

MASTER QUESTION

ACCOUNTANCY

Cash flow statement

MASTER QUESTIONS . our aim of the master question(s) is/are to cover or summarised the whole chapters in one or two or more numerical questions

Important points kept in mind

1. Cash flows :- cash flows are inflows and out flows. i.e the movement of cash equivalent All transactions that lead to an increase in cash and cash equivalents are inflows of cash and all those transactions that lead to decrease in cash and cash equivalents are outflows of cash. Outflows and inflows of cash are presented in a statement that statement is known as cash flow statement. AS-3 cash flow statement is divided into three heads namely
 - (a) Cash flow from operating activities
 - (b) Cash flow from investing activities
 - (c) Cash flow from financing activities

(a) Cash flow from operating activities (direct method)

Cash inflows or operating cash receipts

- (i) Cash sales
- (ii) Cash received form debtors and bills receivable
- (iii) Cash received from commission and fees (note 2)
- (iv) Royalty received

In the case of financial companies

- (i) Sale of securities
- (ii) Cash received for interest and dividend

Less:- Cash outflows or operating cash payment

- (i) Cash purchases
- (ii) Cash paid to creditors and bills payable
- (iii) Payment of salaries and wages (note 1)
- (iv) Manufacturing expenses paid
- (v) Other operating expenses paid
- (vi) Net Income tax paid(income tax paid –income tax refund)

In the case of financial companies

- (i) Purchase of securities
- (ii) Interest paid

Cash flow from operating activities (indirect method)

Surplus as per balance sheet

Add:- transfer to general reserve

Add:- workmen compensation reserve

Add:- debenture redemption reserve

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<p>Add:- proposed dividend payable during the year(Note6) Add:- interim dividend Add:- provision for taxation made or provided (note 5) Add:- extraordinary items which are debited to statement of profit and loss account e.g loss of stock or assets due to earthquake, fire theft or any natural disaster,(tsunami) compensation paid to employees under the voluntary retirement scheme Less :-extraordinary items credited to statement of profit and loss account e.g insurance claim or compensation received on account of loss due to natural disaster or fire or theft of stock or assets, winning from lottery Less:- refund of taxation credited to statement of profit and loss account</p> <p>Net profit before tax and extraordinary items Add :-non-cash and non- operating items</p> <ul style="list-style-type: none"> (i) Depreciation charged or provision for depreciation [note7 (i)] (ii) Interest on debenture and long term borrowings (iii) Interest on short-term borrowings (iv) Discount on issue of shares or debenture written off (v) Goodwill/patents/ copyright written off (vi) Fictitious assets written off e.g preliminary expenses written off (vii) Loss on sale of fixed assets and investment[note 7(ii)] (viii) Premium payable on redemption of preference shares (note 9) (ix) Premium payable on redemption of debenture (note 10) (x) Bonus shares issued (note 8) (xi) Increase and decrease in provision for bad and doubtful debts (note 11) <p>Less:- non-operating income</p> <ul style="list-style-type: none"> (i) Profit on sale of assets and investment [note 7(ii)] (ii) Income from investment i.e interest and dividend received (iii) Rent received <p>Operating profit before working capital changes Add:- decrease in current assets (SEE NOTE 3) Add:-increase in current liabilities(SEE NOTE 4) Less:- increase in current assets (SEE NOTE 3) Less :-decrease in current liabilities(SEE NOTE 4) Cash generated from operation Less income tax paid (net of refund) (Note 5) Cash flow before extraordinary items Add :- extraordinary items (insurance claim or compensation received, on account of loss due to natural disaster or fire or theft of stock only) Net cash flow from operating activities</p>	
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(b) Cash flow from investing activities

Cash inflows

- (i) Sale of fixed assets [note7(ii)]
- (ii) Sale of investment[note7(ii)]
- (iii) Sale of intangible assets (if any)
- (iv) Interest and dividend received (for non-financial companies only)
- (v) Rent received
- (vi) Decrease in long term and short term loans and advances given
- (vii) **extraordinary items (insurance claim or compensation received, on account of loss due to natural disaster or fire or theft of fixed assets only**

