

16	Net profit after charging depreciation and transfer to reserve	100000
	Add Dividend paid in the current year	0
	Add Interim Dividend	0
	Add Transfer to General Reserve	30000
	Add Provision for Tax	0
	Add Loss due to earthquake	0
		130000
	Less Refund of Tax	0
	Less Insurance proceeds for loss due to earthquake	0
	<b>Net Profit before tax and extra ordinary items</b>	<b>130000</b>
	Add Non Cash Expenses	
	Depreciation for the year	20000
	Goodwill amortised	7000
	Less Non Cash Income	0
	Add Non Operating Expenses and Losses	0
	Less Non Operating Income and Gains	0
	Gain on sale of machinery	3000
	<b>Operating Profit before working capital changes</b>	<b>154000</b>
	Add Decrease in Current Assets	
	Bills receivables	3000

	Increase in Current Liabilities	
	Creditors	10000
Less	Increase in Current Assets	
	Debtors	6000
	Prepaid Expenses	200
	Decrease in Current Liabilities	
	Bills Payable	4000
	Outstanding Expenses	2000
	<b>Cash Generated from operations</b>	<b>154800</b>

17	Net profit after tax	640000
Add	Dividend paid in the current year	0
Add	Interim Dividend	0
Add	Transfer to General Reserve	0
Add	Provision for Tax	20000
Add	Loss due to earthquake	0
		660000
Less	Refund of Tax	0
Less	Insurance claim received	50000
	<b>Net Profit before tax and extra ordinary items</b>	<b>610000</b>
Add	Non Cash Expenses	
	Depreciation for the year	55000
	Goodwill amortised	0
Less	Non Cash Income	0

Add	Non Operating Expenses and Losses	0
Less	Non Operating Income and Gains	0
	Gain on sale of investment	20000
	<b>Operating Profit before working capital changes</b>	<b>645000</b>
Add	Decrease in Current Assets	
	Inventories	10000
	Increase in Current Liabilities	
	Trade Payables	30000
Less	Increase in Current Assets	
	Trade Receivables	40000
	Prepaid Expenses	14000
	Decrease in Current Liabilities	
	Bills Payable	0
	Outstanding Expenses	0
	<b>Cash Generated from operations</b>	<b>631000</b>
Less	Income tax paid	15000
	Cash Flow from operating activities before extraordinary items	616000
Add	Extraordinary Items	
	Insurance Claim Received	50000
	<b>Cash Flow from Operating Activities</b>	<b>666000</b>

Note :

Insurance claim received will first be deducted to calculate Net Profit before tax and extra ordinary items. Later it will be added back in the end as it is related to operating activities

18	Net profit after depreciation	10000
Add	Dividend paid in the current year	0
Add	Interim Dividend	0
Add	Transfer to General Reserve	0
Add	Provision for Tax	0
Add	Loss due to earthquake	0
		10000
Less	Refund of Tax	0
Less	Insurance claim received	0
	<b>Net Profit before tax and extra ordinary items</b>	10000
Add	Non Cash Expenses	
	Depreciation for the year	2000
	Goodwill amortised	0
	Provision for Doubtful debts	200
Less	Non Cash Income	0
Add	Non Operating Expenses and Losses	0
Less	Non Operating Income and Gains	0
	Gain on sale of investment	0
	<b>Operating Profit before working capital changes</b>	12200
Add	Decrease in Current Assets	
	Prepaid Expenses	1000
	Increase in Current Liabilities	

	Trade Payables	2000
	Expenses Payable	500
Less	Increase in Current Assets	
	Trade Receivables	1000
	Inventories	3000
	Other Current Assets	2000
	Accrued Income	1000
	Decrease in Current Liabilities	
	Bills Payable	0
	Outstanding Expenses	0
	Income received in advance	1000
	<b>Cash Generated from operations</b>	<b>7700</b>
Less	Income tax paid	0
	Cash Flow from operating activities before extraordinary items	7700
Add	Extraordinary Items	
	Insurance Claim Received	0
	<b>Cash Flow from Operating Activities</b>	<b>7700</b>

19	Net profit	800000
Add	Dividend paid in the current year	110000
Add	Interim Dividend	0
Add	Transfer to General Reserve	0
Add	Provision for Tax	110000
Add	Loss due to earthquake	0
		1020000

Less	Refund of Tax	10000
Less	Compensation for natural disaster	75000
	<b>Net Profit before tax and extra ordinary items</b>	<b>935000</b>
Add	Non Cash Expenses	
	Depreciation for the year	150000
	Loss on sale of investment	30000
	Provision for Doubtful debts	0
Less	Non Cash Income	0
Add	Non Operating Expenses and Losses	0
Less	Non Operating Income and Gains	0
	Gain on sale of land	90000
	Dividend Received	20000
	<b>Operating Profit before working capital changes</b>	<b>1005000</b>
Add	Decrease in Current Assets	40000
	Increase in Current Liabilities	70000
Less	Increase in Current Assets	60000
	Trade Receivables	0
	Inventories	0
	Other Current Assets	0
	Accrued Income	0

	Decrease in Current Liabilities	10000
	Bills Payable	0
	Outstanding Expenses	0
	Income received in advance	0
	<b>Cash Generated from operations</b>	<b>1045000</b>
Less	Income tax paid	120000
Add	Income Tax Refund	10000
	Cash Flow from operating activities before extraordinary items	935000
Add	Extraordinary Items	
	Compensation for natural disaster	75000
	<b>Cash Flow from Operating Activities</b>	<b>1010000</b>

