Debenture
	» Retirement of bank loan (short and long term both)	Outflow	Bank loan/Long term loan
	» Cash dividend paid	Outflow	Retained earning

Diagrammatic presentation of preparing Cash flow statement under direct and indirect method.



नगद तथा नगद समानका तत्वहरू (Cash and cash equivalent)

नगद तथा नगद बराबर हुने तत्वहरू छोटो समयमै नगदमा परिणत हुन्छन् । यिनीहरूलाई अधिक तरल सम्पत्ति पनि मानिन्छ । यस्ता तत्वहरूलाई नगद प्रवाह विवरणको अन्तिममा शुरुको नगद मौज्जातमा जोडेर अन्तिम नगद मौज्जात पत्ता लगाउन समायोजन गरिन्छ । जस्तो नगद मौज्जात, बैंक मौज्जात आदि ।

Illustration - 18

The balance sheets of a Company for the year ended 2064 and 2065 are:

Liabilities	2064	2065	Assets	2064	2065
Equity share capital	10,00,000	15,00,000	Plant and machinery	7,70,000	15,40,000
Share premium	1,00,000	1,50,000	Long term investment	3,00,000	2,00,000
10% Debenture	1,00,000	2,00,000	Inventories	1,50,000	2,00,000
Account payable	1,00,000	80,000	Account receivable	2,00,000	1,50,000
Outstanding wages	10,000	20,000	Prepaid expenses	30,000	10,000
Provision for taxation	80,000	60,000	Cash at bank	50,000	1,00,000
Profit and Loss A/c	1,10,000	1,90,000			
	15,00,000	22,00,000		15,00,000	22,00,000

**Income statement
for the year ended 2065**

Particulars	Amount
Net sales	10,00,000
Less: Cost of goods sold:	
Beginning inventory	1,50,000
Add: Purchases	5,00,000
Add: Wages paid	1,50,000
Less: Ending inventory	(2,00,000)
	6,00,000
	Gross Margin
	4,00,000
Less: Operating expenses: Operating expenses other than depreciation	1,00,000
Depreciation on Plant and machinery	1,00,000
Loss on sale of plant (Book value 60,000)	10,000
Provision for taxation	80,000
	2,90,000
	Net Income
	1,10,000
Add: Profit on sale of investment	70,000
	Net profit
	1,80,000

Dr		Provision for taxation Account		Cr	
Particulars	Amount	Particulars	Amount		
To Bank A/c (Tax paid)	1,00,000	By Balance b/d	80,000		
To Balance c/d	60,000	By Profit and loss A/c	80,000		
	1,60,000				1,60,000

Dr		Plant Account		Cr	
Particulars	Amount	Particulars	Amount		
To Balance b/d	7,70,000	By Bank A/c (Sales)	50,000		
To Bank A/c (Purchase)	9,30,000	By Depreciation for the year	1,00,000		
		By Loss on sales of plant	10,000		
		By Balance c/d	15,40,000		
	17,00,000				17,00,000

Dr		Investment Account		Cr	
Particulars	Amount	Particulars	Amount		
To Balance b/d	3,00,000	By Bank A/c (Sales)	1,70,000		
To Profit on sales of investment	70,000	By Balance c/d	2,00,000		
	3,70,000				3,70,000

Dr		Profit and loss Account		Cr	
Particulars	Amount	Particulars	Amount		
To Bank A/c (Dividend paid)	1,00,000	By Balance b/d	1,10,000		
To Balance c/d	1,90,000	By Net profit for the year	1,80,000		
	2,90,000				2,90,000

Required: Cash flow statement under direct method

2,90,000

Handwritten signature

Solution: Cash flow statement under direct method

Particulars	Amount	Amount
A. Cash sales and collection from debtors:		
Net sales.....		
Decrease in account receivable	10,00,000	
	50,000	10,50,000
Add: B. Cash paid to suppliers:		
Cost of goods sold (1,50,000 + 5,00,000 – 2,00,000)	(4,50,000)	
Increase in inventory	(50,000)	
Decrease in account payable	(20,000)	(5,20,000)
Add: C. Cash paid to employees and operating expenses:		
Operating expenses	(1,00,000)	
Wages paid.....	(1,50,000)	
Tax paid.....	(1,00,000)	
Increase in outstanding wages	10,000	
Decrease in prepaid expenses	20,000	(3,20,000)
Step- 1: Cash flow from operating activities (A + B + C)		2,10,000
Add: Step-2: Cash flow from investing activities:		
Purchase of Plant	(9,30,000)	
Sale of plant.....	50,000	
Sale of investment	1,70,000	(7,10,000)
Add: Step-3. Cash flow from financing activities:		
Issue of share	5,00,000	
Issue of shares at premium	50,000	
Issue of Debentures	1,00,000	
Dividend paid	(1,00,000)	5,50,000
Step-4: Change in cash or cash equivalent		50,000
Add: Opening cash at bank		50,000
Closing cash at bank		1,00,000

Illustration – 19

Comparative Balance sheet is given below:

Liabilities	Last year	This year	Assets	Last year	This year
Equity share capital	4,00,000	5,00,000	Fixed assets.....	2,40,000	4,00,000
Profit and loss account.....	1,16,000	1,86,000	Short term investment.....	90,000	3,000
Bills payable	48,000	80,000	Inventory	1,56,000	2,08,000
Mortgage loan	80,000	-	Bills receivable.....	1,18,000	1,27,000
			Cash at bank.....	40,000	28,000
	6,44,000	7,66,000		6,44,000	7,66,000

Additional information:

- » Net profit for the year Rs.1,00,000.
- » Dividend paid Rs.30,000.
- » Depreciation on furniture Rs.40,000 and purchase of furniture Rs.2,00,000.
- » Issue of Share capital Rs.1,00,000.

Required: Prepare Cash flow statement by using indirect method.

Solution: Calculation of cash flow from operating activities
(Under indirect method)

Particulars	Amount
Net profit for the year	1,00,000
Add: Non operating expenses and non cash item: Depreciation	40,000
	1,40,000
Less: Non operating incomes:.....	Nil
	Funds from operation
	1,40,000
Working capital adjustment (except cash and bank balance):	
Decrease in short term investment	87,000
Increase in inventory	(52,000)
Increase in bills receivable	(9,000)
Increase in bills payable	32,000
Cash flow from Operating activities	1,98,000

Cash flow statement (Under indirect method)

Sources	Amount	Applications	Amount
Opening cash at bank	40,000	Purchase of fixed assets.....	2,00,000
Cash flow from operating activities	1,98,000	Dividend paid	30,000
Issue of share capital	1,00,000	Repayment of mortgage loan	80,000
		Closing cash at bank	28,000
	3,38,000		3,38,000

Illustration - 20

Comparative Balance sheet is given below:

Liabilities	Last year	This year	Assets	Last year	This year
Equity share capital	5,00,000	6,00,000	Land and building	3,00,000	3,00,000
Share premium	1,00,000	1,20,000	Plant and machinery	3,00,000	4,00,000
10% Debentures	1,00,000	50,000	Long term Investment	1,00,000	50,000
Bills payable	50,000	20,000	Cash balance	50,000	1,00,000
Sundry creditors	1,00,000	1,50,000	Inventory	1,00,000	70,000
Retained earning	50,000	1,00,000	Bills receivable	50,000	1,20,000
	9,00,000	10,40,000		9,00,000	10,40,000

Additional information:

- » Net profit for the year Rs.80,000.
- » Dividend paid during the year Rs.30,000.
- » Depreciation on plant during the year Rs.60,000.
- » A plant costing Rs.50,000 with accumulated depreciation Rs.30,000 was sold for Rs.15,000.
- » Plant purchase Rs.1,80,000.
- » Premium on redemption of Debenture Rs.5,000.
- » Investment costing Rs.50,000 were sold at a profit of Rs.10,000.

Required: Cash flow statement by using indirect method

Solution:

Cash flow Statement (Indirect method)

Particulars	Amount	Amount
(1) Cash flow from operating activities:		
Net profit.....		80,000
Add: Non operating expenses and non cash item:		
Depreciation	60,000	
Loss on sale	5,000	
Redemption of Debenture at premium	5,000	70,000
		1,50,000
Less: Non operating income: Profit on sale of investment.....		10,000
		Funds from operation
		1,40,000
Working capital adjustment (except cash and bank balance):		
Inventory decreased by		30,000
Bills receivable increased by		(70,000)
Bills payable decreased by		(30,000)
Sundry creditors increased by		50,000
		Step -1: Cash flow from Operating activities
		1,20,000
Add: Step - 2. Cash flow from investing activities:		
Purchase of plant	(1,80,000)	
Sale of plant	15,000	
Sale of investment.....	60,000	(1,05,000)
Add: Step - 3. Cash flow from Financing activities:		
Issue of Share capital.....	1,00,000	
Issue of share at premium.....	20,000	
Redemption of debenture with premium	(55,000)	
Dividend paid	(30,000)	35,000
		Change in cash or cash equivalent (1 + 2 + 3)
		50,000
Add: Opening cash balance		50,000
		Closing cash balance
		1,00,000

Illustration - 21

The Income Statement and other related information have been provided below:
Income Statement for the year end 2056

Particulars	Details	Amount
Sales revenue		5,00,000
Less: Cost of goods sold		3,00,000
	Gross margin	2,00,000
Less: Operating expenses:		
Office rent, rates and salaries	60,000	
Depreciation written off on machinery	50,000	
Premium on redemption of debentures	5,000	
Interest on debenture	10,000	
Provision for taxation	20,000	1,45,000
	Net income before other income	55,000
Add: Profit on sale of plant (Book value 40,000)		10,000
	Net income	65,000
Less: Provision for dividend		30,000
	Retained earning	35,000

Other Balance Sheet Items:

Particulars	Baisakh 1, 2056	Chaitra 30, 2056
Inventories	50,000	60,000
Account receivables	80,000	50,000
Account payables	40,000	70,000
Outstanding salaries	10,000	5,000
Debenture	1,50,000	1,00,000
Provision for taxation	30,000	20,000
Provision for dividend	20,000	30,000
Plant and machinery (net)	3,50,000	6,00,000
Investment at cost	50,000	1,00,000
Share capital	5,00,000	7,00,000
Cash at bank	1,00,000	30,000