Less:- Cash outflows

- (i) Purchase of fixed assets [note7(ii)]
- (ii) purchase of investment[note7(ii)]
- (iii) purchase or increase in goodwill, patents , trade marks
- (viii) increase in long term and short term loans and advances given
- (ix) income tax paid on gain on sale of fixed assets i.e tax on capital gain

(c) cash flow from financing activities

Cash inflows

- (i) issue of equity shares capital (face value)+ increase in securities premium on equity shares –discount on issue of equity shares (note 8)
- (ii) issue of preference shares(face value)+ increase in securities premium on preference shares – discount on issue of preference shares (note 9)
- (iii) issue of debenture (face value) + increase in securities premium on debenture – discount on issue of debenture (note 10)
- (iv) raising of long term loans and short term loans taken
- (v) increase in bank over draft

less :- Cash outflows

- (i) buy back of equity shares(extra ordinary items) (note 8)
- (ii) redemption of preference shares (note 9)
- (iii) redemption of debenture (note 10)
- (iv) repayment of short –term and long term loan taken
- (v) decrease in bank over drat
- (vi) interest paid on loan or debenture
- (vii) final dividend paid on shares (note 6)
- (viii) interim dividend paid
- (ix) dividend tax paid
- (x) share issue expenses paid i.e increase in underwriting commission on shares and debenture

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Working notes of cash flow from operating activities (direct method)

Note1

Dr expenses account Cr

Particulars	amount	Particulars	amount
To prepaid expenses a/c (in the beginning)	+++++	By outstanding expenses a/c (in the beginning)	+++++
To cash account (paid) cash outflow (Less in operating activities)	+++++	By statement of profit and loss a/c (expenses incurred)	+++++
To outstanding expenses (at the end)	+++++	By prepaid expenses a/c (at the end))	+++++

Note 2

income account

Particulars	amount	Particulars	amount
To accrued income a/c (in the beginning)	+++++	By prepaid income a/c (in the beginning)	+++++
To statement of profit and loss a/c (income earned)	+++++	By cash a/c (received) cash inflow (Add in operating activities)	+++++
To prepaid income a/c (at the end)	+++++	By accrued income a/c (at the end))	+++++

Working notes of cash flow from operating activities (indirect method)

Note:-3 decrease and increase in current assets excluding cash and cash equivalent i.e cash in hand , cash at bank and short term investments or marketable securities or current investment and short term deposits in banks

Note:- 4 decrease and increase in current liabilities excluding bank overdraft . Increase and decrease in bank overdraft is shown in cash flow from financing activities.

Note :- 5

Dr Provision for taxation Cr

particulars	amount	particulars	amount
To bank (tax paid less in operating activities)	+++++	By balance b/d	+++++
To balance c/d	+++++	By statement of profit and loss account (tax provided or made add in operating activities)	+++++

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If tax paid and tax provided both are not given then opening balance of provision for taxation is assumed to be paid

Note 6

As per (AS-4) proposed dividend on equity shares and preference shares are paid after being approved by the shareholders in the AGM and AGM is held after the end of the financial year may be in the month of June or July of the next financial year. As per AS -4 after the balance sheet date prescribe the proposed dividend is not to be provided in the account books is shown in the notes to accounts as contingent liability being payable upon declared or approved by the shareholders in the AGM

When dividend is declared or approved by the shareholders entry will be passed

For example two year 2017-2018 and 2018-2019

Balance in statement of profit and loss account (current year profits) i.e. 2018-2019 ___ Dr
To dividend payable (of previous years i.e. 2017-2018 approved in 2018-2019)

Thereafter dividend is paid and net dividend paid (proposed by the board of directors and approved by the shareholders in AGM less dividend still payable if any closing balance in the liabilities side of balance sheet) is shown under cash flow from financing activities

If nothing is mentioned we will presume that the dividend proposed for the previous year by the board of directors is approved by the shareholders in AGM which is held in next financial year and has also be paid during the year