20	Net profit	180000
Add	Dividend paid in the current year	0
Add	Interim Dividend	0
Add	Transfer to General Reserve	0
Add	Provision for Tax	64000
Add	Loss due to earthquake	0
		244000
Less	Refund of Tax	0
Less	Compensation for natural disaster	0
	<b>Net Profit before tax and extra ordinary items</b>	<b>244000</b>
Add	Non Cash Expenses	

	Depreciation and amortization for the year	185000
	Loss on sale of assets	36000
	Provision for Doubtful debts	0
Less	Non Cash Income	0
Add	Non Operating Expenses and Losses	0
Less	Non Operating Income and Gains	0
	Gain on sale of plant	40000
	Dividend Received	5000
	<b>Operating Profit before working capital changes</b>	<b>420000</b>
Add	Decrease in Current Assets	0
	Increase in Current Liabilities	0
	Trade Payables	28000
	Selling expenses outstanding	3000
Less	Increase in Current Assets	0
	Trade Receivables	37000
	Inventories	16000
	Other Current Assets	0
	Accrued Income	0
	Decrease in Current Liabilities	0
	Office Expenses Outstanding	5000
	Outstanding Expenses	0
	Income received in advance	0
	<b>Cash Generated from operations</b>	<b>393000</b>

Less	Income tax paid	64000
Add	Income Tax Refund	0
	Cash Flow from operating activities before extraordinary items	329000
Add	Extraordinary Items	
	Compensation for natural disaster	0
	<b>Cash Flow from Operating Activities</b>	<b>329000</b>

**Note :**

It is assumed that the provision made in the current year for tax is paid

21	<b>Net profit</b>	<b>90000</b>
Add	Proposed Dividend for CY	10000
Add	Interim Dividend	0
Add	Transfer to General Reserve	0
Add	Provision for Tax	3000
Add	Loss due to earthquake	0
		103000
Less	Refund of Tax	0
Less	Compensation for natural disaster	0
	<b>Net Profit before tax and extra ordinary items</b>	<b>103000</b>
<b>Add</b>	<b>Non Cash Expenses</b>	
	Loss on sale of machine	17000
	Amortization of Goodwill	12000

<b>Add</b>	<b>Non Operating Expenses and Losses</b>	
	Preliminary Expenses	2000
<b>Less</b>	<b>Non Cash Income</b>	
<b>Less</b>	<b>Non Operating Income and Gains</b>	
	Profit on sale of land	5000
	<b>Operating Profit before working capital changes</b>	129000
<b>Add</b>	<b>Decrease in Current Assets</b>	
	Stock	3000
<b>Add</b>	<b>Increase in Current Liabilities</b>	
	Expenses Payable	1000
<b>Less</b>	<b>Increase in Current Assets</b>	0
	Accounts Receivables	4000
<b>Less</b>	<b>Decrease in Current Liabilities</b>	0
	Accounts Payable	2000
	<b>Cash Generated from operations</b>	127000
Less	Income tax paid	5000
Add	Income Tax Refund	0
	<b>Cash Flow from operating activities before extraordinary items</b>	122000
<b>Add</b>	<b>Extraordinary Items</b>	
	Compensation for natural disaster	2000
	<b>Cash Flow from Operating Activities</b>	124000

Note :

Particulars	Prov for Tax A/c		Amount
	Amount	Particulars	
To balance C/d	4000	By Balance B/d	6000
<b>To Bank A/c</b>	<b>5000</b>	By P & L A/c	3000
Total	<u>9000</u>		<u>9000</u>

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Cost of Machinery	1000000
10% immediate payment	100000
Cash Outflow form investing activities	100000

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Particulars	Machinery A/c		Amount		
	Amount	Particulars			
Op Bal	To Balance B/d	960000	By Balance C/d	1050000	CI Bal
	To Profit on sale	15000	By Depreciation	35000	
Purchase	<b>To Bank A/c</b>	<b>155000</b>	By Bank A/c	45000	Sale
Total	<u>1130000</u>		<u>1130000</u>		

Cash outflow from investing activities	-155000
Cash inflow from investing activities	45000
Net Cash Flow from investing activities	-110000

<b>Investments A/c</b>			
Particulars	Amount	Particulars	Amount
To Balance B/d	500000	By Balance C/d	1000000
To Profit on sale	25000		
<b>To Bank A/c</b>	<b>750000</b>	By Bank A/c	275000
(Purchase Value)		(Sale Value)	
Total	<u>1275000</u>		<u>1275000</u>

<b>Land and Building</b>			
Particulars	Amount	Particulars	Amount
To Balance B/d	900000	By Balance C/d	1500000
		By Depreciation A/c	50000
<b>To Bank A/c</b>	<b>650000</b>		
Total	<u>1550000</u>		<u>1550000</u>

Purchase of investments	-750000
Sale of investments	275000
Purchase of Land and Building	-650000
Interest on investments	75000
Net cash outflow from investing activities	-1050000

<b>Machinery A/c</b>			
Particulars	Amount	Particulars	Amount
To Balance B/d	950000	By Balance C/d	1000000
To Profit on sale	20000	By Acc Depreciation A/c	60000