Required: Statement of sources and application of cash showing net cash available from operating, investing and financing activities

Solution:**Statement of sources and application of cash**

Particulars	Amount
A. Cash collected from customers:	
Sales revenue	5,00,000
Decrease in account receivable	30,000
Add: B. Cash paid to suppliers:	5,30,000
Cost of goods sold	(3,00,000)
Increase in account payable	30,000
Decrease in inventory	(10,000)
Add: C. Cash paid to employees and operating expenses:	(2,80,000)
Office rent, rates and salaries	(60,000)
Decrease in outstanding salaries	(5,000)
Add: D. Cash paid for interest and tax:	(65,000)
Interest on debentures	(10,000)
Tax paid	(30,000)
Step - 1: Cash flow from operating activities (A + B + C + D)	1,45,000
Add: Step - 2. Cash from Investing Activities:	
Sale of plant and machinery	50,000
Purchase of plant and machinery	(3,40,000)
Purchase of investment	(50,000)
Add: Step - 3. Cash from Financing Activities:	(3,40,000)
Issue of share capital	2,00,000
Redemption of debenture with premium	(55,000)
Dividend paid	(20,000)
Step - 4: Changes in cash and cash equivalent	1,25,000
Add: Beginning cash balance	(70,000)
	1,00,000
Ending cash balance	30,000

Working notes:

Dr.		Plant Account		Cr.	
Particulars	Amount	Particulars	Amount		
To Balance b/d	3,50,000	By Cash A/c (sale)	50,000		
To Profit and Loss A/c (Profit)	10,000	By Depreciation A/c	50,000		
To Cash A/c (purchase)	3,40,000	By Balance c/d	6,00,000		
	7,00,000		7,00,000		

Alternatively;

Plant purchased = Net difference of balance sheet + Depreciation for the year+ Book Value of sold part
 = 250,000 + 50,000 + 40,000 = Rs.340,000

Dr.		Provision for Taxation Account		Cr.	
Particulars	Amount	Particulars	Amount		
To Balance c/d	20,000	By P/L A/c (Provision)	20,000		
To Bank A/c (Tax paid)	30,000	By Balance b/d	30,000		
	50,000		50,000		

Dr.		Provision for Dividend Account		Cr.	
Particulars	Amount	Particulars	Amount		
To Balance c/d	30,000	By P/L A/c (Provision)	30,000		
To Bank A/c (Dividend paid)	20,000	By Balance b/d	20,000		
	50,000		50,000		

Illustration – 22

The balance sheets and the income statements of a company have been given below:

Balance Sheets					
	Year I	Year II		Year I	Year II
Share capital	4,00,000	500,000	Land and building	1,00,000	1,00,000
Share premium	20,000	25,000	Plant and machinery, net	2,50,000	3,00,000
10% debenture	1,00,000	50,000	Investment at cost	1,00,000	1,50,000
Bank overdraft	—	20,000	Inventories	1,00,000	50,000
Accounts payable	80,000	50,000	Prepaid expenses	4,000	6,000
Outstanding expenses	10,000	5,000	Accounts receivable	96,000	74,000
Provision for taxation	30,000	40,000	Cash at bank	30,000	50,000
Profit and loss	40,000	40,000			
	6,80,000	7,30,000		6,80,000	7,30,000

Income Statement Year II		Amount
Particulars		
Sales revenue		4,00,000
Less: Cost of goods sold:		
Beginning inventory	40,000	
Add: Purchases	1,50,000	
Less: Ending inventory	(30,000)	
Wages		90,000
	Total cost of goods sold	2,50,000
	Gross margin	1,50,000
Less: Operating expenses:		
Operating expenses (including depreciation Rs.30,000 & interest Rs.10,000)	80,000	
Debenture premium	10,000	
Provision for taxation	40,000	
	Net Income before other income	20,000
Add: Gain on sale of plant (Cost Rs.30,000 accumulated depreciation Rs.10,000)		20,000
	Total net income	40,000

Required: Statement of cash collection and disbursements

Solution: Statement of cash collection and disbursements

Particulars	Amount
A. Cash collection from customers: Sales Revenue	4,00,000
Decrease in account receivable	22,000
Add: B. Cash paid to suppliers:	4,22,000
Cost of goods sold	(2,50,000)
Decrease in inventory	50,000
Decrease in account payable	(30,000)
Add: C. Cash paid to employees and operating expenses:	(2,30,000)
Operating expenses (excluding depreciation and interest)	(40,000)
Increase in prepaid expenses	(2,000)
Decrease in outstanding expenses	(5,000)
Add: D. Cash paid for interest and tax:	(47,000)
Interest paid	(10,000)
Tax paid	(30,000)
Step – 1. Cash from operating activities (A + B + C + D).....	1,05,000
Add: Step – 2. Cash from investing activities:	
Purchase of plant and machinery	(1,00,000)
Purchase of investment	(50,000)
Sales of plant and machinery	40,000
Add: Step – 3: Cash from financing activities:	(1,10,000)
Issue of share capital	1,00,000
Increase in share premium	5,000
Redemption of debenture with premium	(60,000)
Dividend paid	(40,000)
Bank overdraft increase	20,000
Step – 4: Change in cash and cash equivalents	25,000
Add: Beginning cash and cash equivalents	20,000
Ending cash and cash equivalents	30,000
	50,000

Working notes:

Dr.		Plant Account		Cr.	
Particulars	Amount	Particulars	Amount	Particulars	Amount
To Balance b/d	2,50,000	By Bank A/c (sale)	40,000		
To Profit and loss A/c (Profit)	20,000	By Depreciation A/c	30,000		
To Bank A/c (purchase)	1,00,000	By Balance c/d	3,00,000		
	3,70,000		3,70,000		

Alternatively;

Plant purchased = Net difference of balance sheet + Depreciation for the year + Book value of sold part
= 50,000 + 30,000 + 20,000 = Rs.100,000

Dividend paid = Net income + Beginning Profit and Loss A/c – Ending Profit and Loss A/c
= 40,000 + 40,000 – 40,000 = Rs.40,000

Dr.		Provision for Taxation Account		Cr.	
Particulars	Amount	Particulars	Amount	Particulars	Amount
To Balance c/d	40,000	By P/L A/c (Provision)	40,000		
To Bank A/c (Tax paid)	30,000	By Balance b/d	30,000		
	70,000		70,000		

Illustration – 23

The income statement and the balance sheets of a company have been provided below:

Particulars	Details	Amount
Sales (net)		500,000
Less: Cost of goods sold:		
Beginning inventory	1,00,000	
Purchases	2,00,000	
Ending inventory	(80,000)	
Wages paid	2,20,000	
	80,000	3,00,000
	Gross margin	2,00,000

Less: Operating expenses:		
Operating expenses (excluding depreciation).....	50,000	
Depreciation on plant.....	40,000	
Provision for taxation.....	50,000	
Premium on redemption of debenture.....	5,000	1,45,000
	Net operating income	55,000
Add: Profit on sale of machine book value Rs. 25,000.....		15,000
	Net income	70,000

Net changes in balance sheet items during the year were:

Particulars	Amount	changes
Share capital.....	2,00,000	Increase
Share premium.....	20,000	Increase
Debenture.....	50,000	Decrease
Accounts payable.....	-	-
Provision for taxation.....	10,000	Increase
Profit and loss.....	20,000	Increase
Fixed assets (net).....	2,00,000	Increase
Inventory.....	20,000	Decrease
Accounts receivable.....	40,000	Increase
Cash at bank.....	20,000	Decrease

Required: Cash flow statement by showing cash from operating, financing & investing activities

Solution:

Cash Flow Statement

Particulars	Amount
A. Cash collected from sales/customers:	
Net sales.....	5,00,000
Increase in account receivables.....	(40,000)
Add: B. Cash paid to suppliers:	
Cost of goods sold.....	(2,20,000)
Decrease in inventory.....	20,000
Add: C. Cash paid to employees and for other expenses:	
Wages.....	(80,000)
Operating expenses.....	(50,000)
Add: D. Cash paid for interest and tax:	
Tax paid.....	(40,000)
Step - 1: Cash from Operating Activities (A + B + C + D)	90,000
Add: Step- 2. Cash from Investing Activities:	
Sale from machinery.....	40,000
Purchase of plant and machinery.....	(2,65,000)
Add: Step- 3. Cash from Financing Activities:	
Issue of share.....	2,00,000
Increase in share premium.....	20,000
Redemption of debenture with premium.....	(55,000)
Dividend paid.....	(50,000)
Step - 4: Change cash and cash equivalent	(20,000)
Add: Opening cash and bank balance	Nil
∴ Closing cash and bank balance	(20,000)

Working notes:

$$\begin{aligned} \text{Dividend paid} &= \text{Net income} + \text{Beginning Profit \& Loss A/c} - \text{Ending Profit \& Loss A/c} \\ &= \text{Net income} - \text{Increase in Profit \& Loss or} + \text{Decrease in Profit \& Loss A/c} \\ &= 70,000 - 20,000 = \text{Rs. } 50,000 \end{aligned}$$

$$\begin{aligned} \text{Purchase of machine} &= \text{Net increase} + \text{Depreciation} + \text{Book value of sold machine} \\ &= 200,000 + 40,000 + 25,000 = \text{Rs. } 265,000 \end{aligned}$$

Illustration – 24

The income statement and balance sheet of a ltd. company have been given below:

Income Statement for year two

Particulars	Details	Amount
Sales (net)		12,00,000
Less: Cost of goods sold: Purchase	5,00,000	
Add: Beginning inventory	1,00,000	
Less: Ending inventory	(1,50,000)	
Wages	4,00,000	8,50,000
	Gross margin	3,50,000
Operating expenses (including depreciation Rs.80,000, interest on debenture Rs.20,000 and insurance premium)	2,00,000	
Premium on redemption of debenture	10,000	
Loss on sale of fixed assets (cost Rs.80,000 accumulated depreciation 40,000)	10,000	
Provision for taxation	60,000	
Provision for dividend	50,000	
	Total operating expenses	3,30,000
	Net income	20,000