It means there are three steps of proposed dividend

- (1) proposed by the board of directors
- (2) declared or approved by the shareholders in the AGM
- (3) paid during the year after approval of the shareholders

in any circumstances if dividend is proposed by the board of directors and not declared or approved by the shareholders then no entry will be passed in cash flow statement

proposed dividend on equity shares and preference shares of previous year shall be added in operating activities and same amount shall be deducted in cash flow from financing activities, for example opening balance of proposed dividend say Rs 20,000 and closing balance for Rs 30,000 is given in notes to accounts as contingent liabilities under the foot note opening balance of Rs 20,000 shall be added in operating activities and same amount of Rs 20,000 shall be deducted in cash flow from financing activities. Closing balance of proposed dividend shall not be considered at all in any where. If nothing is mentioned we will presume that the dividend proposed for the previous year i.e. Rs 20,000 by the board of directors is approved by the shareholders in AGM which is held in next financial year and has also be paid during the year

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Note:-7 .(i)

Dr		Provision for depreciation or Accumulated depreciation		Cr	
particulars	amount	particulars	amount		
To fixed assets(depreciation on sale of assets)	+++++	By balance b/d	+++++		
To balance c/d	+++++	By statement of profit and loss account (depreciation provided or made add in operating activities)	+++++		

Note:-7 (ii)

Dr		fixed assets or investment		Cr	
particulars	amount	particulars	amount		
To balance b./d	+++++	By bank (sale of assets add in investing activities)	+++++		
To bank (purchase less in investing activities)	+++++	By provision for depreciation (depreciation on sale of assets)	+++++		
To statement of profit and loss account (profit on sale of assets less in operating activities)		By statement of profit and loss account (loss on sale of assets add in operating activities)			
		By balance c/d			

Note :-8

Dr		equity share capital		Cr	
particulars	amount	particulars	amount		
To bank (buy back of shares) Less in financing activities)	+++++	By balance b/d	+++++		
To balance c/d	+++++	By bank (issue of shares add in financing activities)	+++++		
		By statement of profit and loss account (bonus shares)	+++++		

Note :-9

Dr		preference share capital		Cr	
particulars	amount	particulars	amount		
To bank (redemption) Less in financing activities)	+++++	By balance b/d	+++++		
To balance c/d	+++++	By bank (issue of shares add in financing activities)	+++++		

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		By statement of profit and loss (premium on redemption of preference shares)	+++++
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Note :-10

Dr		debtore account		Cr	
particulars	amount	particulars	amount		
To bank (redemption)	+++++	By balance b/d	+++++		
Less in financing activities)		By bank (issue of debenture add in financing activities)	+++++		
To balance c/d	+++++	By statement of profit and loss (premium on redemption of debenture)	+++++		

Note 11. There are two alternatives to show the provision for bad and doubtful debts as follows

- to add under the heading of non-cash and non- operating items of cash flow from operating activities
- to treat as current liabilities and is shown under the decrease or increase in current liabilities

Format of cash flow statement

(A) Cash flow from operating activities Surplus as per balance sheet Add:- transfer to general reserve Add:- workmen compensation reserve Add:- debenture redemption reserve Add:- proposed dividend payable during the year(Note6) Add:- interim dividend Add:- provision for taxation made or provided (note 5) Add:- extraordinary items which are debited to statement of profit and loss account e.g loss of stock or assets due to earthquake, fire theft or any natural disaster, i,e tsunami compensation paid to employees under the voluntary retirement scheme Less :-extraordinary items credited to statement of profit and loss account e.g insurance claim or compensation received on account of loss due to natural disaster or fire or theft of stock or assets, winning from lottery Less:- refund of taxation credited to statement of profit and loss account	
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Net profit before tax and extraordinary items**Add :-non-cash and non- operating items**

- (xii) Depreciation charged or provision for depreciation [note7 (i)]
- (xiii) Interest on debenture and long term borrowings
- (xiv) Interest on short-term borrowings
- (xv) Discount on issue of shares or debenture written off
- (xvi) Goodwill/patents/ copyright written off
- (xvii) Fictitious assets written off e.g preliminary expenses written off
- (xviii) Loss on sale of fixed assets and investment[note 7(ii)]
- (xix) Premium payable on redemption of preference shares (note 9)
- (xx) Premium payable on redemption of debenture (note 10)
- (xxi) Bonus shares issued (note 8)
- (xxii) Increase and decrease in provision for bad and doubtful debts (note 11)