<b>To Bank A/c</b>	<b>140000</b>	By Bank A/c	50000
(New Purchases)			
Total	<u>1110000</u>		<u>1110000</u>

<b>Accumulated Depreciation A/c</b>			
Particulars	Amount	Particulars	Amount
To Balance C/d	150000	By Balance B/d	110000
To Machinery A/c	60000	By Depreciation A/c	100000 (For the year)
		(Bal Figure)	
Total	<u>210000</u>		<u>210000</u>

<b>Patents A/c</b>			
Particulars	Amount	Particulars	Amount
To Balance B/d	300000	By Balance C/d	200000
To Profit on Sale	40000	By Amortization	50000
		By Bank A/c	90000
		(Bal Figure)	
Total	<u>340000</u>		<u>340000</u>

Purchase of Machinery	Outflow	-140000
Sale of Machinery	Inflow	50000
Sale of Patents	inflow	90000
<b>Net cash outflow from investing activities</b>		<b>0</b>

**Note :**

(A part of patents were sold. This comes as Bal Figure in patents A/c)

<b>Machinery A/c</b>			
Particulars	Amount	Particulars	Amount
To Balance B/d	50000	By Balance C/d	60000
To Profit on sale	3000	By Acc Depreciation A/c	15000 (Acc Dep on machinery sold)
<b>To Bank A/c</b> (New Purchases)	<b>35000</b>	By Bank A/c	13000
Total	<u>88000</u>		<u>88000</u>

<b>Accumulated Depreciation A/c</b>			
Particulars	Amount	Particulars	Amount
To Balance C/d	15000	By Balance B/d	25000
To Machinery A/c	15000	<b>By Depreciation A/c</b> <b>(Bal Figure)</b>	<b>5000 (For the year)</b>
Total	<u>30000</u>		<u>30000</u>

Cash Outflow on purchase of machinery	-35000
Cash Inflow on sale of machinery	13000
<b>Net Cash flow from investing activities</b>	<b>Outflow -22000</b>

<b>Plant and Machinery A/c</b>			
Particulars	Amount	Particulars	Amount
To Balance B/d	850000	By Balance C/d	1000000
		By Depreciation A/c	50000
<b>To Bank A/c</b> (New Purchases)	<b>260000</b>	By Bank A/c	40000 (Machinery Sold)
		By Loss on Sale of machinery	20000

Total	<u>1110000</u>		<u>1110000</u>
<b>Investment</b>			
Particulars	Amount	Particulars	Amount
To Balance B/d	40000	By Balance C/d	100000
<b>To Bank A/c</b> (New Purchases)	<b>60000</b>	By Bank A/c	0 (no investment sold during the year)
Total	<u>100000</u>		<u>100000</u>
<b>Land</b>			
Particulars	Amount	Particulars	Amount
To Balance B/d	200000	By Balance C/d	100000
<b>To Gain on Sale</b>	<b>60000</b>	By Bank A/c	160000 (Sale value of land)
		<b>(Bal Figure)</b>	
Total	<u>260000</u>		<u>260000</u>
Purchase of Plant and Machinery		outflow	-260000
Sale of Plant and Machinery		inflow	40000
Purchase of Investments		outflow	-60000
Sale of Land		inflow	160000
<b>Net Cash Flow from Investing activities</b>			<b>-120000</b>

Purchase of patents	-25000
Sale of Land	10000
Purchase of furniture	-225000

Sale of Investments	20000
Interest received on investments	14000
Net Cash Flow from Investing Activities	-206000

**Note :**

**Interest received on investments**

10% Investments	200000
Total Interest	20000 $200000 \times 10 / 100$
Less Accrued Interest	6000
Interest Received	14000

There is no cashflow impact due to Plant and Machinery

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Machinery Purchased	outflow	-620000
Machinery Sold	inflow	200000
Investments Purchased	outflow	-240000
Investments Sold	inflow	80000
Interest received in Debentures	inflow	8000
Dividend Received on shares	inflow	20000
Purchase of Goodwill	outflow	-100000
Sale of Patents	inflow	150000
Rent Received on Plot of Land		50000
<b>Net Cash Flow from Investing Activities</b>		<b>-452000</b>

**Note :**

Interest paid on debentures is a financing activity  
 Dividend paid on equity shares is a financing activity

		<b>Patents</b>			
Particulars		Amount	Particulars	Amount	
	To Balance B/d	100000	By Balance C/d	70000	
	To Gain on Sale	10000	By P & L A/c (Amortization)	20000	
			<b>By Bank A/c</b>	<b>20000</b>	sale of patents
			<b>(Bal Figure)</b>		
	<b>Total</b>	<u>110000</u>		<u>110000</u>	
		<b>Plant and Machinery</b>			
Particulars		Amount	Particulars	Amount	
	To Balance B/d	600000	By Balance C/d	750000	
			By Bank A/c	35000	inflow
Outflow	To Bank A/c	<b>270000</b>	By Loss on Sale	15000	
	<b>(Bal Figure)</b>		By Depreciation	70000	(During the year)
	<b>Total</b>	<u>870000</u>		<u>870000</u>	
		<b>Investments A/c</b>			
Particulars		Amount	Particulars	Amount	
	To Balance B/d	50000	By Balance C/d	80000	
	To Bank A/c (Purchase)	100000	<b>By Bank A/c</b>	<b>80000</b>	(Sale of Investments)
	To Gain on Sale	10000	<b>(Bal Figure)</b>		
	<b>Total</b>	<u>160000</u>		<u>160000</u>	