Balance Sheet of A. Ltd.

for year one and two

Liabilities	Year-1	Year-2	Assets	Year-1	Year-2
Equity share capital	8,00,000	10,00,000	Land & building (cost)	5,00,000	7,00,000
10% debenture	2,00,000	1,00,000	Plant & machinery (cost)	6,50,000	8,00,000
Bank loan	1,00,000	3,00,000	Inventory	1,00,000	1,50,000
Accumulated dep	1,00,000	1,40,000	Accounts receivable	1,50,000	2,00,000
Accounts payable	1,00,000	1,00,000	Prepaid insurance	10,000	20,000
Wages accrued	—	20,000	Cash at bank	90,000	30,000
Provision for taxation	50,000	60,000			
Provision for dividend	50,000	60,000			
Retained earning	1,00,000	1,20,000			
	15,00,000	19,00,000		15,00,000	19,00,000

Required: Statement of sources and application of cash showing:

- Cash from operating activities
- Cash from investing activities
- Cash from financing activities
- Ending balance of cash and cash equivalent

Solution:

Statement of Sources and Application of Cash

Particulars	Amount
A. Cash sales and collection from customers:	
Net sales	12,00,000
Increase in accounts receivable	(50,000)
Add: B. Cash paid to suppliers for purchase of merchandise:	
Cost of goods sold (excluding wages)	(4,50,000)
Increase in inventory	(50,000)
Add: C. Cash payment to employee and other expenses:	
Wage	(4,00,000)
Operating expenses including insurance premium (200,000-80,000-20,000)	(1,00,000)
Increase in prepaid insurance	(10,000)
Increase in accrued wages	20,000
Add: D. Cash paid for interest and tax:	
Interest paid	(20,000)
Tax paid	(50,000)
	(70,000)

Step – 1: Cash flow from operating activities (A + B + C + D)	90,000
Add: Step – 2. Cash flow from investing activities:	
Purchase of land and building	(2,00,000)
Purchase of fixed assets (plant and machinery)	(2,30,000)
Sales of fixed assets (plant and machinery)	30,000
	(4,00,000)
Add: Step – 3. Cash from financing activities:	
Issue of shares	2,00,000
Increase in bank loan	2,00,000
Redemption of debenture with premium	(1,10,000)
Dividend paid	(40,000)
	2,50,000
Add: Step – 4. changes in cash balance	(60,000)
Add: Beginning cash balance	90,000
Ending cash balance	30,000

Working Notes:

Dr. Fixed Assets Account (Plant and machinery)		Cr.	
Particulars	Amount	Particulars	Amount
To Balance b/d	6,50,000	By Bank A/c (sale)	30,000
To Bank (purchase)	2,30,000	By Profit and loss A/c (loss)	10,000
		By Accumulated depreciation	40,000
		By Balance c/d	8,00,000
	8,80,000		8,80,000

Alternatively;

Fixed assets (Plant) purchased = Net difference of balance sheet + Depreciation for the year + Book Value of sold part
 = {(8,00,000-1,40,000)-(6,50,000-1,00,000)}+80,000+ 40,000
 = 6,60,000 – 5,50,000 + 80,000 + 40,000 = Rs.2,30,000

Alternatively;

Fixed assets (Plant) purchased = Gross difference of balance sheet + Cost of sold part
 = 1,50,000 + 80,000 = Rs.2,30,000
 Sales of fixed assets = Book value- Loss = (Cost – Accumulated depreciation) – loss
 = (80,000 – 40,000) – 10,000 = Rs.30,000

Dr. Provision for Taxation Account		Cr.	
Particulars	Amount	Particulars	Amount
To Balance c/d	60,000	By P/L A/c (Provision)	60,000
To Bank A/c (Tax paid)	50,000	By Balance b/d	50,000
	1,10,000		1,10,000

Dr. Provision for Dividend Account		Cr.	
Particulars	Amount	Particulars	Amount
To Balance c/d	60,000	By P/L A/c (Provision)	50,000
To Bank A/c (Dividend paid)	40,000	By Balance b/d	50,000
	1,00,000		1,00,000

Illustration – 25

The Balance Sheet of a company for 2001 is given below:

Liabilities	2000	2001	Assets	2000	2001
Equity shares of Rs.100	10,00,000	15,00,000	Plant & machinery(Less depreciation)	7,70,000	15,40,000
Share premium	1,00,000	1,50,000	Investment	3,00,000	2,00,000
10% debenture	1,00,000	2,00,000	Inventories	1,50,000	2,00,000
Accounts payable	1,00,000	80,000	Accounts receivable	200,000	1,50,000
Accrued wages	10,000	20,000	Prepaid operating expenses	30,000	10,000
Provision for taxation	80,000	60,000	Cash at bank	50,000	1,00,000
Profit and loss A/c	1,10,000	1,90,000			
	15,00,000	22,00,000		15,00,000	22,00,000

Income Statement for 2001

Particulars	Details	Amount
Sales net		10,00,000
Less: Cost of goods sold:		
Beginning inventory.....	1,50,000	
Add: Purchases	5,00,000	
Less: Ending inventory	(2,00,000)	
Wages	1,50,000	6,00,000
	Gross margin	4,00,000
Less: Operating expenses:		
Operating expenses other than depreciation	1,00,000	
Depreciation on plant & machinery	1,00,000	
Loss on sale of plant (book value 60,000)	10,000	
Provision for taxation	80,000	2,90,000
	Net income	1,10,000
Add: Profit on sale of investment.....		70,000
	Total net income	1,80,000

Required: Statement of sources and application of cash showing:

- Cash available from operating activities
- Cash available from investing activities
- Cash available from financing activities
- Ending balance of cash and cash equivalent

Solution:

Statement of Sources and Application of Cash

Particulars	Details	Amount
A. Cash sales and collection from customers/sales:		
Net sales.....	10,00,000	
Decrease in accounts receivable	50,000	10,50,000
Add: B. Cash paid to suppliers for purchase of merchandise:		
Cost of goods sold (excluding wages).....	(4,50,000)	
Increase in inventory	(50,000)	
Decrease in accounts payable	(20,000)	(5,20,000)
Add: C. Cash paid to employees and other expenses:		
Wage	(1,50,000)	
Operating expenses	(1,00,000)	
Decrease in prepaid expenses	20,000	
Increase in accrued wages.....	10,000	(2,20,000)
Add: D. Cash paid for interest and tax:		
Tax paid		(1,00,000)
Step: 1. Cash flow from operating activities (A + B + C + D)		2,10,000
Add: Step - 2. Cash from investing activities:		
Sale of plant and machinery.....	50,000	
Sale of investment.....	1,70,000	
Purchase of plant and machinery.....	(9,30,000)	(7,10,000)
Add: Step - 3. Cash from financing activities:		
Issue of share capital	5,00,000	
Increase in share premium.....	50,000	
Issue of debentures.....	1,00,000	
Dividend paid.....	(1,00,000)	5,50,000
Step - 4. Changes in cash balance		50,000
Add: Beginning cash balance		50,000
	Ending cash balance	1,00,000

Working notes:

Dr. Plant and machinery Account Cr.			
Particulars	Amount	Particulars	Amount
To Balance b/d	770,000	By Depreciation A/c	100,000
To Bank A/c (Purchase (B/F)	930,000	By Bank A/c (Sale).....	50,000
		By Profit and Loss A/c (Loss)	10,000
		By Balance c/d	15,40,000
	17,00,000		17,00,000

Dr. Profit and Loss Account (for Dividend) Cr.			
Particulars	Amount	Particulars	Amount
To Bank A/c (Dividend paid (B/F).....	1,00,000	By Balance b/d	1,10,000
To Balance c/d	1,90,000	By Net profit	1,80,000
	2,90,000		2,90,000

Dr. Provision for Taxation Account Cr.			
Particulars	Amount	Particulars	Amount
To Bank A/c (Tax paid (B/F).....	1,00,000	By Balance b/d	80,000
To Balance c/d	60,000	By P/L A/c (Provision)	80,000
	1,60,000		1,60,000

Illustration – 26

The financial statement of a Ltd. company has been presented below:

Balance Sheet of Ltd. Company

Liabilities	Year I	Year II	Assets	Year I	Year II
Equity share of Rs.100 each	1,00,000	2,00,000	Land and building.....	80,000	1,20,000
Share premium	10,000	20,000	Plant & machinery at cost	1,00,000	1,60,000
10% Debenture	50,000	20,000	Depreciation on plant	(30,000)	(40,000)
Accounts payable	40,000	60,000	Investment.....	40,000	50,000
Provision for taxation	20,000	30,000	Inventories.....	20,000	50,000
Provision for dividend	10,000	20,000	Accounts receivable.....	30,000	40,000
Profit and Loss A/c	20,000	50,000	Cash at bank	10,000	20,000
	2,50,000	4,00,000		2,50,000	4,00,000

Income Statement for Year-II

Particulars	Details	Amount
Sales		2,00,000
Less: Cost of goods sold:		
Beginning inventory.....	20,000	
Add: Purchases	80,000	
Less: Ending inventory	(50,000)	
Wages paid	30,000	80,000
	Gross margin	1,20,000
Less: Operating expenses:		
Office expenses	30,000	
Interest on debenture	5,000	
Depreciation	20,000	
Redemption of debentures (Premium)	3,000	
Provision for taxation.....	30,000	
Provision for dividend.....	20,000	1,08,000
	Net income before other income	12,000
Add: Interest from investment.....		10,000
Add: Profit on sale of plant (Cost 20,000 accumulated depreciation 10,000).....		8,000
	Total Net income	30,000

Required: Cash flow statement showing cash from:

- (a) Operating activities (b) Investing activities (c) Financing activities

Solution:

