

**UDHNA CITIZEN COMMERCE COLLEGE &
S.P.B. COLLEGE OF BUSINESS ADMINISTRATION &
SMT. DIWALIBEN HARJIBHAI GONDALIA COLLEGE OF BCA & IT**

(Self Financed)

(Managed by Udhna Academy Education Trust)

214, Ranchhod Nagar, Opp. Swaminarayan Temple, Surat-Navsari Road, SURAT-394 210

Class: T.Y.B.Com. (Sem. 5)

Subject: Advanced Accounting & Auditing 6

Cash Flow Statement

Solutions for Class Work

Ans.1

Cash Flow from Operating Activities

Particulars	Rs.	Rs.
Profit		10000
Add:		
General reserve	10000	
Depreciation	22000	
Goodwill written off	<u>20000</u>	<u>52000</u>
		62000
Less: Profit on Plant		<u>8000</u>
		54000
+ Decrease in Debtors	10000	
- Decrease in Expenses outstanding	<u>4000</u>	<u>6000</u>
Cash Flow from Operating Activities		60000

Depreciation Account

Particulars	Rs.	Particulars	Rs.
Plant Account	12000	Opening Balance	60000
Closing Balance	70000	Profit & Loss Account (?)	22000
	<u>82000</u>		<u>82000</u>

Ans.2

Cash Flow from Operating Activities

Particulars	Rs.	Rs.
Decrease in Debtors	4000	
Increase in Creditors	6000	
Increase in Outstanding expenses	<u>400</u>	<u>10400</u>
Less: Increase in Bills receivable	2500	
Decrease in Bills Payable	1000	
Increase in Stock	<u>5000</u>	<u>8500</u>
Cash Flow from Operating Activities		1900

Ans.3

Particulars	Rs.
Opening Balance	125000
+ Purchases	540000
	665000
Closing Balance	525000
Sales	140000

Cash flow from Investing activities

Particulars	Rs.	Rs.
Sales of Investment (140000- 20% loss)	112000	
Purchase of Investment	<u>540000</u>	
Cash flow from Investing activities		-428000

Ans.5

General Reserve Account

Particulars	Rs.	Particulars	Rs.
Equity Share Account	50000	Opening Balance	60000
Closing Balance	20000	Profit & Loss Account	10000
	70000		70000

Equity Share Capital Account

Particulars	Rs.	Particulars	Rs.
		Opening Balance	100000
Closing Balance	150000	General Reserve Account	50000
	150000		150000

Provision for Taxation Account

Particulars	Rs.	Particulars	Rs.
Bank Account	14000	Opening Balance	15000
Closing Balance	17000	Profit & Loss Account	16000
	31000		31000

Fixed Asset Account

Particulars	Rs.	Particulars	Rs.
Opening Balance	130000	Profit & Loss Account (Depreciation)	5000
Bank Account	98000	Closing Balance	223000
	228000		228000

Investment Account

Particulars	Rs.	Particulars	Rs.
Opening Balance	15000	Bank Account	6000
Profit & Loss Account	1000	Closing Balance	12000
Bank Account	2000		
	18000		18000

Cash Flow Statement

Particulars	Rs.	Rs.
Difference in Profit		2000
Add:		
General Reserve	10000	
Provision for taxation	16000	
Depreciation	5000	

Preliminary expenses written off	2000	
Interim dividend	<u>9000</u>	<u>42000</u>
		44000
Less: Profit on Investment		1000
Profit before changes in working capital		43000
Add:		
Decrease in Debtors	<u>20000</u>	
Increase in Creditors	<u>6000</u>	
	26000	
Less:		
Increase in Stock	<u>5000</u>	<u>21000</u>
		64000
Less: Tax paid		<u>14000</u>
(A) Cash Flow from Operating Activities		50000
(B) Cash Flow from Investing Activities		
Sale of Investment	6000	
Less:		
Purchase of Fixed Assets	98000	
Purchase of Investments	<u>2000</u>	
(B) Cash Flow from Investing Activities		-94000
I Cash Flow from Financing Activities		
Issue of Debentures	50000	
Less: Interim Dividend	<u>9000</u>	
I Cash Flow from Financing Activities		<u>41000</u>
Decrease in cash and cash equivalents		-3000
Opening Balance of Cash		<u>12000</u>
Closing Balance of Cash		9000

Ans.6

Land Building Account

Particulars	Rs.	Particulars	Rs.
Opening Balance	1230000	Bank Account	480000
Capital Reserve Account	60000	Depreciation	90000
Profit & Loss Account	120000	Closing Balance	840000
	1410000		1410000