Rent received on commercial Land	20000	
Purchase of Investments	-100000	
Sale of Investments	80000	
Purchase of Machinery	-270000	
Sale of Machinery	35000	
Sale of Patents	20000	
Dividend from Damodar Ltd	18000	$150000 \times 12 / 100$
Interest received on Investments	6000	$50000 \times 12 / 100$
Purchase of Goodwill	-50000	
<b>Net Cash Flow from Investing Activities</b>	<b>-241000</b>	

**Note :**

**1 Gain/Loss on sale of machinery**

Cost of Machinery	80000
Less - Depreciation	30000
Written Down Value	50000
Less - Sale value	35000
Loss on Sale of machinery	15000

**2 No Impact on cash flow due to Investments in Land and shares in Damodar Ltd**

**3 Interest on investments will be calculated on the opening balance**

31	Net profit after tax	300000
Add	Dividend paid in the current year	0
Add	Interim Dividend	0
Add	Transfer to General Reserve	0
Add	Provision for Tax	30000 (Current Year)
Add	Loss due to earthquake	0

		330000
Less	Refund of Tax	0
Less	Insurance claim received	0
	<b>Net Profit before tax and extra ordinary items</b>	<b>330000</b>
Add	Non Cash Expenses	
	Depreciation for the year	80000
	Loss on sale of fixed assets	8000
Less	Non Cash Income	0
Add	Non Operating Expenses and Losses	0
Less	Non Operating Income and Gains	0
	<b>Operating Profit before working capital changes</b>	<b>418000</b>
Add	Decrease in Current Assets	0
Add	Increase in Current Liabilities	
	Trade Payables	110000
Less	Increase in Current Assets	
	Inventories and Trade Receivables	60000
Less	Decrease in Current Liabilities	
	<b>Cash Generated from operations</b>	<b>468000</b>
Less	Income tax paid	30000
	<b>Cash Flow from operating activities before extraordinary items</b>	<b>438000</b>



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		<b>Long Term Loan</b>		
	Particulars	Amount	Particulars	Amount
Loan repaid	To Balance C/d	250000	By Balance B/d	200000
	To Bank A/c	100000	By Bank A/c	150000 (Loan taken during the year)
		<b>(Bal Figure)</b>		
	<b>Total</b>	<u><u>350000</u></u>		<u><u>350000</u></u>
	Repayment of Tem Loan			-100000
	Receipt of Long Term Loan			150000
	<b>Cash Generated from Financing Activities</b>			50000 Inflow

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Receipt from share capital	100000 in
Receipt of Security Premium Reserve	10000 in
Repayment of 12% Debentures	-50000 out
Interest paid on Debentures	-18000 out
<b>Cash Generated from Financing activities</b>	42000

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Issue of equity shares	125000
Securities Premium Reserve	125000
Redemption of Preference shares	-157500
Interim Dividend Paid	-60000 400000X15/100

Preference Shares Dividend	-55000	550000X10/100
Interest on Debentures	-36000	300000X12/100
12% Debentures issued	100000	
<b>Cash Generated from Financing activities</b>	<b>41500</b>	

**Note :**

- 1 Interim dividend will be paid only on the share capital balance as on 31-Mar-2020 as new shares are issued on 31-Mar-2021
- 2 Interest on 12% debentures will be paid even though no information given in the question
- 3 Dividend on preference shares to be given even though no information given in the question as the equity dividend is also paid
- 4 Premium on redemption of debentures is debited to P & L A/c.  
However this will impact the cash flow statement as there is cash outflow

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**Cash Flow from Investing activities**

Particulars	Machinery A/c		
	Amount	Particulars	Amount
To Balance B/d	40000	By Balance C/d	50000
<b>To Bank A/c</b>	20000	By Acc Depreciation A/c	4000
<b>(Bal Figure)</b>		By Loss on Sale	2000
		By Bank A/c	4000 (Cost Less Loss Less Acc Dep)
Total	<u>60000</u>		<u>60000</u>

Particulars	Accumulated Depreciation		
	Amount	Particulars	Amount
To Balance C/d	12000	By Balance B/d	10000
To Machinery A/c	4000	By Depreciation A/c	6000
<b>(Bal Figure)</b>			
<b>(Acc Dep on Machine Sold)</b>			
Total	<u>16000</u>		<u>16000</u>

**Note :**

**Cash Flow from Investing Activities**

Purchase of Machinery	-20000
Sale of Machinery	4000

**Cash Used in Investing Activities** **-16000**

**Cash Flow from Financing Activities**

Issue of Capital	5000
Repayment of Bank Loan	-10000

**Cash Used in Financing Activities** **-5000**

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	Net profit after tax	750000
Add	Dividend paid in the current year	0
Add	Interim Dividend	0
Add	Transfer to General Reserve	0
Add	Provision for Tax	75000 (Current Year)
Add	Loss due to earthquake	0
		825000
Less	Refund of Tax	0
Less	Insurance claim received	0
	<b>Net Profit before tax and extra ordinary items</b>	<b>825000</b>
Add	Non Cash Expenses Depreciation for the year	200000 (From Accumulated Depreciation A/c)