Cash Flow Statement

Particulars	Details	Amount
A. Cash sales and collection from customers:		
Net Sales	2,00,000	
Increase in accounts receivable	(10,000)	1,90,000
Add: B. Cash paid to suppliers for purchase of merchandise:		
Cost of goods sold (except wages)	(50,000)	
Increase in inventory	(30,000)	
Increase in accounts payable	20,000	(60,000)
Add: C. Cash paid to employees and for other expenses:		
Wages	(30,000)	
Office expenses	(30,000)	(60,000)
Add: D. Cash paid for interest and tax:		
Interest on debenture	(5,000)	
Tax paid	(20,000)	(25,000)
Step - 1: Cash flow from operating activities (A + B + C + D)		45,000
Add: Step - 2. Cash flow from investing activities:		
Purchase of plant and machinery	(80,000)	
Sale of plant and machinery	18,000	
Purchase of land and building	(40,000)	
Purchase of investment	(10,000)	
Interest on investment	10,000	(1,02,000)
Add: Step - 3. Cash flow from financing activities:		
Issue of share	1,00,000	
Increase in share premium	10,000	
Redemption of debenture with premium	(33,000)	
Dividend paid	(10,000)	67,000
Step - 4: Changes in cash balance		10,000
Add: Beginning cash balance		10,000
		20,000
	∴ Ending cash balance	20,000

Working Notes:

2015

Dr. Plant and machinery Account Cr.			
Particulars	Amount	Particulars	Amount
To Balance b/d	1,00,000	By Sales A/c (20,000-10,000+8,000)	18,000
To Profit and Loss S/c (gain on sale)	8,000	By Accumulated depreciation A/c	10,000
To Bank A/c (purchase)	80,000	By Balance c/d	1,60,000
	1,88,000		1,88,000

Dr. Depreciation on Plant Account Cr.			
Particulars	Amount	Particulars	Amount
To P/M A/c (Depreciation on sold part)	10,000	By Balance b/d	30,000
To Balance c/d	40,000	By P/L A/c (Depreciation for the year)	20,000
	50,000		50,000

Dr. Provision for Taxation Account Cr.			
Particulars	Amount	Particulars	Amount
To Balance c/d	30,000	By P/L A/c (Provision)	30,000
To Bank A/c (Tax paid)	20,000	By Balance b/d	20,000
	50,000		50,000

Dr. Provision for Dividend Account Cr.			
Particulars	Amount	Particulars	Amount
To Balance c/d	20,000	By P/L A/c (Provision)	20,000
To Bank A/c (Dividend paid)	10,000	By Balance b/d	10,000
	30,000		30,000

Illustration – 27

The Balance Sheets and Income Statements of Ltd. Company have been given below:

Balance Sheet					
Liabilities	Year I	Year II	Assets	Year I	Year II
Equity share capital	80,000	1,00,000	Land and building at cost.....	40,000	50,000
Share premium	8,000	10,000	Plant and machinery at cost	50,000	70,000
Bank loan	—	20,000	Accumulated depreciation	(10,000)	(16,000)
Accounts payable	15,000	10,000	Inventories	30,000	40,000
Outstanding wages	5,000	6,000	Accounts receivable	20,000	15,000
Provision for taxation	8,000	10,000	Provision for doubtful debts	(4,000)	(3,000)
Profit and loss.....	14,000	24,000	Cash at bank.....	4,000	24,000
	1,30,000	1,80,000		1,30,000	1,80,000

Income Statement		
Particulars	Details	Amount
Sales		1,00,000
Less: Cost of goods sold:		
Purchase	50,000	
Add: Beginning inventory	30,000	
Less: Ending inventory	(40,000)	
Wages	12,000	52,000
	Gross margin	48,000
Less: Operating expenses	10,000	
Interest on bank loan	2,000	
Depreciation on machinery	10,000	
Provision for taxation	8,000	
Loss on sales of machine (cost 10,000; accumulated depreciation Rs.4,000).....	4,000	34,000
	Net income	14,000

Required: Statement of cash flow (apply direct method)

Solution:

Statement of Cash Flow (using Direct Method)

Particulars	Details	Amount
A. Cash sales and collection from customers:		
Net sales.....	1,00,000	
Decrease in accounts receivable	5,000	
Decrease in provision for doubtful debt.....	(1,000)	1,04,000
Add: B. Cash paid to suppliers for purchase of merchandise:		
Cost of goods sold (excluding wages).....	(40,000)	
Increases in inventory	(10,000)	
Decrease in accounts payable	(5,000)	(55,000)
Add: C. Cash paid to employees and other expenses:		
Wages	(12,000)	
Operating expenses	(10,000)	
Increase in outstanding wages	1,000	(21,000)
Add: D. Cash paid for interest and tax:		
Interest paid	(2,000)	
Tax paid	(6,000)	(8,000)
Step – 1: Cash flow from operating activities (A + B + C + D)		20,000
Add: Step – 2. Cash from investing activities:		
Purchases of land and building	(10,000)	
Purchases of plant and machinery	(30,000)	
Sales of plant and machinery	2,000	(38,000)
Add: Step -3. Cash from financing activities:		
Issues of equity shares.....	20,000	
Increase in share premium	2,000	
Increase in bank loan	20,000	
Dividend paid.....	(4,000)	38,000
Step- 4: Changes in cash balance		20,000
Add: Beginning cash balance		4,000
	∴ Ending cash balance	24,000

Working notes:

Plant and machinery Account			
Dr.		Cr.	
Particulars	Amount	Particulars	Amount
To Balance b/d	50,000	By Bank (Sales)	2,000
To Bank (Purchase)	30,000	By Profit and Loss A/c (Loss)	4,000
		By Accumulated depreciation A/c	4,000
		By Balance c/d	70,000
	80,000		80,000

Retained Earnings Account (for dividend)			
Dr.		Cr.	
Particulars	Amount	Particulars	Amount
To Cash (dividend paid)	4,000	By Balance b/d	14,000
To Balance c/d	24,000	By Profit and loss A/c (provision)	14,000
	28,000		28,000

Provision for Taxation Account			
Dr.		Cr.	
Particulars	Amount	Particulars	Amount
To Balance c/d	10,000	By P/L A/c (Provision)	8,000
To Bank A/c (Tax paid)	6,000	By Balance b/d	8,000
	16,000		16,000

सैद्धान्तिक प्रश्नहरू (Theoretical Questions)

- १) नगद प्रवाह विवरण भन्नाले के बुझ्नुहुन्छ ?
(What do you mean by Cash flow statement?)
- २) नगद प्रवाह विवरणका उद्देश्यहरू केके हुन् ?
(What are the objectives of cash flow statement?)
- ४) सञ्चालन क्रियाकलाप भन्नाले के बुझ्नुहुन्छ ?
(What do you mean by operating activities?)
- ५) प्रत्यक्ष र परोक्ष विधिद्वारा नगद प्रवाह विवरण तयार पार्दाको भिन्नताहरू छुट्याउनुहोस् ।
(Differentiate between direct method and indirect method of cash flow statement while calculating operating activities)
- ६) लगानीसम्बन्धी क्रियाकलापहरू भन्नाले के बुझ्नुहुन्छ ?
(What do you mean by Investing activities?)
- ७) वित्तसम्बन्धी क्रियाकलापहरू भन्नाले के बुझ्नुहुन्छ ?
(What do you mean by Financing activities?)
- ८) नगद प्रवाह विवरण तयार गर्दाको चरणहरू सूचीकृत गर्नुहोस् ।
(List out the steps involved in the preparation of cash flow statement.)

प्रयोगात्मक समस्याहरू (Practical Problems)

Cash Collection from Customers and Sales

Question No. 1

A Company provides you following details:

Sales revenue..... Rs.1,60,000
Discount allowed Rs.15,000

Additional Balance sheet items of a Company

Particulars	Last year	This year
Cash in hand.....	20,000	5,000
Sundry debtors.....	52,000	32,000
Bills receivables	90,000	1,50,000
Provision for bad and doubtful debts	22,000	32,000
Provision for discount on debtors	10,000	5,000

Required: Cash flow from customers and sales

Ans.: Cash flow from customers and sales Rs.1,10,000

Cash payable to suppliers (creditors)

Question No. 2

Following are the information provided to you.

Current Assets and Current liabilities	Last year	This year
Bills receivable.....	1,20,000	90,000
Inventory	80,000	60,000
Provision for bad debt.....	60,000	25,000
Bills payable.....	1,40,000	1,80,000
Sundry Creditors.....	90,000	80,000
Cash at bank.....	5,000	15,000

Cost of goods sold Rs.12,00,000 and discount received from suppliers Rs.50,000

Required: Cash paid to suppliers

Ans.: Cash paid to suppliers Rs.(11,00,000)

Cash payable for employees and other operating expenses

Question No. 3

Following are the income and expenditure of a company:

Wages and salary	Rs.1,50,000	Rent and rates	Rs.90,000
Insurance premium	Rs.50,000	Depreciation on plant	Rs.40,000
General expenses	Rs.80,000	Goodwill written off	Rs.20,000
Advertisement expenses	Rs.60,000	Rent received	Rs.10,000

Current Assets and liabilities	Last year	This year
Prepaid insurance	1,50,000	80,000
Outstanding wages	1,20,000	1,00,000

Required: Cash paid for employees and other operating expenses.

Ans.: Cash paid to employees and other operating expenses Rs.(3,80,000)

Cash paid for interest and tax

Question No. 4

Calculate of cash paid for interest and tax.

Tax paid	Rs.80,000	Wages paid	Rs.62,500
Rent paid	Rs.50,000	Interest paid	Rs.25,000

Current Assets and liabilities	Last year	This year
Tax payable	67,500	1,12,500
Interest payable	1,27,000	60,000

Ans.: Cash paid for interest and tax Rs.(1,27,000)

प्रयोगात्मक समस्याहरू (Practical Problems)

Cash Collection from Customers and Sales

Question No. 1

A Company provides you following details:

Sales revenue..... Rs.1,60,000
Discount allowed Rs.15,000

Additional Balance sheet items of a Company

Particulars	Last year	This year
Cash in hand.....	20,000	5,000
Sundry debtors.....	52,000	32,000
Bills receivables	90,000	1,50,000
Provision for bad and doubtful debts	22,000	32,000
Provision for discount on debtors	10,000	5,000

Required: Cash flow from customers and sales

Ans.: Cash flow from customers and sales Rs.1,10,000

Cash payable to suppliers (creditors)

Question No. 2

Following are the information provided to you.

