

**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

Fund Flow Statement

Class work solutions

Ans.1

- I. Sale of goods for cash at Rs. 25000 - **does not affect**
- II. Provided for bad debt reserve Rs. 20000- **application of funds**
- III. Non-trading incomes Rs. 5000- **source of funds**
- IV. Goods returned to the suppliers Rs. 10000 - **does not affect**

Ans.2

Suppose Cost Price of Stock 100

- 10% 10

Value of Stock on 31.3.17 90

Value of Stock on 31.3.17 Cost Price

90 100

72000 (?)

Stock Cost Price on 31.3.17 Rs. 80000

Stock Cost Price on 31.3.18 Rs. 90000

Increase in stock Rs. 10000 – Application of Fund

Ans.3

Machinery Account

Particulars	Rs.	Particulars	Rs.
Opening Balance	700000	Depreciation fund A/c.	60000
Purchases (?)	200000	Cash A/c. (sales)	30000
		Profit & loss A/c. (loss)	10000
		Closing Balance	800000
	<u>900000</u>		<u>900000</u>

Depreciation Fund Account

Particulars	Rs.	Particulars	Rs.
Machinery Account	60000	Opening Balance	200000
Closing Balance	240000	Profit & Loss A/c. (current year dep.)	100000
	<u>900000</u>		<u>900000</u>

Calculation:

Value of Machinery	100000
-Dep.	60000
	40000
-Sales (?)	30000
Loss	10000

ANS:4

Schedule of Changes in Working Capital

Particulars	31.03.23 Rs.	31.03.24 Rs.	Changes in Working Capital	
			Increase Rs.	Decrease Rs.
Current Assets:				
Debtors	160000	200000	40000√	-
Stock	77000	109000	32000√	-
Bills receivable	20000	30000	10000√	-
Cash in hand	15000	10000	-	5000√
Cash at bank	10000	8000	-	2000√
Total Current Assets (A)	282000	357000		

Total Current Liabilities				
Creditors	55000	83000	-	28000√
Bills payable	20000	16000	4000√	-
Total Current Liabilities (B)	75000	99000		
Working Capital (A-B)	207000	258000		
Increase in Working Capital (?)	51000			51000√
	<u>258000</u>	<u>258000</u>	<u>86000</u>	<u>86000</u>

Profit and Loss Account

Particulars	Rs.	Particulars	Rs.
Depreciation on land	20000√	Opening Balance	30000
Dep. on Machinery	10000√		
Provision for income tax	45000√		
Goodwill written off	25000√		
Proposed Dividend	50000√	Adjusted Profit	218000√
Interim Dividend	20000√		
Gen. Reserve	30000√		
Closing Balance	48000		
	<u>248000</u>		<u>248000</u>

Fund Flow Statement

Sources of funds	Sources of funds	Rs.	Rs.
Issue of Equity Share Capital		100000√	
Adjusted Profit		218000√	
Sale of land		10000√	328000
Application of Funds			
Purchases of Machinery		130000√	
Redemption of Preference share		50000√	
Payment of final dividend		42000√	

Payment of Interim dividend	20000✓	
Payment of tax	35000✓	
Increase in Working Capital	51000✓	328000✓

Ans.5

Schedule of Changes in Working Capital

Particulars	31.03.05 Rs.	31.03.06 Rs.	Changes in Working Capital	
			Increase Rs.	Decrease Rs.
Current Assets:				
Stock	62500	97600	35100	-
Debtors	39900	34100	-	5800
Cash	17500	23700	6200	-
Total Current Assets (A)	119900	155400		
Total Current Liabilities				
Creditors	99999	111111	-	11112
Bills payable	20001	18889	1112	
Total Current Liabilities (B)	120000	130000		
Working Capital (A-B)	-100	25400		
Increase in Working Capital (?)	25500			25500
	<u>25400</u>	<u>25400</u>	<u>42412</u>	<u>42412</u>

Land and Building Account

Particulars	Rs.	Particulars	Rs.
Opening Balance	29000	Depreciation Account	8000
Profit & Loss Account	14000	Bank Account	25000
Bank Account	35000	Closing Balance	45000
	<u>78000</u>		<u>78000</u>

Depreciation Fund Account (Land & Building)

Particulars	Rs.	Particulars	Rs.
Land and Building Account	8000	Opening Balance	12000
Closing Balance	9000	Profit & Loss A/c. (current year dep.)	5000
	<u>17000</u>		<u>17000</u>