	Loss on sale of fixed assets	20000 (From Property, Plant & Equipment A/c)
Less	Non Cash Income	0
Add	Non Operating Expenses and Losses	0
Less	Non Operating Income and Gains	0
	<b>Operating Profit before working capital changes</b>	<b>1045000</b>
Add	Decrease in Current Assets	0
Add	Increase in Current Liabilities Trade Payables	275000
Less	Increase in Current Assets Current Assets	150000
Less	Decrease in Current Liabilities	
	<b>Cash Generated from operations</b>	<b>1170000</b>
Less	Income tax paid	75000 (Given in the Adjustments)
	Cash Flow from operating activities before extraordinary items	1095000
Add	Extraordinary Items	
	<b>Cash Flow from Operating Activities</b>	<b>1095000</b>
	<b>Cash Flow from Investing Activities</b>	
	Purchase of Property, Plant and Equipment	-467500

Sale of Property, Plant and Equipment	80000
<b>Cash Used in Investing Activities</b>	<b>-387500</b>

Particulars	<b>Property, Plant and Equipment</b>		Amount
	Amount	Particulars	
To Balance B/d	2125000	By Balance C/d	2330000
<b>To Bank A/c</b>	467500	By Acc Depreciation A/c	162500
<b>(Bal Figure)</b>		By Loss on Sale	20000
		By Bank A/c	80000 (Book Value Less Loss)
Total	<u>2592500</u>		<u>2592500</u>

Particulars	<b>Accumulated Depreciation</b>		Amount
	Amount	Particulars	
To Balance C/d	1100000	By Balance B/d	1062500
To PPE A/c	162500	By Depreciation A/c	200000
		<b>(Bal Figure)</b>	
Total	<u>1262500</u>		<u>1262500</u>

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Issuance of Equity Share Capital	0
Issue of Debentures	100000
Interest paid on Debentures	-19000
Dividend Paid	-50000
<b>Cash Generated from financing activities</b>	<b>31000</b>

**Note :**

(Increase in share capital is due to bonus shares so this does not have impact on Cash Flow)

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	Net profit after tax		725000
Add	Dividend paid in the current year		127500
Add	Interim Dividend		0
Add	Transfer to General Reserve		75000
Add	Provision for Tax		112500
Add	Loss due to earthquake		0
			1040000
Less	Refund of Tax		0
Less	Insurance claim received		0
	<b>Net Profit before tax and extra ordinary items</b>		<b>1040000</b>
Add	Non Cash Expenses		
	Depreciation for the year		0
	Loss on sale of fixed assets		0
Less	Non Cash Income		0
Add	Non Operating Expenses and Losses		50000
	Interest on Debentures	41000	
	Interest on Bank Loan	9000	
Less	Non Operating Income and Gains		0
	<b>Operating Profit before working capital changes</b>		<b>1090000</b>
Add	Decrease in Current Assets		

		0
Add	Increase in Current Liabilities Trade Payables	250000
Less	Increase in Current Assets Trade Receivable and Inventories	150000
Less	Decrease in Current Liabilities	
	<b>Cash Generated from operations</b>	1190000
Less	Income tax paid	62500 (From Prov for Tax A/c below)
	Cash Flow from operating activities before extraordinary items	1127500
Add	Extraordinary Items	
	<b>Cash Flow from Operating Activities</b>	1127500
	<b>Cash Flow from Financing Activity</b>	
	Issue of Equity Shares	250000
	Security Premium Received	25000
	Payment of Equity share dividend	-90000
	Redemption of Preference shares	-250000
	Issue of Debentures	275000
	Payment of short term borrowings	-25000
	Interest on Debentures	-41000
	Interest on Bank Loan	-9000
	Dividend on Preference shares	-37500 (Since Dividend is paid on equity shares)

**Cash Generated from financing activities** 97500

**Note :**

Particulars	Provision for Tax		Amount
	Amount	Particulars	
To Balance C/d	100000	By Balance B/d	50000
To Bank A/c	62500	By P & L A/c	112500
<b>(Bal Figure)</b>			
 Total	<u>162500</u>		<u>162500</u>

**Calculation of Interest on Debentures**

	Opening	New	Total
Amount of Debentures	375000	275000	650000
Rate of Interest	8%	8%	
Period (Months)	12	6	
 Interest	30000	11000	41000

**Calculation of Interest on Bank Loan**

	Opening	New	Total
Amount of Bank Loan	100000	25000	125000
Rate of Interest	8%	8%	
Period (Months)	12	6	
 Interest	8000	1000	9000

**Note :**

**It seems the solution given in the book is not correct**

**Though question has not directly given the information on Interest on debentures and Loan but since these were paid so these were also considered while calculating Profit for the year so these are to be added back for calculating cash flow from operating activities and deducted for calculating flow from financing activities**

**Cash Flow from operating activities**

	Net profit after tax	20000
Add	Dividend paid in the current year	0
Add	Interim Dividend	0
Add	Transfer to General Reserve	0
Add	Provision for Tax	0
Add	Loss due to earthquake	0
		20000
Less	Refund of Tax	0
Less	Insurance claim received	0
	<b>Net Profit before tax and extra ordinary items</b>	<b>20000</b>
Add	<b>Non Cash Expenses</b>	<b>0</b>
Less	<b>Non Cash Income</b>	<b>0</b>
Add	<b>Non Operating Expenses and Losses</b>	<b>0</b>
Less	<b>Non Operating Income and Gains</b>	<b>0</b>
	<b>Operating Profit before working capital changes</b>	<b>20000</b>
Add	<b>Decrease in Current Assets</b>	
	Inventories	80000
		0
Add	<b>Increase in Current Liabilities</b>	
	Bills Payable	120000