Current Assets and Current liabilities	Last year	This year
Bills receivable.....	1,20,000	90,000
Inventory	80,000	60,000
Provision for bad debt.....	60,000	25,000
Bills payable.....	1,40,000	1,80,000
Sundry Creditors.....	90,000	80,000
Cash at bank.....	5,000	15,000

Cost of goods sold Rs.12,00,000 and discount received from suppliers Rs.50,000

Required: Cash paid to suppliers

Ans.: Cash paid to suppliers Rs.(11,00,000)

Cash payable for employees and other operating expenses

Question No. 3

Following are the income and expenditure of a company:

Wages and salary	Rs.1,50,000	Rent and rates	Rs.90,000
Insurance premium	Rs.50,000	Depreciation on plant	Rs.40,000
General expenses	Rs.80,000	Goodwill written off	Rs.20,000
Advertisement expenses	Rs.60,000	Rent received	Rs.10,000

Current Assets and liabilities	Last year	This year
Prepaid insurance	1,50,000	80,000
Outstanding wages	1,20,000	1,00,000

Required: Cash paid for employees and other operating expenses.

Ans.: Cash paid to employees and other operating expenses Rs.(3,80,000)

Cash paid for interest and tax

Question No. 4

Calculate of cash paid for interest and tax.

Tax paid	Rs.80,000	Wages paid	Rs.62,500
Rent paid	Rs.50,000	Interest paid	Rs.25,000

Current Assets and liabilities	Last year	This year
Tax payable	67,500	1,12,500
Interest payable	1,27,000	60,000

Ans.: Cash paid for interest and tax Rs.(1,27,000)

Cash flow from extra ordinary item

Question No. 5

Calculate cash flow from extra ordinary item from the following information:

Current liabilities	Last year	This year
Bank overdraft (Short term loan)	2,40,000	3,50,000
Short term investment.....	40,000	1,00,000
Interest on investment.....	-	20,000
Dividend received	-	30,000

Hints: Interest on investment and dividend received either recorded on investing activities as they are generated from investment or operating activities on extra ordinary items.

Ans.: Cash flow from extra ordinary item Rs1,00,000

Cash flow from operating activities

Question No. 6

Following are the information of a company provided to you:

Cash collection from customers ,	Rs.1,20,000
Cash paid to suppliers	(Rs.30,000)
Cash paid to employees and other,	(Rs.20,000)
Cash paid for Tax and interest ,	(Rs.40,000)
Cash from extra ordinary items	Rs.10,000

Required: Cash flow from operating activities.

Ans.: Cash flow from operating activities Rs.40,000

Question No. 7

Following are the information of a company provided to you:

Sales revenue	Rs.7,00,000	Cost of goods sold	Rs.3,40,000
Tax paid	Rs.20,000	Interest paid	Rs.15,000
Decreased in Bank overdraft	Rs.60,000	Prepaid insurance increase by	Rs.6,000
Decreased in short term investment	Rs.50,000	Interest on investment	Rs.22,000
Bills receivable increased by	Rs.25,000	Debtors decreased by	Rs.15,000
Bills payable increased by	Rs.35,000	Stock decreased by	Rs.40,000
Sundry creditors decreased by	Rs.45,000	Discount received	Rs.5,000
Outstanding wages increased by	Rs.12,000	Operating expenses	Rs.1,80,000

Required: Cash flow from operating activities.

Ans.: Cash flow from operating activities Rs.1,88,000

Cash flow from investing activities

Question No. 8

Following are the item of assets side of balance sheet.

Assets	Last year	This year
Plant and machinery	8,00,000	17,00,000
Land and building.....	20,00,000	16,00,000
Goodwill	1,30,000	50,000

Required: Cash flow from investing activities

Hints: Increase in intangible assets are treated as purchase of fixed assets and decreased in intangible assets are treated as non operating expenses.

Ans.: Cash flow from investing activities Rs.(5,00,000)

Question No. 9

Following are the information provided to you.

Purchase of land and building.....	Rs.2,00,000
Sale of equipment at a loss of Rs.20,000 and Book value of equipment is.....	Rs.4,50,000
Purchase of investment.....	Rs.1,20,000
Sale of furniture.....	Rs.1,95,000
Sales of plant at a profit of Rs.25,000 & Book value of plant is.....	Rs.1,10,000

Required: Cash flow from investing activities.

Ans.: Cash flow from investing activities Rs.4 40,000

Cash flow from financing activities

Question No. 10

The Following are the liabilities item.

Liabilities	Last year	This year
Equity share capital.....	5,00,000	8,00,000
Share premium.....	1,00,000	1,50,000
Preference share capital.....	2,00,000	2,50,000
10% Debentures.....	1,00,000	-
Mortgage loan.....	80,000	1,40,000
Profit and loss appropriation A/c (retained earning).....	50,000	90,000

Additional information:

- Dividend paid Rs.40,000
 - Redemption on debenture at 10% premium.
- Required: Cash flow from financing activities.

Ans.: Cash flow from financing activities Rs.3,10,000

Question No. 11

Following are the information of liabilities.

Issue of equity shares capital.....	Rs.3,00,000
Increase in share premium.....	Rs.60,000
Redemption of debentures.....	Rs.1,35,000
Premium on redemption of debenture.....	Rs.15,000
Redemption of preference shares capital.....	Rs.1,20,000
Long term loan borrowed.....	Rs.1,00,000
Dividend paid.....	Rs.75,000
Discount on redemption of preference shares capital.....	Rs.30,000

Required: Cash flow from financing activities.

Ans.: Cash flow from financing activities Rs.1,45,000

Cash flow statement

Question No. 12

Opening cash and bank balance.....	Rs.90,000
Cash flow from operating activities.....	Rs.4,80,000
Cash flow from investing activities.....	Rs.(1,20,000)
Cash flow from financing activities.....	Rs.(1,50,000)

Required: Closing cash and Bank Balance.

Ans.: Rs.3,00,000

Question No. 13

Trading and profit and loss account for the year ended 31st Chaitra 2068.

Dr		Cr	
Particulars	Amount	Particulars	Amount
To Opening stock.....	60,000	By Sales.....	4,00,000
To Purchases.....	3,00,000	By Closing stock.....	1,00,000
To Gross profit.....	1,40,000		
	5,00,000		5,00,000

To Operating expenses.....	60,000	By Gross profit b/d	1,40,000
To Depreciation.....	40,000	By Discount received	5,000
To Loss on sales of fixed assets.....	10,000	By Refund of tax	15,000
To Net profit	50,000		
	1,60,000		1,60,000

Other balance sheet item

Particulars	31/12/ 2067	31/12/ 2068
Sundry creditors.....	70,000	40,000
Bills payable.....	15,000	40,000
Sundry debtors.....	30,000	45,000
Bills Receivable.....	75,000	30,000
Closing Inventory	60,000	1,00,000
Outstanding expenses	37,000	60,000
Prepaid expenses	7,000	15,000
Cash at bank.....	1,50,000	2,00,000

Required: Cash flow from operating activities under: (a) Direct method (b) Indirect method

Ans.: Cash flow from operating activities Rs.85,000

Question No. 14

The trading and P/ L A/c of a company for the year ended 30th December, 2011 is given below:

Dr		Cr	
Particulars	Amount	Particulars	Amount
To opening stock.....	80,000	By Sales.....	3,00,000
To Purchase.....	19,20,000	Less: Return.....	40,000
To Gross profit.....	12,00,000	By Closing stock.....	2,40,000
	32,00,000		32,00,000
To Office and Administration expenses.....	2,00,000	By Gross Profit.....	12,00,000
To Selling and Distribution expenses.....	1,40,000	By Discount.....	20,000
To Miscellaneous expenses.....	1,20,000		
To Net profit.....	7,60,000		
	12,20,000		12,20,000

The opening and closing balance of current assets and liabilities are:

	1 st January	31 st January
Account Receivable	3,20,000	2,20,000
Accounts Payable.....	1,20,000	1,60,000
Bills Receivable.....	50,000	40,000
Bills Payable.....	30,000	50,000

Required: Cash flow from operating activities using Direct Method

Ans.: Cash from operating activities Rs.7,70,000

Question No. 15

The income statement of XYZ Co. Ltd. for the year ending 30th Chaitra is presented below:

Particulars	Amount	Amount
Sales	50,20,000	
Less: Return inward.....	20,000	50,00,000
Less: Cost of goods sold :		
Beginning inventor.....	8,50,000	
Purchases.....	38,00,000	
Less: Ending inventory.....	(9,00,000)	37,50,000
Carriage inward.....		50,000
		38,00,000
	Gross profit	12,00,000

Less: Operating expenses:		
Office expenses (including depreciation Rs.40,000)	2,00,000	
Selling and distribution expenses)	2,20,000	
Interest	40,000	
Goodwill written off.....	40,000	5,00,000
	Net profit	7,00,000

Opening and closing balances

Particulars	1 st Baishak	30 th Chaitra
Inventories.....	8,50,000	9,00,000
Sundry Debtors	4,00,000	5,00,000
Bills receivable	1,00,000	80,000
Sundry creditors	2,00,000	2,40,000
Fixed Assets.....	10,00,000	14,00,000
Bills payable	50,000	40,000

Required: Cash from operating by using direct method.

Ans.: Cash from operating activities Rs.80,000

Question No. 16

The balance sheets of a company as on 31st Chaitra are as follows:

Liabilities	2068	2069	Assets	2068	2069
Equity share capital	12,00,000	14,40,000	Machinery.....	12,80,000	18,24,000
Share premium.....	1,20,000	1,44,000	Investment.....	1,60,000	96,000
Profit and loss app. A/c	2,40,000	3,60,000	Closing stock.....	1,20,000	2,56,000
12% Mortgage loan	2,40,000	1,28,000	Bills receivable	3,20,000	1,92,000
Bills payable	3,36,000	4,32,000	Prepaid expenses	56,000	24,000
Outstanding expenses	24,000	16,000	Cash at bank balance	2,24,000	1,28,000
	21,60,000	25,20,000		21,60,000	25,20,000

Additional information:

- Sales for the year 2068 was Rs.10,50,000 and 2069 is Rs.14,40,000.
- Cost of goods sold Rs.8,32,000.
- Office and administrative expenses (Excluding depreciation) Rs.1,80,000.
- Selling and distribution expenses (Excluding depreciation) Rs.60,000.
- Investment costing Rs.64,000 was sold at a profit of Rs.24,000.
- Purchased machinery of Rs.7,44,000.
- Dividend distributed Rs.72,000.