Less:- non-operating income

- (iv) Profit on sale of assets and investment [note 7(ii)]
- (v) Income from investment i.e interest and dividend received
- (vi) Rent received

Operating profit before working capital changes**Add:- decrease in current assets (SEE NOTE 3)****Add:-increase in current liabilities(SEE NOTE 4)****Less:- increase in current assets (SEE NOTE 3)****Less :-decrease in current liabilities(SEE NOTE 4)****Cash generated from operation****Less income tax paid (net of refund) (Note 5)****Cash flow before extraordinary items****Add :- extraordinary items (insurance claim or compensation received, on account of loss due to natural disaster or fire or theft of stock only), winning from lottery****Net cash flow from operating activities****(B) Cash flow from investing activities****Cash inflows**

- (x) Sale of fixed assets [note7(ii)]
- (xi) Sale of investment[note7(ii)]
- (xii) Sale of intangible assets (if any)
- (xiii) Interest and dividend received (for non-financial companies only) **Note**
- (xiv) Rent received
- (xv) Decrease in long term and short term loans and advances given
- (xvi) **extraordinary items (compensation received, or insurance claim received on account of loss due to natural disaster or fire or theft of fixed assets only**

Less:- Cash outflows

- (iv) Purchase of fixed assets [note7(ii)]
- (v) purchase of investment[note7(ii)]
- (vi) purchase or increase in goodwill, patents , trade marks

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- (xvii) increase in long term and short term loans and advances given
 (xviii) income tax paid on gain on sale of fixed assets i.e tax on capital gain

(C) Cash flow from financing activities

Cash inflows

- (vi) issue of equity shares capital (face value)+ increase in securities premium on equity shares –discount on issue of equity shares (note 8)
 (vii) issue of preference shares(face value)+ increase in securities premium on preference shares – discount on issue of preference shares (note 9)
 (viii) issue of debenture (face value) + increase in securities premium on debenture – discount on issue of debenture (note 10)
 (ix) raising of long term loans and short term loans taken
 (x) increase in bank over draft

less :- Cash outflows

- (xi) buy back of equity shares(extra ordinary items) (note 8)
 (xii) redemption of preference shares (note 9)
 (xiii) redemption of debenture (note 10)
 (xiv) repayment of short –term and long term loan taken
 (xv) decrease in bank over drat
 (xvi) interest paid on loan or debenture
 (xvii) final dividend paid on shares (note 6)
 (xviii) interim dividend paid
 (xix) dividend tax paid

share issue expenses paid i.e increase in underwriting commission on shares and debenture

(D) net increase /decrease in cash and cash equivalent (A+B+C)

(E) Add:- cash and cash equivalent in the beginning of the year

-cash in hand

-cash at bank

-marketable securities or short term investment or current investment

-Short- term deposits in banks

(E) cash and cash equivalent at the end of the year

- cash in hand

-cheque in hand

- cash at bank

- marketable securities or short term investment or current investment

- Short- term deposits in banks

Note :- interest received and dividend received by financing company is treated as operating activities.

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2. If the date of redemption of debenture, and repayment of long term loan is not given it is assumed to be redeemed at the beginning of the year interest is calculated on closing balance for full year.
3. If the date of issue of debenture and raising of long term loan is not given it is assumed to be issued at the end of the year and interest is calculated on the opening balance for full year
4. If the date of purchase or sale of non-current investment is not given then interest on investment is calculated on opening balance.
5. Dividend on preference is always calculated on the opening balance of preference shares for full year whether preference shares issued or redeemed on any date during the year.

case 1.

particulars	31-3- 2018	31-3-2019
10% Preference share capital	1,00,000	2,00,000

Additional information

	31-3-2018	31-3-2019
Dividend on preference shares	10%	10%

case 2

particulars	31-3- 2018	31-3-2019
10% Preference share capital	1,00,000	2,00,000

Additional information

	31-3-2018	31-3-2019
Dividend on preference shares	10%	10%

Preference shares issued on 1-4-2018

case 3

particulars	31-3- 2018	31-3-2019
10% Preference share capital	1,00,000	2,00,000

Additional information

	31-3-2018	31-3-2019
Dividend on preference shares	10%	10%

Preference shares issued on 31-12-2018

case 4

particulars	31-3- 2018	31-3-2019
10% Preference share capital	1,00,000	2,00,000

Additional information

	31-3-2018	31-3-2019
Dividend on preference shares	10%	10%

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Preference shares issued on 31-3-2019