Less	<b>Increase in Current Assets</b>	
Less	<b>Decrease in Current Liabilities</b>	
	<b>Cash Generated from operations</b>	220000
Less	Income tax paid	0 (From Prov for Tax A/c below)
	Cash Flow from operating activities before extraordinary items	220000
Add	Extraordinary Items	
	<b>Cash Flow from Operating Activities</b>	220000
	<b>Cash Flow from Investing Activities</b>	
	Sale of fixed assets	300000
	<b>Net Cash Flow from Investing Activities</b>	300000
	<b>Cash Flow from Financing Activity</b>	
	Repayment of Long term loan	-500000
	<b>Cash used in financing activities</b>	-500000
	Net Increase/decrease in cash	20000
Add	Cash at the beginning	150000
	Cash at the end	170000

**Cash Flow from operating activities**

	Surplus		101000
Add	Dividend paid in the current year		0
Add	Interim Dividend		0
Add	Transfer to General Reserve		0
Add	Provision for Tax		0
Add	Loss due to earthquake		0
			101000
Less	Refund of Tax		0
Less	Insurance claim received		0
	<b>Net Profit before tax and extra ordinary items</b>		101000
Add	<b>Non Cash Expenses</b>		0
Less	<b>Non Cash Income</b>		0
Add	<b>Non Operating Expenses and Losses</b>		0
	Interest on Debentures	7500	
Less	<b>Non Operating Income and Gains</b>		0
	<b>Operating Profit before working capital changes</b>		108500
Add	<b>Decrease in Current Assets</b>		38000
	Trade Receivables	38000	
Add	<b>Increase in Current Liabilities</b>		40000
	Trade Payables	40000	
Less	<b>Increase in Current Assets</b>		56000
	Inventories	56000	

Less	<b>Decrease in Current Liabilities</b>	8000
	Other Current Liabilities	8000
	<b>Cash Generated from operations</b>	122500
Less	Income tax paid	0
	Cash Flow from operating activities before extraordinary items	122500
Add	Extraordinary Items	
	<b>Cash Flow from Operating Activities</b>	122500 Inflow
	<b>Cash Flow from Investing Activities</b>	
	Purchase of Fixed Assets	-157000
	Purchase of Non Current Investments	-13000
	<b>Net Cash Flow from Investing Activities</b>	-170000
	<b>Cash Flow from Financing Activity</b>	
	Issue of share capital	50000
	Issue of 15% Debentures	30000
	Interest paid on 15% Debentures	-7500
	<b>Cash used in financing activities</b>	72500
	Net Increase/decrease in cash	25000 Increase
Add	Cash at the beginning	70000
	Cash at the end	95000

**Note :**

1 Interests paid on 15% Debentures is assumed to be paid on opening balance

It is assumed that the additional debentures are issued at the end of the year and so no interest payable on them

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**Cash Flow from operating activities**

	Net profit after tax	100000
Add	Dividend paid in the current year	0
Add	Interim Dividend	0
Add	Transfer to General Reserve	0
Add	Provision for Tax	0
Add	Loss due to earthquake	0
		100000
Less	Refund of Tax	0
Less	Insurance claim received	0
	<b>Net Profit before tax and extra ordinary items</b>	<b>100000</b>
Add	<b>Non Cash Expenses</b>	<b>0</b>
Less	<b>Non Cash Income</b>	<b>0</b>
Add	<b>Non Operating Expenses and Losses</b>	<b>0</b>
Less	<b>Non Operating Income and Gains</b>	<b>0</b>
	<b>Operating Profit before working capital changes</b>	<b>100000</b>

Add	<b>Decrease in Current Assets</b>	60000
	Current Investments	0
	Inventories	6000
	Trade Receivables	54000
Add	<b>Increase in Current Liabilities</b>	0
	Trade Payables	0
Less	<b>Increase in Current Assets</b>	0
	Inventories	0
Less	<b>Decrease in Current Liabilities</b>	8000
	Trade Payables	8000
	<b>Cash Generated from operations</b>	152000
Less	Income tax paid	0
	Cash Flow from operating activities before extraordinary items	152000
Add	Extraordinary Items	
	<b>Cash Flow from Operating Activities</b>	152000
	<b>Cash Flow from Investing Activities</b>	
	Purchase of Tangible Assets	-290000
	Purchase of Non Current Investments	-72000
	<b>Net Cash Flow from Investing Activities</b>	-362000
	<b>Cash Flow from Financing Activity</b>	

	Issue of share capital		200000
	Repayment of Long Term Borrowings		-50000
	<b>Cash generated from financing activities</b>		<b>150000</b>
	Net Increase/decrease in cash		-60000
Add	Cash at the beginning		204000
	Cash on Hand	70000	
	Current Investments	134000	
	Cash at the end		144000
	Cash on Hand	94000	
	Current Investments	50000	

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**Cash Flow from operating activities**