Required: Cash flow statement using direct method.

Ans.: Operating activities Rs.4,80,000; Investing activities Rs.(6,56,000) and Financing activities Rs.80,000

Question No. 17

Following are the balance sheets of Krishitina Company as on 30st Chaitra.

Liabilities	2065	2064	Assets	2065	2064
Share capital	28,00,000	20,00,000	Land and building.....	12,00,000	12,00,000
Share premium.....	2,80,000	2,00,000	Plant and Machinery	25,20,000	14,40,000
12% debentures	2,00,000	4,00,000	Trade investment	-	1,10,000
Bank overdraft.....	4,00,000	2,00,000	Stock in trade	4,00,000	6,00,000
Accounts payable.....	3,20,000	4,00,000	Sundry debtors.....	6,00,000	4,00,000
Provision for taxation.....	2,40,000	2,50,000	Cash at Bank.....	2,00,000	1,00,000
Provision for dividend.....	2,80,000	1,50,000	Prepaid insurance	80,000	1,00,000
Retained earnings	6,80,000	4,00,000	Short term investment.....	2,00,000	50,000
	52,00,000	40,00,000		52,00,000	40,00,000

Additional information:

Sales revenue during the year 2065 is	Rs.22,10,000
Cost of goods sold (including wages Rs.80,000) is.....	Rs.9,50,000
Operating expenses (including depreciation Rs.2,80,000) is	Rs.4,00,000
Insurance premium	Rs.50,000
Interest paid.....	Rs.20,000
Tax paid.....	Rs.2,50,000
Dividend paid.....	Rs.1,50,000
Purchase of plant and machinery.....	Rs.13,60,000
Interest on investment.....	Rs.50,000

12% debenture redeemed at 20% premium

Required: Cash flow statement under direct method by showing:

- i) Operating activities
- ii) - Cash flow from investing activities
- iii) Cash flow from financing Activities

Hints: Dividend received and interest on investment either recorded on operating activities or in investing activities. In this question interest on investment is recorded in operating activities

Ans.: Operating activities Rs.8,60,000; Investing activities Rs.(12,50,000) and Financing activities Rs.4,90,000

Question No. 18

The Balance sheet of Republic Limited as on 31st Chaitra are as follows:

Liabilities	2064	2065	Assets	2064	2065
Share capital	6,00,000	7,50,000	Fixed assets	7,50,000	10,50,000
Share premium.....	1,50,000	1,95,000	Stock	90,000	1,50,000
Profit and Loss Account	1,35,000	2,00,000	Bills receivable	1,05,000	2,10,000
10% Debenture	1,65,000	90,000	Cash balance	3,15,000	1,05,000
Bills payable	75,000	1,05,000	Investment	75,000	1,50,000
Sundry creditors	1,20,000	60,000	Short term investment.....	1,05,000	1,35,000
Short term loan.....	1,80,000	3,40,000	Prepaid expenses	30,000	15,000
Outstanding expenses	45,000	75,000			
	14,70,000	18,15,000		14,70,000	18,15,000

Additional Information:

Sales for the year 2065	Rs.10,00,000	Cost of goods sold	Rs.6,00,000
Operating expense	Rs.1,80,000	Interest paid	Rs.11,000
Dividend distributed	Rs.70,000	Dividend received	Rs.80,000
Fixed assets purchased for	Rs.4,50,000	Tax paid	Rs.40,000
Depreciation of fixed assets	Rs.70,000	Discount allowed to customers	Rs.29,000

Debentures is redeemed at 20% discount.

A part of fixed assets costing Rs.1,50,000 with accumulated depreciation Rs.70,000 was sold at a loss of Rs.30,000.

Required: Cash flow statement by showing cash from operating, Financing & investing activities

Hints: Dividend received and interest on investment either recorded on operating activities or in investing activities. In this question, dividend received is recorded in investing activities.

Ans.: Operating activities Rs.1,20,000; Investing activities Rs.(3,95,000) and Financing activities Rs.65,000

Question No. 19

Following are the balance sheets of Kabi Co. as on 31st Chaitra.

Liabilities	Last year	This year	Assets	Last year	This year
Equity share capital.....	4,40,000	5,50,000	Land and building	2,00,000	1,50,000
10% Debenture	-	1,00,000	Plant and Machinery	2,50,000	3,50,000
Accounts payable.....	75,000	50,000	Inventories	1,50,000	2,00,000
Outstanding wages	25,000	70,000	Sundry Debtors	1,00,000	75,000
Provision for taxation	40,000	50,000	Cash at bank.....	20,000	2,20,000
Reserve and surplus	1,20,000	1,60,000			
Provision for doubtful debts	20,000	15,000			
	7,20,000	9,95,000		7,20,000	9,95,000

Income statement at the end of 31st Chaitra, this year

Particulars	Amount
Sales.....	5,00,000
Less: Cost of goods sold:	
Purchases.....	2,50,000
Wages paid.....	60,000
Add: Beginning inventory.....	1,50,000
Loss: Ending inventory.....	(2,00,000)
	Gross profit 2,40,000
Less: Operating expenses	
Other operating expenses	50,000
Interest on debenture	10,000
Depreciation on plant and machinery.....	50,000
Provision for tax.....	50,000
Loss on sale of machinery (Depreciated value were Rs.50,000).....	20,000
	Net income after tax 60,000
Less: Dividend paid.....	20,000
	Retained earnings 40,000

Purchase of plant and machinery Rs.2,00,000

Required: Cash flow statement under direct method

Ans.: Operating activities Rs.1,30,000; Investing activities Rs.(1,20,000) and Financing activities Rs.1,90,000

Question No. 20

The detailed income statement of a company is given below:

Particulars	Amount
Sales Revenue.....	8,00,000
Less: Cost of goods sold	5,00,000
	Gross profit 3,00,000
Less: Operating expenses:	
Depreciation.....	90,000
Selling and administrative over head.....	60,000
	Net profit before tax 1,50,000
Less: Tax paid	45,000
	Net profit after tax 1,05,000
Less: Dividend paid	35,000
	Retained earning 70,000

Additional information:

Items	Last year	This year
Cash	75,000	1,15,000
Debtors	60,000	1,50,000
Equity share capital	2,25,000	3,75,000
12% Debentures	1,00,000	50,000
Creditors	75,000	1,05,000
Investment	1,00,000	60,000

Net value of plant increased by Rs.1,10,000

Required: Cash flow statement under direct method by showing:

Cash flow from operating activities, investing activities and financing Activities

Ans.: Operating activities Rs.1,35,000; Investing activities Rs.(1,60,000) and Financing activities Rs.65,000

Question No. 21

The Balance sheets of Amar Company on 31st Ashadh are as below:

Liabilities	Last year	This year	Assets	Last year	This year
Share capital	5,00,000	6,00,000	Plant and machinery	6,00,000	8,00,000
Share premium	50,000	60,000	Stock	50,000	90,000
Retain earning	70,000	1,20,000	Sundry debtors	1,50,000	1,00,000
12% Debentures	1,30,000	80,000	Cash at bank	1,00,000	55,000
Sundry creditors	1,10,000	1,30,000	Goodwill	20,000	5,000
Accounts payable	1,20,000	1,50,000	Accounts receivable	60,000	90,000
	9,80,000	11,40,000		9,80,000	11,40,000

Additional information:

Sales for this year	Rs.6,20,000	Goods purchased	Rs.4,05,000
Depreciation	Rs.50,000	Operating expenses	Rs.1,20,000
Net value of plant increased by	Rs.2,60,000	Dividend paid	Rs.25,000
Debentures is redeemed at 20% premium			
Discount allowed to customers	Rs.20,000.		
Discount received from suppliers	Rs.15,000		
Profit on sales of plant (proceeds were Rs.80,000) were	Rs.20,000		

Required: Cash flow statement under direct method by showing:

Cash flow from operating activities, investing activities and financing Activities

Ans.: Operating activities Rs.1,60,000; Investing activities Rs.(2,30,000) and Financing activities Rs.25,000

Question No. 22

Following are the balance sheets of Kavita Company as on 30th Chaitra.

Liabilities	Last year	This year	Assets	Last year	This year
Share capital	20,00,000	30,00,000	Fixed assets	15,40,000	30,80,000
Share premium	2,00,000	3,00,000	Investment	6,00,000	4,00,000
10% Debenture	2,00,000	5,00,000	Inventories	3,00,000	4,00,000
Account payable	2,00,000	1,60,000	Account receivable	4,00,000	3,00,000
Accrued wages	20,000	40,000	Prepaid expenses	60,000	20,000
Provision for taxation	1,60,000	1,20,000	Cash at bank	1,00,000	2,00,000
Profit and Loss A/c	2,20,000	2,80,000			
	30,00,000	44,00,000		30,00,000	44,00,000

Income statement at the end of 31st Chaitra, This year

Particulars	Amount
Sales net	20,00,000
Less: Cost of goods sold:	
Beginning inventory	3,00,000
Add: Purchases	10,00,000
Wages paid	3,00,000
Less: Ending Inventory	(4,00,000)
	Gross Margin
	8,00,000
Less: Operating expenses:	
Other Operating expenses	2,00,000
Depreciation on fixed assets	2,00,000
Loss on sale of fixed assets (Book value Rs.1,20,000)	20,000
Provision for taxation	1,60,000
	5,80,000
Net Income	2,20,000
Add: Profit on sale of investment (Costing Rs.2,00,000)	1,40,000
	Net Income
	3,60,000

Dividend paid Rs.3,00,000 and plant purchased Rs.18,60,000.

Required: Cash flow statement under direct method by showing:

Cash flow from operating activities, investing activities and financing Activities.