case 5

particulars	31-3- 2018	31-3-2019
10% Preference share capital	1,00,000	60,000

Additional information

	31-3-2018	31-3-2019
Dividend on preference shares	10%	10%

Preference shares redeemed on 31-3-2018 or 31-3-2019 or 30-9-2018

Solutions:-

In all the five above cases dividend is calculated on the opening balance as per AS-4 whether issued or redeemed on any date during the year.

Dividend on preference shares 10% On 1,00,000 = 10,000

6. Dividend on preference shares is paid before the payment of dividend on equity shares if the company paid either interim dividend or proposed the final dividend. Company must pay preference dividend on the opening balance of preference share capital whether payment of preference shares mention in the question or not. If the company neither paying the interim dividend nor final dividend on equity shares we will also ignore the preference dividend
7. If opening and closing balance of accumulated depreciation is given in adjustment then in such a case opening and closing balances of accumulated depreciation will be added in opening and closing balance of respective fixed assets account. After adding we will prepare the fixed assets account.
8. Interim dividend is calculated on opening balance of equity shares capital.
9. Final dividend is calculated on the opening balance of equity share capital.
10. If increase in discount on issue of debenture it means debenture is issued at discount during the year that increase in discount will be deducted from the issue of debenture and net issue of debenture will be shown in cash flow from financing activities.
11. There are two alternatives to show the provision for bad and doubtful debts as follows
 - (a) to add under the heading of non-cash and non- operating items of cash flow from operating activities
 - (b) to treat as current liabilities and is shown under the decrease or increase in current liabilities
- 12. Increase in securities premium reserve will be added in issues of shares**

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3. Current liabilities			
(a) Short-term borrowings			
(i) Bank overdraft	Financing		
(ii) Other short-term loans	Financing		
(b) Trades payable			
(i) Creditors	Operating		
(ii) Bills payable	Operating		
(c) Other current liabilities			
(i) Outstanding expenses	Operating		
(ii) Unexpired income	Operating		
(iii) Interest payable	Financing		
(iv) Premium on redemption of debenture	Operating		
If increase and written off profit and loss account			
(d) Short term provisions			
(i) Provision for taxation	Operating		
Provided (add)			
Paid (less)			
If simply short term provision is given then difference is shown as current liabilities	Operating		

Question 1.

Following is the extract from the balance sheet

Liabilities and assets	31 st march 2018	31 st march 2019
Equity share capital	1,00,000	1,50,000
10% preference share capital	2,00,000	1,30,000
Surpluses i.e balance in statement of profit and loss account	1,20,000	2,00,000
Dividend payable	5,000	-----
Provision for taxation	12,000	16,000
6% debenture	50,000	70,000
10% long term borrowings	20,000	15,000

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Cash flow statement

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Additional information

- (a) Proposed dividend on equity shares for the year ended 31st march 2018 and 31st march 2019 were Rs 30,000 and Rs 25,000
- (b) Interim dividend paid Rs 10,000 on equity shares on 31st dec 2018
- (c) Loss of stock due to tsunami Rs 2,500
- (d) Loss of fixed assets due to natural disaster Rs3,000
- (e) Claim received against the damages of stock Rs 5,000
- (f) Claim received against the damages of fixed assets Rs 4,000
- (g) Winning from lottery for Rs 23,000
- (h) **Income tax paid includes tax on gain on sale of fixed assets .Rs 1,000**
- (i) **Income tax paid includes Dividend tax paid Rs 500**
- (j) **Income tax paid Rs 9,000**
- (k) **Refund of taxation Rs 1,200**
- (l) **Rent received on building which is invested for investment purposes Rs 1,500**
- (m) **Interest and dividend received Rs 2,300**
- (n) **Transfer to general reserve Rs 20,000**
- (o) **Transfer to workmen compensation reserve RS 5,000**
- (p) **Transfer to debenture redemption reserve Rs 3,000**
- (q) **Goodwill amortised Rs 1,000**
- (r) **Depreciation on assets Rs 2,800**
- (s) **Loss on sale of investment Rs 3,200**
- (t) **Gain on sale of fixed assets Rs 3,400**
- (u) **Decrease in current assets for Rs 2,100**
- (v) **increase in current assets for Rs 2,600**
- (w) **Decrease in current liabilities for Rs 900**
- (x) **Increase in current liabilities for Rs 1,300**
- (y) **Increase in provision for bad debts for Rs 800**
- (z) **Purchase of fixed assets for Rs 34,000**
- (aa)**Sale of fixed assets for Rs 24,000**