Furniture Account

Particulars	Rs.	Particulars	Rs.
Opening Balance	16000	Depreciation Fund Account	1000
		Bank Account	2500
		Profit & Loss Account	1500
		Closing Balance	11000
	<u>16000</u>		<u>16000</u>

Depreciation Fund Account (Furniture)

Particulars	Rs.	Particulars	Rs.
Furniture Account	1000	Opening Balance	6000
Closing Balance	5600	Profit & Loss A/c. (current year dep.)	600
	<u>6600</u>		<u>6600</u>

Motor Vehicle Account

Particulars	Rs.	Particulars	Rs.
Opening Balance	20000		
Bank Account	21000	Closing Balance	41000
	<u>41000</u>		<u>41000</u>

Depreciation Fund Account (Motor Vehicle)

Particulars	Rs.	Particulars	Rs.
		Opening Balance	9000
Closing Balance	17000	Profit & Loss A/c. (current year dep.)	8000
	<u>17000</u>		<u>17000</u>

Investment Account

Particulars	Rs.	Particulars	Rs.
Opening Balance	52100	Profit & Loss A/c.	11500
		Closing Balance	40600
	<u>52100</u>		<u>52100</u>

Share issue expenses Account

Particulars	Rs.	Particulars	Rs.
Opening Balance	-	Profit & Loss A/c.	3000
Bank Ac	9000	Closing Balance	6000
	<u>9000</u>		<u>9000</u>

Profit and Loss Account

Particulars	Rs.	Particulars	Rs.
Dep. of Land and Building	5000	Opening Balance	25000
Loss on Furniture	1500	Profit on Land and Building	14000
Depreciation of Furniture	600	Adjusted Profit	28000
Depreciation of Motor Vehicle	8000		
Investment written off	11500		
Share issue exp. written off	3000		
Closing Balance	37400		
	<u>67000</u>		<u>67000</u>

Fund Flow Statement

Sources of funds	Rs.	Application of funds	Rs.
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Sales of Land and Building	25000	Purchase of Land and Building	35000
Sales of Furniture	2500	Purchase of Motor Vehicle	21000
Issue of Equity Share	35000	Share issue expenses	9000
Adjusted Profit	28000	Increase in Working Capital	25500
	<u>90500</u>		<u>90500</u>

Ans.6

Schedule of Changes in Working Capital

Particulars	31.03.05 Rs.	31.03.06 Rs.	Changes in Working Capital	
			Increase Rs.	Decrease Rs.
Current Assets:				
Stock	50000	80000	30000	-
Debtors	160000	110000	-	50000
Cash	10000	20000	10000	-
Prepaid expenses	4000	5750	1750	
Total Current Assets (A)	224000	215750		
Total Current Liabilities				
Creditors	90000	70000	20000	-
Total Current Liabilities (B)	90000	70000		
Working Capital (A-B)	134000	145750		
Increase in Working Capital (?)	11750			11750
	<u>145750</u>	<u>145750</u>	<u>61750</u>	<u>61750</u>

Investment Account

Particulars	Rs.	Particulars	Rs.
Opening Balance	100000	Bank Account	50000
Profit & Loss Account (profit)	10000	Closing Balance	60000
	<u>110000</u>		<u>110000</u>

Debenture Account

Particulars	Rs.	Particulars	Rs.
Debenture holder Account	50000	Opening Balance	150000
Closing Balance	100000		
	<u>15000</u>		<u>150000</u>

Debenture Redemption Premium Account

Particulars	Rs.	Particulars	Rs.
Debenture holder Account	2500	Profit and Loss A/c.	2500
	<u>2500</u>		<u>2500</u>

Debenture holder Account

Particulars	Rs.	Particulars	Rs.
Bank Account	52500	Debenture Account	50000
		Debenture Redemption Premium A/c.	2500
	<u>52500</u>		<u>52500</u>

Provision for Income tax Account

Particulars	Rs.	Particulars	Rs.
Bank Account	45000	Opening Balance	50000
Closing Balance	40000	Profit and Loss A/c.	35000
	<u>15000</u>		<u>150000</u>

Machinery Account

Particulars	Rs.	Particulars	Rs.
Opening Balance	298000	Bank Account	35000
Profit & Loss Account (profit)	15000	Profit & Loss A/c.written off machinery	3000
Bank Account	230000	Profit & Loss Account (dep.)	75750
		Closing Balance	429250
	<u>543000</u>		<u>543000</u>