Capital Reserve Account

Particulars	Rs.	Particulars	Rs.
		Opening Balance	-
Closing Balance	60000	Land & Building Account	60000
	60000		60000

Plant Account

Particulars	Rs.	Particulars	Rs.
Opening Balance	360000	Depreciation	90000
Bank Account	510000	Closing Balance	780000
	870000		870000

Debenture Account

Particulars	Rs.	Particulars	Rs.
		Opening Balance	-
Closing Balance	600000	Bank Account	540000
		Debenture Discount	60000
	600000		600000

Debenture Discount Account

Particulars	Rs.	Particulars	Rs.
Opening Balance	-	Profit & Loss Account	24000
Debenture Account	60000	Closing Balance	36000
	60000		60000

General Reserve Account

Particulars	Rs.	Particulars	Rs.
Equity Share Capital Account	480000	Opening Balance	840000
Closing Balance	540000	Profit & Loss Account	180000
	1020000		1020000

Equity Share Capital Account

Particulars	Rs.	Particulars	Rs.
		Opening Balance	1200000
Closing Balance	2100000	General Reserve Account	480000
		Bank Account	420000
	2100000		2100000

Provision for Taxation Account

Particulars	Rs.	Particulars	Rs.
Bank Account	216000	Opening Balance	240000
Closing Balance	276000	Profit & Loss Account	252000
	492000		492000

Cash Flow Statement

Particulars	Rs.	Rs.
Difference in Profit	90000	
Add:		
General Reserve	180000	
Provision for taxation	252000	
Depreciation – Land & Building	120000	
Depreciation – Plant	90000	
Proposed Dividend	300000	
Debenture Discount written off	24000	
Goodwill written off	18000	
Preliminary expenses written off	12000	
Interim dividend	<u>72000</u>	
	1128000	
Less: Profit on Land Building	120000	
Profit before changes in working capital	1008000	
Add:		
Increase in Staff Pension Fund	30000	
Increase in Creditors	<u>90000</u>	
	1128000	
Less:		
Increase in Stock	630000	
Increase in Debtor	468000	
Increase in Bills Receivable	174000	
Decrease in Bills Payable	<u>132000</u>	
	-276000	

Less: Tax paid	<u>216000</u>	
(A) Cash Flow from Operating Activities		-492000
(B) Cash Flow from Investing Activities		
Sale of Land Building	480000	
Less:		
Purchase of Plant	510000	
Purchase of Investments	<u>180000</u>	
(B) Cash Flow from Investing Activities		-210000
I Cash Flow from Financing Activities		
Issue of Debentures	540000	
Issue of Equity Share	<u>420000</u>	
Less: Dividend Paid	210000	
Less: Interim Dividend	<u>72000</u>	
I Cash Flow from Financing Activities		<u>678000</u>
Decrease in cash and cash equivalents		-24000
Opening Balance of Cash		<u>360000</u>
Closing Balance of Cash		336000

Ans.7

Debenture Account

Particulars	Rs.	Particulars	Rs.
		Opening Balance	200000
Closing Balance	600000	Bank Account	390000
		Debenture Discount	10000
	600000		600000

Debenture Discount Account

Particulars	Rs.	Particulars	Rs.
Opening Balance	-		
Debenture Account	10000	Closing Balance	10000
	10000		10000

Stock Account

Particulars	Rs.	Particulars	Rs.
Opening Balance	540000	Decrease in stock	200000
Valuation of stock	60000	Closing Balance	400000
	600000		600000

Preference share capital Account

Particulars	Rs.	Particulars	Rs.
Pref. share holder Account	250000	Opening Balance	200000
		Bank Account	50000
	<u>250000</u>		<u>250000</u>

Redemption Premium Account

Particulars	Rs.	Particulars	Rs.
Pref. share holder Account	20000	Profit & Loss Account	20000
	<u>20000</u>		<u>20000</u>

Pref. share holder Account

Particulars	Rs.	Particulars	Rs.
Bank Account	270000	Pref. share Capital	250000
		Redemption Premium Account	20000
	<u>270000</u>		<u>270000</u>

Capital Redemption Reserve Account

Particulars	Rs.	Particulars	Rs.
		Opening Balance	-
Closing Balance	100000	General Reserve Account	100000
	100000		100000

Equity Share Capital Account

Particulars	Rs.	Particulars	Rs.
		Opening Balance	200000
Closing Balance	950000	Bank Account	150000
		Capital Reserve Account	400000
		Bank Account	200000
	950000		950000