Ans.: Operating activities Rs.4,20,000; Investing activities Rs.(14,20,000) and Financing activities Rs.11,00,000

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Question No. 23

Following are the balance sheets of Kabindra Company as on 30th Chaitra.

Liabilities	2064	2065	Assets	2064	2065
Share capital.....	10,00,000	12,00,000	Fixed Assets.....	12,00,000	14,00,000
Share premium.....	2,00,000	2,40,000	Investments.....	2,00,000	1,00,000
10% Debentures.....	2,00,000	1,00,000	Cash.....	1,00,000	2,00,000
Bills payable.....	3,00,000	3,40,000	Inventories.....	2,00,000	1,40,000
Retained earnings.....	1,00,000	2,00,000	Account receivable.....	1,00,000	2,40,000
	18,00,000	20,80,000		18,00,000	20,80,000

Additional information:

Net profit during the year.....	Rs. 1,60,000
Depreciation on fixed assets.....	Rs. 60,000
Purchase of fixed assets.....	Rs. 3,60,000
Dividend paid.....	Rs. 60,000
A part of fixed assets (Book value were Rs. 1,00,000) were sold for.....	Rs. 50,000
Investment (Book value were Rs. 1,00,000) were sold for.....	Rs. 1,20,000
Debentures were redeemed at 10% discount	

Required: Cash flow statement under indirect method by showing:

- i) Operating activities
- ii) Cash flow from investing activities
- iii) Cash flow from financing Activities

Ans.: Operating activities Rs. 2,00,000; Investing activities Rs. (1,90,000) and Financing activities Rs. 90,000

Question No. 24

The opening and closing balances extracted from the balance sheet of a company are as below:

Assets and Liabilities	Beginning	Ending
Inventory.....	1,60,000	1,92,000
Account receivable.....	2,56,000	1,60,000
Account payable.....	1,28,000	2,24,000
Outstanding salaries.....	32,000	16,000
Debentures.....	4,80,000	3,20,000
Provision for taxation.....	96,000	64,000
Provision for dividend.....	64,000	96,000
(Net) Plant and Machinery.....	11,20,000	19,20,000
Investment at cost.....	1,60,000	3,20,000
Share capital.....	16,00,000	22,40,000
Cash at bank.....	2,96,000	72,000

Income statement for the year end is...

Particulars	Amount	Amount
Sales Revenue.....		16,00,000
Less: Cost of goods sold.....		9,60,000
	Gross margin	6,40,000
Less: Operating expenses:		
Office rent.....	1,92,000	
Depreciation.....	1,60,000	
Premium on redemption of debenture.....	16,000	
Interest on debentures.....	32,000	
Provision for taxation.....	64,000	
Total Operating expenses.....		4,64,000
	Net Income before other income	1,76,000
Profit on sale of plant (book value Rs. 1,28,000).....		32,000
	Net income	2,08,000
Less: Provision for dividend.....		96,000
	Retained earning	1,12,000

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Required: Statement of sources and application of cash showing net cash available from Operating, Investing and Financing Activities.

Ans: Operating activities Rs.4,64,000; Investing activities (Rs.10,88,000) and Financing activities Rs.4,00,000

Question No. 25

The opening balance sheet and the related changes on it have been presented below: 0 C

Liabilities	last year	Increase (Decrease)	Assets	Last Year	Increase (Decrease)
Share capital.....	4,00,000	80,000	Fixed Assets.....	4,80,000	1,60,000
Share premium.....	40,000	8,000	Inventory.....	40,000	40,000
10% debentures.....	80,000	(40,000)	Accounts receivable.....	1,20,000	(40,000)
Bills payable.....	40,000	(8,000)	Cash at bank.....	80,000	(40,000)
Accounts payable.....	80,000	40,000			
Retained Earning.....	80,000	40,000			
	7,20,000	1,20,000		7,20,000	1,20,000

Income statement for this year

Particulars	Amount	Amount
Sales Revenue.....		4,80,000
Less: Cost of goods sold.....		2,80,000
Less: Operating expenses:		
Depreciation.....	64,000	
Other Operating expenses.....	80,000	
Debenture premium.....	8,000	
Total operating expenses.....		1,52,000
		48,000
Net Income before other income		
Add: Profit on sale of fixed assets (Book value being Rs.16,000).....		8,000
		56,000
Less: Dividend paid.....		16,000
		4,00,000
Retained earning		

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Required: Statement of changes in Financial position showing net cash available from:

(i) Operating Activities (ii) Investing Activities (iii) Financing Activities.

Ans.: Operating activities Rs.1,52,000; Investing activities Rs.(2,16,000) and Financing activities Rs.64,000

Question No. 26

The balance sheet of two different financial years are given below:

Liabilities	1 st year	2 nd year	Assets	1 st year	2 nd year
Share capital.....	18,00,000	21,00,000	Fixed Assets.....	18,00,000	24,90,000
Profit and loss A/c.....	1,50,000	2,40,000	Inventory.....	1,50,000	2,10,000
Long term loan.....	3,00,000	6,00,000	Sundry debtors.....	4,50,000	6,00,000
Sundry Creditors.....	3,60,000	6,90,000	Prepaid expenses.....	30,000	15,000
Tax payable.....	75,000	1,35,000	Cash and Bank.....	3,00,000	4,64,000
Outstanding expenses.....	45,000	15,000	Marketable securities.....	-	1,000
	27,30,000	37,80,000		27,30,000	37,80,000

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Particulars	Amount	Particulars	Amount
To Opening stock.....	1,50,000	By Sales.....	34,00,000
To Purchase.....	23,00,000	Less: Return inward.....	1,00,000
Less: Return outward.....	50,000	By Closing stock.....	2,10,000
To Wage.....	3,00,000		
To Gross profit.....	8,10,000		
	35,10,000		35,10,000

To Administration expenses	2,70,000	By Gross profit	8,10,000
To Depreciation	1,50,000		
To Tax paid	1,80,000		
To Net profit	2,10,000		
	8,10,000		8,10,000
To Dividend	1,20,000	By Balance b/d	1,50,000
To Balance c/d	2,40,000	By Net profit b/d	2,10,000
	3,60,000		3,60,000

Required: Cash flow statement

[Note: Marketable securities is assumed as cash equivalent]

Ans.: Operating activities Rs.5,25,000; Investing activities Rs.(8,40,000) and Financing activities Rs.4,80,000

Question No. 27

The income statement and balance sheet of a company is given below:

Liabilities	Year I	Year II	Assets	Year I	Year II
Share capital	3,20,000	4,00,000	Land and Building	80,000	80,000
Share premium	16,000	20,000	Plants and Machinery	2,00,000	2,40,000
10% Debenture	80,000	40,000	Investment at cost	80,000	1,20,000
Account payable	64,000	40,000	Inventories	80,000	40,000
Outstanding expenses	8,000	4,000	Prepaid expenses	3,200	4,800
Provision for taxation	24,000	32,000	Accounts Receivable	76,800	59,200
Profit and Loss A/c	32,000	32,000	Cash at bank	24,000	40,000 24,000
	5,44,000	5,88,000		5,44,000	5,84,000

Income statement of year II

Particulars	Amount	Amount
Sales Revenue		3,20,000
Less: Cost of goods sold:		
Beginning inventory	80,000	
Add: Purchases	88,000	
Less: Closing stock	40,000	
	1,28,000	
Add: Wages	72,000	
		2,00,000
		Gross profit
		1,20,000
Less: Operating expenses:		
Operating expenses (including depreciation Rs.24,000 and interest Rs.8,000)	64,000	
Debenture premium	8,000	
Provision for taxation	32,000	
		1,04,000
		Net income before other income
		16,000
Add: Gain on sale of plant (cost Rs. 24,000 Accumulated depreciation Rs.8,000)		16,000
		Total Net income
		32,000

Required: Cash flow statement show Net cash available from:

- (i) Operating Activities (ii) Investing Activities (iii) Financing Activities

Ans.: Operating activities Rs.84,000; Investing activities Rs.(88,000) and Financing activities Rs.4,000

Question No. 28

Following are the balance sheet of XYZ Company as on 31st Chaitra.

Liabilities	1 st year	2 nd year	Assets	1 st year	2 nd year
Share Capital	8,00,000	8,00,000	Plant and equipments	4,80,000	8,00,000
Retained earnings	1,32,000	3,56,000	Prepaid expenses	4,000	6,000
Sundry Creditors	96,000	1,60,000	Marketable securities	1,76,000	-
Accumulated depreciation	1,80,000	2,16,000	Inventories	3,12,000	4,16,000
			Sundry Debtors	1,28,000	1,52,000
			Cash	80,000	56,000
			Patents	1,08,000	1,02,000
	12,88,000	15,32,000		12,88,000	15,32,000

Additional information:

- i) Net income for the period was Rs.2,00,000
- ii) Dividend declared were Rs.76,000
- iii) The marketable securities were sold at a gain of Rs.24,000
- iv) Equipment with an original cost of Rs.32,000 and accumulated depreciation of Rs.16,000 was sold at an ordinary loss of Rs.32,000

Required: Prepare a statement of changes in financial position by applying indirect method

Ans.: Operating activities Rs.2,15,200; Investing activities Rs.(3,39,200) and Financing activities (Rs.76,000)

Question No. 29

The following are the balance sheets of a company as on 30th for two years:

Liabilities	1 st year	2 nd year	Assets	1 st Year	2 nd Year
Share capital.....	1,20,000	1,50,000	Fixed assets.....	2,10,000	2,55,000
Share premium.....	12,000	15,000	Investment.....	-	15,000
10% debentures.....	60,000	45,000	Sundry debtors.....	45,000	54,000
Provision for dividend.....	12,000	15,000	Inventories.....	30,000	21,000
Provision for taxation.....	36,000	45,000	Cash at bank.....	15,000	15,000
Retained earning.....	45,000	60,000			
	3,00,000	3,60,000		3,00,000	3,60,000

Additional information:

- i) Company sold fixed assets worth of Rs.30,000 with an accumulated depreciation of Rs.15,000 for Rs.18,000. The depreciation for the year was Rs.30,000.
- ii) Debentures were redeemed at a premium of 10%.