Profit and Loss Account

Particulars	Rs.	Particulars	Rs.
General Reserve	20000	Opening Balance	30000
Provision for income tax	35000	Profit on Land and Building	15000
Proposed dividend	40000	Profit on Investment	10000
Goodwill written off	10000	Adjusted Profit	184250
Machinery written off	3000		
Depreciation – Machinery	75750		
Debenture redemption prem.	2500		
Deb. discount written off	3000		
Closing Balance	50000		
	<u>239250</u>		<u>239250</u>

Fund Flow Statement

Sources of funds	Rs.	Application of funds	Rs.
Sales of Investment	50000	Purchase of Machinery	230000
Sales of Machinery	35000	Payment of Debenture	52500
Issue of Equity Share	100000	Payment of taxes	45000
Adjusted Profit	182450	Increase in Working Capital	11750
		Payment of dividend	30000
	<u>369250</u>		<u>369250</u>

Ans.7

Schedule of Changes in Working Capital

Particulars	31.03.05 Rs.	31.03.06 Rs.	Changes in Working Capital	
			Increase Rs.	Decrease Rs.
Current Assets:				
Stock	40000	70000	30000	-
Debtors	80000	50000	-	30000
Bills receivable	20000	30000	10000	-
Cash	20000	30000	10000	-
Bank	-	90000	90000	
Total Current Assets (A)	160000	270000		
Total Current Liabilities				
Bank overdraft	50000	-	50000	
Creditors	60000	35000	25000	-
Total Current Liabilities (B)	110000	35000		
Working Capital (A-B)	50000	235000		
Increase in Working Capital (?)	185000			185000
	<u>235000</u>	<u>235000</u>	<u>215000</u>	<u>215000</u>

Provision for Income tax Account

Particulars	Rs.	Particulars	Rs.
Bank Account	30000	Opening Balance	25000
Closing Balance	30000	Profit and Loss A/c.	35000
	<u>60000</u>		<u>60000</u>

Investment Account

Particulars	Rs.	Particulars	Rs.
Opening Balance	60000	Bank Account	80000
Profit & Loss Account (profit)	20000	Closing Balance	-
	<u>80000</u>		<u>80000</u>

Land & Building Account

Particulars	Rs.	Particulars	Rs.
Opening Balance	15000	Profit & Loss Account (dep.)	25000
Bank Account	75000	Closing Balance	200000
	<u>225000</u>		<u>225000</u>

Machinery Account

Particulars	Rs.	Particulars	Rs.
Opening Balance	120000	Profit & Loss Account (dep.)	20000
Bank Account	150000	Closing Balance	250000
	<u>270000</u>		<u>270000</u>

Preference share capital Account

Particulars	Rs.	Particulars	Rs.
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Pref. share holder Account	120000	Opening Balance	90000
		Bank Account	30000
	<u>120000</u>		<u>120000</u>

Share premium Account

Particulars	Rs.	Particulars	Rs.
Red. Premium Account	12000	Opening Balance	20000
Closing balance	8000		
	<u>20000</u>		<u>200000</u>

Redemption Premium Account

Particulars	Rs.	Particulars	Rs.
Pref. share holder Account	12000	Share premium Account	12000
	<u>12000</u>		<u>12000</u>

Pref. share holder Account

Particulars	Rs.	Particulars	Rs.
Bank Account	132000	Pref. share Capital	120000
		Redemption Premium Account	12000
	<u>132000</u>		<u>132000</u>

General Reserve Account

Particulars	Rs.	Particulars	Rs.
Capital Red. Reserve A/c	120000	Opening Balance	100000
Closing balance	90000	Profit & Loss Account	110000
	<u>210000</u>		<u>210000</u>

Capital Red. Reserve A/c

Particulars	Rs.	Particulars	Rs.
Equity share Capital Account	120000	General Reserve Account	120000
	<u>120000</u>		<u>120000</u>

Equity share Capital Account

Particulars	Rs.	Particulars	Rs.
		Opening Balance	240000
Closing balance	400000	Capital Red. Reserve Account	12000
		Bank Account	40000
	<u>400000</u>		<u>400000</u>

Debenture Account

Particulars	Rs.	Particulars	Rs.
		Opening Balance	-
Closing Balance	100000	Bank Account	96000
		Debenture Discount Account	4000

	<u>100000</u>		<u>100000</u>
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Debenture Discount Account