General Reserve Account

Particulars	Rs.	Particulars	Rs.
Capital Red. Reserve Account	100000	Opening Balance	600000
Closing Balance	600000	Profit & Loss Account	100000
	700000		700000

Fixed Asset Account

Particulars	Rs.	Particulars	Rs.
Opening Balance	1000000	Bank Account	1200000
Capital Reserve Account	200000		
Bank Account	2200000	Closing Balance	2200000
	3400000		3400000

Depreciation Fund Account

Particulars	Rs.	Particulars	Rs.
		Opening Balance	200000
Closing Balance	600000	Profit & Loss Account	400000
	600000		600000

Capital Reserve Account

Particulars	Rs.	Particulars	Rs.
Equity Share Capital Account	400000	Opening Balance	200000
Closing Balance	-	Fixed Asset Account	200000
	400000		400000

Investment Account

Particulars	Rs.	Particulars	Rs.
Opening Balance	200000	Bank Account	250000
Profit & Loss Account	50000	Closing Balance	-
	250000		250000

Provision for Taxation Account

Particulars	Rs.	Particulars	Rs.
Bank Account	200000	Opening Balance	400000
Closing Balance	1000000	Profit & Loss Account	800000
	1200000		1200000

Cash Flow Statement

Particulars	Rs.	Rs.
Difference in Profit	360000	
Add:		
General Reserve	100000	
Provision for taxation	800000	
Preference share premium	20000	
Depreciation	400000	
Interim dividend	100000	
	1780000	
Less: Profit on Investment	50000	
Profit on valuation stock	60000	
	1670000	
Decrease in stock	200000	
Increase in Debtors	(140000)	
Increase in Creditors	600000	
Increase in Bills Payable	400000	<u>1060000</u>
		2730000
Less: Tax paid		<u>200000</u>
(A) Cash Flow from Operating Activities		2530000
(B) Cash Flow from Investing Activities		
Sale of fixed assets	1200000	
sale of Investments	250000	
Less:		

Purchase of fixed assets	<u>2200000</u>	
(B) Cash Flow from Investing Activities		-750000
Cash Flow from Financing Activities		
Installment on RPS	50000	
Issue of Equity Share	350000	
Issue of Debenture	390000	
	790000	
Less: Payment to RPS	270000	
Less: Interim Dividend	<u>100000</u>	
I Cash Flow from Financing Activities		<u>420000</u>
increase in cash and cash equivalents		2200000
Opening Balance of Cash (bank overdraft)		<u>-200000</u>
Closing Balance of Cash		2000000

Ans.8

Land Account

Particulars	Rs.	Particulars	Rs.
Opening Balance	20000	Bank Account	15000
Capital Reserve Account	10000	Closing Balance	15000
	30000		30000

Capital Reserve Account

Particulars	Rs.	Particulars	Rs.
		Opening Balance	-
Closing Balance	10000	Land & Building Account	10000
	10000		10000

Plant Account

Particulars	Rs.	Particulars	Rs.
Opening Balance	50000	Bank account	9000
Profit & Loss Account	4000	Depreciation	13500
Bank Account	35000		
Debenture Account	10000	Closing Balance	76500
	99000		99000

Investment Account

Particulars	Rs.	Particulars	Rs.
Opening Balance	8000	Bank Account	7000
Profit & Loss Account	2000	dividend received	500
Bank Account	2500	Closing Balance	5000
	12500		12500

Equity Share Capital Account

Particulars	Rs.	Particulars	Rs.
		Opening Balance	50000
Closing Balance	60000	Bank Account	10000
	60000		60000

General Reserve Account

Particulars	Rs.	Particulars	Rs.
Voluntary retirement payment	5000	Opening Balance	25000

account			
Profit & Loss Account	10000		
Closing Balance	10000		
	25000		25000

Voluntary retirement payment account

Particulars	Rs.	Particulars	Rs.
Opening Balance	6500	General Reserve Account	5000
Bank Account	11000	Closing Balance	12500
	17500		17500

Debenture Account

Particulars	Rs.	Particulars	Rs.
		Opening Balance	-
Closing Balance	20000	Plant Account	10000
		Bank Account	10000
	20000		20000

Provision for Taxation Account

Particulars	Rs.	Particulars	Rs.
Bank Account	10000	Opening Balance	6000
Closing Balance	9500	Profit & Loss Account	13500
	19500		19500

Cash Flow Statement

Particulars	Rs.	Rs.
Difference in Profit		2000
Add:		
Capital Redemption Reserve	10000	
Provision for taxation	13500	
Depreciation – Plant	13500	
Proposed Dividend	9000	
Preliminary expenses written off	1500	47500
		49500
Less: Profit on Investment	2000	
Less: Profit on Plant	4000	
General reserve	10000	16000
Profit before changes in working capital		33500
Add:		
Increase in Unpaid expenses	1000	