Calculate the
 cash flow from operating activities
 cash flow from investing activities
 cash flow from financing activities

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Question 2.

Following is the extract from the balance sheet

Assets	31-3-2018	31-3-2019
Machinery	1,00,000	1,70,000
Accumulated depreciation on machinery	(30,000)	(50,000)
Patents	1,20,000	70,000
10% investment	1,00,000	1,30,000
Accrued interest on investment	----	2,000
Investment in land	2,00,000	2,00,000
Investment in shares	30,000	20,000
Furniture and fixture	50,000	49,000
Long term loans and advances	25,000	20,000
Short term loans and advances	5,000	8,000

Additional information

- During the year a machine costing for Rs 50,000 accumulated depreciation of Rs 20,000 sold for Rs 25,000
 - During the year some patents written off for Rs 30,000 and some sold for at a loss for Rs 3,000
 - A piece of land was purchased as an investment out of surplus. It was let out for commercial purposes and the rent received for Rs 10,000
 - Dividend received on investment in shares 2,300
- Calculate the cash flow investing activities

Question 3

Following is the extract from the balance sheet

liabilities	31-3-2018	31-3-2019
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Equity share capital	1,00,000	2,50,000
Preference share capital	1,00,000	70,000
10% debenture	70,000	90,000
8% long term loans	50,000	40,000
Securities premium reserve	12,000	15,000
Bank overdraft	7,000	9,000
Short term loans from bank @6%	5,000	4,000
Surplus i.e statement of profit and loss account	80,000	1,20,000
Interest payable on bank overdraft	3,000	4,000
Underwriting commission	(5,000)	(7,000)
Provision for income tax	40,000	50,000

Additional information

- During the year 2018-2019 company issued bonus shares in the ratio of 2:1
- During the year preference share redeemed at a premium of 10%
- Board proposed the dividend for the year ended 31-3-2018 for Rs 25,000 and for the year ended 31-3-2019 for RS 30,000. But the shareholders did not declare (approve) the proposed dividend in AGM
- Interim dividend paid for Rs 12,000
- Interest on overdraft charged to statement of profit and loss account for Rs 6,000
- Income tax paid includes Rs 7,000 paid toward dividend distribution tax and Rs 3,000 toward tax paid on capital gain.(5.77)

Calculate

Cash flow from operating activities

cash flow from financing activities

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Question 4

Following is the extract from the balance sheet

particulars	31-3-2018	31-3-2019
Equity share capital	1,00,000	1,50,000
12% preference share capital	80,000	90,000
Fixed assets	1,00,000	2,00,000
Surpluses i.e statement of profit and loss account	50,000	(30,000)

Addition information

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Proposed dividend on	31-3-2018	31-3-2019
(a) Equity shares	12%	15%
(b) Preference shares	12%	12%
(c) Accumulated depreciation	20,000	30,000

Depreciation charged during the year for Rs 15,000 out of the above assets one fixed assets costing Rs 50,000 sold at Rs 34,000

Show the above treatment in Cash flow from operating activities , cash flow from investing activities and cash flow from financing activities.