	Net profit after tax		2000
Add	Dividend paid in the current year		0
Add	Interim Dividend		52000
Add	Transfer to General Reserve		0
Add	Provision for Tax		0
Add	Loss due to earthquake		0
			54000
Less	Refund of Tax		0
Less	Insurance claim received		0
	<b>Net Profit before tax and extra ordinary items</b>		<b>54000</b>

Add	<b>Non Cash Expenses</b>		18000
	Depreciation during the year	18000	
Less	<b>Non Cash Income</b>		0
Add	<b>Non Operating Expenses and Losses</b>		0
Less	<b>Non Operating Income and Gains</b>		0
	<b>Operating Profit before working capital changes</b>		72000
Add	<b>Decrease in Current Assets</b>		6000
	Inventories	6000	
Add	<b>Increase in Current Liabilities</b>		10000
	Trade Payables	10000	
Less	<b>Increase in Current Assets</b>		6800
	Trade Receivables	6800	
Less	<b>Decrease in Current Liabilities</b>		0
	Trade Payables	0	
	<b>Cash Generated from operations</b>		81200
Less	Income tax paid		0
	Cash Flow from operating activities before extraordinary items		81200
Add	Extraordinary Items		
	<b>Cash Flow from Operating Activities</b>		81200
	<b>Cash Flow from Investing Activities</b>		
	Purchase of Land		-20000

	Purchase of Building		-10000
	Purchase of Machinery		-30000
	<b>Net Cash used in Investing Activities</b>		<b>-60000</b>
	<b>Cash Flow from Financing Activity</b>		
	Loan taken from Aman		40000
	Repayment of loan from bank		-10000
	Payment of Interim Dividend		-52000
	<b>Cash generated from financing activities</b>		<b>-22000</b>
	Net Increase/decrease in cash		-800
Add	Cash at the beginning		8000
	Cash on Hand	8000	
	Cash at the end		7200
	Cash on Hand	7200	

**Note :**

<b>Machinery</b>			
Particulars	Amount	Particulars	Amount
To Balance B/d	214000	By Balance C/d	244000
<b>To Bank A/c</b>	<b>30000</b>	By Acc Depreciation A/c	0
<b>(Bal Figure)</b>		By Loss on Sale	0
		By Bank A/c	0
Total	244000		244000

<b>Accumulated Depreciation</b>			
Particulars	Amount	Particulars	Amount

To Balance C/d	72000	By Balance B/d	54000
To PPE A/c		0 By Depreciation A/c	<b>18000</b>
		<b>(Bal Figure)</b>	
Total	<u>72000</u>		<u>72000</u>

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**Cash Flow from operating activities**

	Net profit after tax		200000
Add	Dividend paid in the current year		0
Add	Interim Dividend		0
Add	Transfer to General Reserve		0
Add	Provision for Tax		0
Add	Loss due to earthquake		0
			200000
Less	Refund of Tax		0
Less	Insurance claim received		0
	<b>Net Profit before tax and extra ordinary items</b>		200000
Add	<b>Non Cash Expenses</b>		280000
	Goodwill Written Off	144000	
	Depreication during the year	132000	
	Loss on Sale	4000	
Less	<b>Non Cash Income</b>		0
Add	<b>Non Operating Expenses and Losses</b>		0
Less	<b>Non Operating Income and Gains</b>		0

	<b>Operating Profit before working capital changes</b>	480000
Add	<b>Decrease in Current Assets</b>	0
	Inventories	0
Add	<b>Increase in Current Liabilities</b>	0
	Trade Payables	0
Less	<b>Increase in Current Assets</b>	70000
	Inventories	16000
	Trade Receivables	54000
Less	<b>Decrease in Current Liabilities</b>	104000
	Trade Payables	50000
	Short Term Provisions	54000
	<b>Cash Generated from operations</b>	306000
Less	Income tax paid	0
	Cash Flow from operating activities before extraordinary items	306000
Add	Extraordinary Items	
	<b>Cash Flow from Operating Activities</b>	306000
	<b>Cash Flow from Investing Activities</b>	
	Purchase of Machinery	-588000
	Sale of Machinery	12000
	<b>Net Cash used in Investing Activities</b>	-576000

**Cash Flow from Financing Activity**

	Issue of shares		200000
	Receipts from Long Term Borrowings		140000
	Payment of Interim Dividend		0
	<b>Cash generated from financing activities</b>		<b>340000</b>
	Net Increase/decrease in cash		70000
Add	Cash at the beginning		1050000
	Cash on Hand	750000	
	Current Investments	300000	
	Cash at the end		1120000
	Cash on Hand	640000	
	Current Investments	480000	

**Note :**

		<b>Machinery</b>	
Particulars	Amount	Particulars	Amount
To Balance B/d	2000000	By Balance C/d	2540000
<b>To Bank A/c</b>	<b>588000</b>	By Acc Depreciation A/c	32000
<b>(Bal Figure)</b>		By Loss on Sale	4000
		By Bank A/c	12000
Total	2588000		2588000

		<b>Accumulated Depreciation</b>	
Particulars	Amount	Particulars	Amount
To Balance C/d	400000	By Balance B/d	300000
To Machinery A/c	32000	By Depreciation A/c	<b>132000</b>

(Bal Figure)

Total	<u>432000</u>	<u>432000</u>
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**Cash Flow from operating activities**