Increase in Creditors	1500	
Decrease in Bills Receivable	<u>500</u>	
	2500	
Less:		
Increase in Stock	500	
Increase in Debtor	4500	
Decrease in Bills Payable	<u>1000</u>	<u>-3000</u>
		30500
Less: Voluntary retirement payment	11000	
Less: Tax paid	<u>10000</u>	<u>21000</u>
(A) Cash Flow from Operating Activities		9500
(B) Cash Flow from Investing Activities		
Sale of Land	15000	
Sale of Investment	7000	
Dividend received	500	
Sale of Machinery	<u>9000</u>	
	31500	
Purchase of Plant	35000	
Purchase of Investments	<u>2500</u>	
(B) Cash Flow from Investing Activities		-6000
I Cash Flow from Financing Activities		
Issue of Debentures	10000	
Issue of Equity Share	<u>10000</u>	
Less: Dividend Paid	6000	
Less: Payment to RPS holder	<u>20000</u>	
I Cash Flow from Financing Activities		-6000
Decrease in cash and cash equivalents		-2500
Opening Balance of Cash		<u>9000</u>
Closing Balance of Cash		6500

Ans. 9

Machinery Account

Particulars	Rs.	Particulars	Rs.
Opening Balance	840000	Bank Account	25000
Profit & Loss Account	3000	Depreciation	28000
Bank Account	230000	Closing Balance	1020000
	1073000		1073000

Equity Share Capital Account

Particulars	Rs.	Particulars	Rs.
		Opening Balance	1200000
Closing Balance	1600000	Bank Account	400000
	1600000		1600000

Share Premium Account

Particulars	Rs.	Particulars	Rs.
RPS redemption premium	20000	Opening Balance	20000
Closing Balance	60000	Bank account	60000
	80000		80000

Debenture Account

Particulars	Rs.	Particulars	Rs.
Bank Account	50000	Opening Balance	100000
Closing Balance	50000		
	100000		100000

Debenture Premium Account

Particulars	Rs.	Particulars	Rs.
Bank Account	5000	Profit & Loss Account	5000
	5000		5000

Preference share capital Account

Particulars	Rs.	Particulars	Rs.
Pref. share holder Account	200000	Opening Balance	800000
Closing Balance	600000		

	<u>800000</u>		<u>800000</u>
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Redemption Premium Account

Particulars	Rs.	Particulars	Rs.
Pref. share holder Account	20000	Share Premium Account	20000
	<u>20000</u>		<u>20000</u>

Pref. share holder Account

Particulars	Rs.	Particulars	Rs.
Bank Account	220000	Pref. share Capital	200000
		Redemption Premium Account	20000
	<u>220000</u>		<u>220000</u>

Provision for Taxation Account

Particulars	Rs.	Particulars	Rs.
Bank Account	65000	Opening Balance	76000
Closing Balance	80000	Profit & Loss Account	69000
	145000		145000

Cash Flow Statement

Particulars	Rs.	Rs.
Difference in Profit		-66000
Add:		
Reserve	86000	
Provision for taxation	69000	
Debenture redemption premium	5000	
Depreciation	28000	
dividend	160000	
Preference divined	60000	
Goodwill written off	10000	
Patent written off	<u>12000</u>	<u>430000</u>
		364000
Less: Profit on Machinery	3000	3000
		361000
Increase in stock	(104000)	
Increase in Debtors	(32000)	
Increase in Prepaid expenses	(2000)	
Increase in Bills Receivable	(10000)	
Increase in Creditors	20000	

Increase in Bills Payable	46000	
Increase in BOD	18000	-64000
		297000
Less: Tax paid		<u>65000</u>
(A) Cash Flow from Operating Activities		232000
(B) Cash Flow from Investing Activities		
Sale of Machinery	25000	
Less:		
Purchase of Land	28000	
Purchase of Machinery	<u>230000</u>	
(B) Cash Flow from Investing Activities		-233000
Cash Flow from Financing Activities		
Installment on RPS		
Issue of Equity Share	460000	
Issue of Debenture		
Less: Payment to RPS	220000	
Payment to Debenture holder	55000	
Preference dividend	80000	
Proposed Dividend	<u>120000</u>	
I Cash Flow from Financing Activities		<u>-15000</u>
decrease in cash and cash equivalents		-16000
Opening Balance of Cash (bank overdraft)		<u>20000</u>
Closing Balance of Cash		4000