Question 5

prepare the cash flow statement

Balance sheet as at ____ (Main heads only)

particulars	note	2018	2019
I. EQUITY AND LIABILITIES			
1. Shareholder's funds			
(a) Share capital	1	1,50,000	2,80,000
(b) Reserve and surplus	2	77,000	79,000
2. Non-current liabilities			
(a) Long term borrowings	3	20,000	30,000
(b) Other long term liabilities		10,000	9,000
(c) Long term provisions		5,000	4,500
3. Current liabilities			
(a) Short term borrowings	4	15,000	14,000
(b) Trade payable	5	11,000	10,000
(c) Other current liabilities	6	5,000	5,100
(d) Short term provisions	7	<u>13,000</u>	<u>13,900</u>
Total		<u>3,06,000</u>	<u>4,45,500</u>
II Assets			
1. Non-current assets			
(a) Fixed assets			
(1) tangible assets	8	1,26,000	1,58,000
(2) intangible assets	9	30,000	30,500
(3) non-current investment	10	50,000	1,55,000
(4) long term loans and advances	11	40,000	70,000
(5) other non-current assets		10,000	15,000
1. current assets			
(a) current investments		5,000	3,000
(b) inventories		3,000	1,500
(c) trade receivable	12	5,000	4,500

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(d) cash and cash equivalents	14.	7,000	3,000
(e) short term loans and advances		25,000	2,000
(f) other current assets	13	<u>5,000</u>	<u>3,000</u>
Total		<u>3,06,000</u>	<u>4,45,500</u>

Notes to accounts

particulars	2018	2019
1. Share capital		
(a) Equity share capital	1,00,000	2,50,000
(b) 10% preference share capital	<u>50,000</u>	<u>30,000</u>
	<u>1,50,000</u>	<u>2,80,000</u>
2. Reserve and surpluses		
(a) General reserve	30,000	40,000
(b) Securities premium reserve	15,000	18,000
(c) Surpluses i.e balance in the statement of profit and loss account	40,000	30,000
Less;- discount on issue of debenture	(5,000)	(4,000)
Underwriting commission	<u>(3,000)</u>	<u>(5,000)</u>
	<u>77,000</u>	<u>79,000</u>
3. Long term borrowings		
10% debenture	10,000	12,000
12%Public deposits	<u>10000</u>	<u>18,000</u>
	<u>20,000</u>	<u>30,000</u>
4. Short- term borrowings		
Bank overdraft	5,000	8,000
Other Short term loans (12% bank loan)	<u>10,000</u>	<u>6,000</u>
	<u>15,000</u>	<u>14,000</u>
5. Trades payable		
Creditors	7,000	7,500
Bills payable	<u>4,000</u>	<u>2,500</u>
	<u>11,000</u>	<u>10,000</u>
6. Other current liabilities		
Outstanding expenses i.e interest payable on		

MASTER QUESTION

ACCOUNTANCY

Cash flow statement

overdraft)	3,000	2,800
Unexpired income	1,000	1,100
Premium on redemption of pref.shares	<u>1,000</u>	<u>1,200</u>
	<u>5,000</u>	<u>5,100</u>
7. Short term provision		
Provision for taxation	12,000	13,000
Other short term provision	<u>1,000</u>	<u>900</u>
	<u>13,000</u>	<u>13,900</u>
8. Tangible fixed assets		
Plant and machinery	65,000	90,000
Furniture and fixture	41,000	40,000
Motar vehicle	<u>20,000</u>	<u>28,000</u>
	<u>1,26,000</u>	<u>1,58,000</u>
9. Intangible fixed assets		
Goodwill	12,000	15,500
trade marks and patent	<u>18,000</u>	<u>15,000</u>
	<u>30,000</u>	<u>30,500</u>
10. Non-current investment		
6% in fixed deposits	50,000	1,55,000
11. Long-term loans and advances		
8% Loan to micro ltd	40,000	70,000
12. Trade receivable		
Debtors	2,000	2,500
Bills receivable	<u>3,000</u>	<u>2,000</u>
	<u>5,000</u>	<u>4,500</u>
13. Other current assets		
Prepaid expenses	1,000	1,200
Accrued incomes	<u>4,000</u>	<u>1,800</u>
	<u>5,000</u>	<u>3,000</u>
14. Cash and cash equivalent		
Cash in hand	2,000	1000
Cash at bank	1,000	500
Current investment	3,500	500
Short term deposits in banks	<u>500</u>	<u>1000</u>
	<u>7,000</u>	<u>3,000</u>

Addition information:-

MASTER QUESTION

CLASS-12

ACCOUNTANCY

Cash flow statement

Interest on overdraft debited to statement of profit and loss account for Rs 1,000