	Net profit after tax		9000
Add	Dividend paid in the current year		39000
Add	Interim Dividend		0
Add	Transfer to General Reserve		10000
Add	Provision for Tax		4000
Add	Loss due to earthquake		0
Add	Interest on Debentures		0
Add	Interest on Bank Loan		0
			62000
Less	Refund of Tax		0
Less	Insurance claim received		0
	<b>Net Profit before tax and extra ordinary items</b>		62000
Add	<b>Non Cash Expenses</b>		10000
	Goodwill Written Off	10000	
Less	<b>Non Cash Income</b>		0
Add	<b>Non Operating Expenses and Losses</b>		0
Less	<b>Non Operating Income and Gains</b>		0
	<b>Operating Profit before working capital changes</b>		72000

Add	<b>Decrease in Current Assets</b>		18000
	Inventories	18000	
Add	<b>Increase in Current Liabilities</b>		18000
	Trade Payables	18000	
Less	<b>Increase in Current Assets</b>		33000
	Trade Receivables	33000	
Less	<b>Decrease in Current Liabilities</b>		2000
	Other Current Liabilities	2000	
	<b>Cash Generated from operations</b>		73000
Less	Income tax paid		0
	Cash Flow from operating activities before extraordinary items		73000
Add	Extraordinary Items		
	<b>Cash Flow from Operating Activities</b>		73000
	<b>Cash Flow from Investing Activities</b>		
	Sale of Land and Building		53000
	Purchase of Plant and Machinery		-101000
	Purchase of Non-Current Investments		-25000
	<b>Net Cash used in Investing Activities</b>		-73000
	<b>Cash Flow from Financing Activity</b>		

	Issue of shares		50000
	Dividend paid		-39000
	<b>Cash generated from financing activities</b>		<b>11000</b>
	Net Increase/decrease in cash		11000
Add	Cash at the beginning		17000
	Cash on Hand	17000	
	Current Investments	0	
	Cash at the end		28000
	Cash on Hand	28000	
	Current Investments	0	

**Note :**

Proposed dividend for last year is assumed to be paid this year

It will be added to Surplus to find the Net Profit for the year and will also be part of Cash flow from investing activities

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**Cash Flow from operating activities**

	Net profit after tax		-95000
Add	Dividend paid in the current year		0
Add	Interim Dividend		0
Add	Transfer to General Reserve		0
Add	Provision for Tax		51000
Add	Loss due to earthquake		0
Add	Interest on Debentures		0
Add	Interest on Bank Loan		7500

			-36500
Less	Refund of Tax		0
Less	Insurance claim received		0
	<b>Net Profit before tax and extra ordinary items</b>		-36500
Add	<b>Non Cash Expenses</b>		25000
	Depreciation during the year	25000	
Less	<b>Non Cash Income</b>		0
Add	<b>Non Operating Expenses and Losses</b>		0
Less	<b>Non Operating Income and Gains</b>		0
	<b>Operating Profit before working capital changes</b>		-11500
Add	<b>Decrease in Current Assets</b>		18000
	Trade Receivables	14000	
	Other Current Assets	4000	
Add	<b>Increase in Current Liabilities</b>		0
	Trade Payables	0	
Less	<b>Increase in Current Assets</b>		7000
	Inventories	7000	
Less	<b>Decrease in Current Liabilities</b>		14000
	Trade Payables	14000	
	<b>Cash Generated from operations</b>		-14500
Less	Income tax paid		53000

	Cash Flow from operating activities before extraordinary items	-67500
Add	Extraordinary Items	
	<b>Cash used in Operating Activities</b>	<b>-67500</b>
	<b>Cash Flow from Investing Activities</b>	
	Purchase of Machinery	-169000
	Purchase of Plant and Machinery	0
	Purchase of Non-Current Investments	0
	<b>Net Cash used in Investing Activities</b>	<b>-169000</b>
	<b>Cash Flow from Financing Activity</b>	
	Issue of shares	200000
	Receipts from Long Term Loan	20000
	Interest Paid on Long Term Loan	-7500
	<b>Cash generated from financing activities</b>	<b>212500</b>
	Net Increase/decrease in cash	-24000
Add	Cash at the beginning	49000
	Cash on Hand	49000
	Current Investments	0
	Cash at the end	25000
	Cash on Hand	25000
	Current Investments	0

**Note :**

<b>Provision for Tax</b>			
Particulars	Amount	Particulars	Amount
To Balance C/d	68000	By Balance B/d	70000
To Bank A/c	53000	By P & L A/c (Prov made)	<b>51000</b>
		<b>(Bal Figure)</b>	
Total	<u>121000</u>		<u>121000</u>

<b>Machinery</b>			
Particulars	Amount	Particulars	Amount
To Balance B/d	215000	By Balance C/d	384000
<b>To Bank A/c</b>	<b>169000</b>	By Acc Depreciation A/c	0
<b>(Bal Figure)</b>		By Loss on Sale	0
		By Bank A/c	0
Total	<u>384000</u>		<u>384000</u>

<b>Accumulated Depreciation</b>			
Particulars	Amount	Particulars	Amount
To Balance C/d	48000	By Balance B/d	23000
To Machinery A/c	0	By Depreciation A/c	<b>25000</b>
		<b>(Bal Figure)</b>	
Total	<u>48000</u>		<u>48000</u>