Required: Prepare Cash flow statement using indirect method.

Ans.: Operating activities Rs.70,500; Investing activities Rs.(87,000) and Financing activities Rs.16,500

Question No. 30

The comparative Balance Sheet and Income Statement have been given below:

Liabilities and Capital	Year 3	Year 4	Assets	Year 3	Year 4
Share Capital.....	2,00,000	3,00,000	Plant and machinery.....	3,00,000	5,00,000
Share Premium.....	1,00,000	1,50,000	Investment.....	1,50,000	1,00,000
General reserve.....	1,94,400	3,49,400	Book debts.....	2,40,000	2,10,000
Debentures.....	3,00,000	2,00,000	Inventory.....	1,50,000	1,60,000
Bank loan.....	70,000	1,20,000	Expenses prepaid.....	7,500	6,500
Creditors.....	50,000	40,000	Cash and bank.....	2,00,000	3,40,300
Provision for tax.....	54,000	60,000			
Outstanding expenses.....	9,100	12,400			
Depreciation fund.....	70,000	85,000			
	10,47,500	13,16,800		10,47,500	13,16,800

Income Statement for the year 4

Particulars	Details	Amount
Sales revenue.....		12,00,000
Less: Cost of goods sold:		
Opening inventory.....	150,000	
Add: Purchases.....	400,000	
Less: Closing inventory.....	(160,000)	
Add: Wages.....	200,000	5,90,000
	Gross profit	610,000
Less: Operating expenses:		
General expenses.....	3,00,000	
Interest.....	30,000	
Depreciation.....	35,000	
Premium on redemption of debentures.....	15,000	
Provision for tax.....	40,000	4,20,000

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Add: Gain on sales of machinery (Cost Rs. 1,00,000. Accumulated depreciation 20,000)	1,90,000
	10,000
	2,00,000
Less: Loss on sale of investment	5,000
Net income	195,000

Required: (a) Cash flow statement (apply direct method) showing cash from Operating activities
 (b) Investing activities (c) Financing activities.
 Ans.: Operating activities Rs.2,60,300; Investing activities Rs.(1,65,000) and Financing activities Rs.45,000

Question No. 31

The Income Statement and the Balance Sheets of the company are given below:

Income Statement		Amount
Particulars		
Sales revenue		12,00,000
Less: Cost of goods sold		7,00,000
	Gross profit	5,00,000
Less: Operating expenses:		
Depreciation	1,60,000	
Other operating expenses	2,00,000	
Premium on redemption of debenture.....	20,000	3,80,000
	Net profit before other income	1,20,000
Add: Profit on sale of plant (Book value, 40,000)		20,000
		1,40,000
Less: Dividend paid.....		40,000
	Retained profit	1,00,000

Comparative Balance Sheet					
Liabilities and equities	Year 2	Year 1	Assets	Year 2	Year 1
Share capital	12,00,000	10,00,000	Plant.....	16,00,000	12,00,000
Share premium	1,20,000	1,00,000	Inventories	2,00,000	1,00,000
10% debentures	1,00,000	2,00,000	Accounts receivable.....	2,00,000	3,00,000
Bills payable.....	80,000	1,00,000	Cash	1,00,000	2,00,000
Accounts payable	3,00,000	2,00,000			
Retained earning	3,00,000	2,00,000			
	21,00,000	18,00,000		21,00,000	18,00,000

Required: Cash flow statement showing:
 a) Cash from operating activities b) Cash from investing activities
 c) Cash from financing activities d) Cash balance.
 Ans.: Operating activities Rs.3,80,000; Investing activities Rs.(5,40,000) and Financing activities Rs.60,000

Question No. 32

The Balance Sheets of a company for two years are given below:

Liabilities	Year 1	Year 2	Assets	Year 1	Year 2
Equity Share capital.....	7,00,000	10,00,000	Fixed assets	10,90,000	16,30,000
Share premium	70,000	1,00,000	Inventory.....	1,00,000	1,30,000
12% Debentures	2,00,000	1,00,000	Accounts receivable	80,000	60,000
Provision for tax.....	20,000	40,000	Prepaid expenses.....	10,000	10,000
Provision for dividend	10,000	20,000	Cash	20,000	50,000
Accounts payable	50,000	1,75,000			
Accumulated depreciation	2,50,000	2,65,000			
Profit and Loss A/c	-	1,80,000			
	13,00,000	18,80,000		13,00,000	18,80,000

Income Statement for the year 2		Amount
Particulars		
Sales revenue		10,00,000
Less: Cost of goods sold.....		3,00,000
		7,00,000
Less: Wages paid		2,75,000
	Gross Profit	4,25,000

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Less: Operating expenses:		
Administrative expenses	1,36,000	
Depreciation	35,000	
Provision for tax	40,000	
Provision for dividend		
Interest paid	24,000	
Premium on redemption of debentures	5,000	
Total operating expenses		2,60,000
	Net profit	1,65,000
Add: Gain on sale of fixed assets		15,000
		Retained earning 1,80,000

Additional information:

- A plant costing Rs.40,000 with an accumulated depreciation of Rs.20,000 has been sold for Rs.35,000
- Dividend paid in year 2 Rs.10,000.

Required: Cash Flow Statement by using direct method

Ans.: Operating activities Rs.3,60,000; Investing activities Rs.(5,45,000) and Financing activities Rs.2,15,000

Question No. 33

The balance Sheet and income statement of a company are as follows:

Balance Sheet

Liabilities	Year		Assets	Year	
	4	5		4	5
Share capital	4,00,000	5,00,000	Plant and Machinery	5,00,000	5,50,000
Share premium	40,000	50,000	Investment	1,20,000	70,000
Profit and loss A/c	40,000	1,20,000	Book debts	1,00,000	1,20,000
Debentures	2,50,000	1,00,000	Stock	1,75,000	1,25,000
Creditors	80,000	50,000	Prepaid expenses	10,000	15,000
Provision for dividend	50,000	35,000	Bank	1,65,000	2,05,000
Accumulated depreciation	2,10,000	2,30,000			
	10,70,000	10,85,000		10,70,000	10,85,000

Income Statement for year 5

Particulars	Details	
	Amount	
Sales revenue		10,00,000
Less: Cost of goods sold:		
Beginning stock	90,000	
Add: Purchase	4,00,000	
Less: Ending stock	1,20,000	
	3,70,000	
Wages	2,30,000	6,00,000
Less: Operating expenses		4,00,000
General expenses	1,70,000	
Depreciation	50,000	
Interest	25,000	
Premium on debentures retired	15,000	
Provision for dividend	40,000	3,00,000
Add: Gain on sale of plant (Cost Rs.1,00,000 accumulated depreciation Rs.30,000)		1,00,000
		25,000
Less: Loss on sale of investment		1,25,000
		10,000
Tax		1,15,000
		35,000
	Net income	80,000

Required: Cash flow Statement showing cash from Operating activities, Investing activities, Financing activities and Cash balance.

Ans.: Operating activities Rs.1,65,000; Investing activities Rs.(65,000) and Financing activities (Rs.1,10,000)

Question No. 34

The Balance sheet of a Company are as follows:

Equities	2063 Rs.	2064 Rs.	Assets	2063 Rs.	2064 Rs.
Share capital.....	4,00,000	6,30,000	Land and building.....	3,60,000	4,25,000
8% Debenture.....	3,00,000	1,50,000	Plant and equipment.....	2,70,000	3,70,000
Current liabilities.....	80,000	1,12,400	Inventory.....	90,000	60,000
Profit and loss A/c.....	30,000	77,600	Book debts.....	35,000	45,000
			Cash at bank.....	55,000	70,000
	8,10,000	9,70,000		8,10,000	9,70,000

The income Statement of 2064 are as follows:

Particulars	Detail	Amount
Sales.....		6,00,000
Less: Cost of goods sold:		
Opening inventory.....	90,000	
Purchase of material.....	1,60,000	
Closing inventory.....	(60,000)	
Wages.....	1,20,000	3,10,000
	Gross profit	2,90,000
Less: Operating expenses:		
Depreciation.....	90,000	
	30,000	1,20,000
		1,70,000
Less: Interest on debenture.....		24,000
		1,46,000
Less: Tax.....		58,400
		87,600
Less: Dividend.....		40,000
	Retained earnings	47,600

Required: (a) Cash flows from operating activities (b) Cash flows from investing activities (c) Cash flows from financing activities (d) Changes in cash and cash equivalents

Ans.: Operating activities Rs.1,70,000; Investing activities Rs.(1,95,000) and Financing activities Rs.40,000

Question No. 35

Following are the balance sheets of Kabindra Co. as on 30th Chaitra.

Liabilities	1 st Year	2 nd Year	Assets	1 st Year	2 nd Year
Share capital.....	7,00,000	9,00,000	Land and Building.....	2,00,000	2,00,000
Share premium.....	35,000	45,000	Plant and Machinery.....	4,00,000	4,80,000
10% Debentures.....	2,00,000	1,00,000	Investment.....	2,05,000	3,50,000
Bank Overdraft.....	-	50,000	Inventories.....	2,00,000	1,00,000
Accounts payable.....	1,50,000	1,00,000	Prepaid expenses.....	10,000	15,000
Accrued expenses.....	20,000	10,000	Accounts receivable.....	1,60,000	1,20,000
Provision for tax.....	50,000	70,000	Cash at Bank.....	50,000	80,000
Profit and Loss A/c.....	70,000	70,000			
	12,25,000	13,45,000		12,25,000	13,45,000

Income Statement for 2nd year

Particulars	Amount
Sales revenue.....	7,00,000
Less: Cost of goods sold.....	4,00,000
	Gross Margin
	3,00,000
Less: Operating expenses:	
Depreciation.....	48,000
Interest.....	20,000
Other expenses.....	72,000
Provision for tax.....	70,000
	2,10,000
Add: Gain on sale of plant (Book value being Rs.32,000).....	90,000
	22,000
	Total Net Income
	1,12,000

Required: Cash Flow Statement by showing cash from operating, investing and financing activities.

Ans.: Operating activities Rs.2,33,000; Investing activities Rs.(2,51,000) and Financing activities Rs.48,000