Particulars	Rs.	Particulars	Rs.
Opening Balance	-	Profit and Loss A/c.	4000
Debenture Account	4000	Closing Balance	-
	<u>4000</u>		<u>4000</u>

Profit and Loss Account

Particulars	Rs.	Particulars	Rs.
Provision for income tax	35000	Opening Balance	40000
Depreciation – land & building	25000	Profit on Investment	20000
Depreciation – Machinery	20000	Adjusted Profit	351000
General Reserve	110000		
Deb. discount written off	4000		
Goodwill written off	80000		
Proposed dividend	50000		
Closing Balance	87000		
	<u>411000</u>		<u>411000</u>

Fund Flow Statement

Sources of funds	Rs.	Application of funds	Rs.
Sales of Investment	80000	Purchase of land & building	75000
Installment of pref. share	30000	Purchase of Machinery	150000
Issue of Equity Share	40000	Payment of taxes	30000
Adjusted Profit	351000	Increase in Working Capital	185000
Issue of Debenture	96000	Payment of dividend	25000
		Payment of pref. share holder	132000
	<u>597000</u>		<u>597000</u>

Ans. 8

Schedule of Changes in Working Capital

Particulars	31.03.05 Rs.	31.03.06 Rs.	Changes in Working Capital	
			Increase Rs.	Decrease Rs.
Current Assets:				
Stock	25000	70000	45000	-
Debtors	45000	31000	-	14000
Bills Receivable	25000	14000	-	11000
Bank	90000	100000	10000	-
Total Current Assets (A)	185000	215000		
Total Current Liabilities				
Creditors	40000	62500	-	22500
Bills Payable	30000	15000	15000	-
Total Current Liabilities (B)	70000	77500		
Working Capital (A-B)	115000	137500		
Increase in Working Capital (?)	22500			22500
	<u>137500</u>	<u>137500</u>	<u>70000</u>	<u>70000</u>

Preference share capital Account

Particulars	Rs.	Particulars	Rs.
Pref. share holder Account	200000	Opening Balance	200000
Closing Balance	40000	Bank Account	40000
	<u>120000</u>		<u>120000</u>

Redemption Premium Account

Particulars	Rs.	Particulars	Rs.
Pref. share holder Account	30000	Share premium Account	30000
	<u>30000</u>		<u>30000</u>

Pref. share holder Account

Particulars	Rs.	Particulars	Rs.
Bank Account	230000	Pref. share Capital	200000
		Redemption Premium Account	30000
	<u>230000</u>		<u>230000</u>

Equity share Capital Account

Particulars	Rs.	Particulars	Rs.
		Opening Balance	200000
Closing Balance	400000	Bank Account	125000
		Capital Red. Reserve A/c	75000
	<u>400000</u>		<u>400000</u>

General Reserve Account

Particulars	Rs.	Particulars	Rs.
Capital Red. Reserve A/c	75000	Opening Balance	75000
Closing balance	88000	Profit & Loss Account	88000
	<u>163000</u>		<u>163000</u>

Share premium Account

Particulars	Rs.	Particulars	Rs.
Red. Premium Account	30000	Opening Balance	25000
Closing balance	7500	Bank Account	12500
	<u>37500</u>		<u>37500</u>

Capital Redemption Reserve Account

Particulars	Rs.	Particulars	Rs.
Equity share Capital Account	75000	General Reserve Account	75000
	<u>75000</u>		<u>75000</u>

Investment Account

Particulars	Rs.	Particulars	Rs.
Opening Balance	80000	Bank Account	100000
Profit & Loss Account (profit)	20000		
	<u>100000</u>		<u>100000</u>

Land & Building Account

Particulars	Rs.	Particulars	Rs.
Opening Balance	200000	Profit & Loss Account (dep.)	30000
Bank Account	70000	Closing Balance	240000
	<u>270000</u>		<u>270000</u>

Machinery Account

Particulars	Rs.	Particulars	Rs.
Opening Balance	230000	Bank Account	45000
Profit & Loss Account (profit)	5000	Profit & Loss Account (dep.)	45000
Bank Account	155000	Closing Balance	300000
	<u>390000</u>		<u>390000</u>

Debenture Account

Particulars	Rs.	Particulars	Rs.
Debenture holder Account	50000	Opening Balance	50000
Closing Balance	-		
	<u>50000</u>		<u>50000</u>

Debenture Redemption Premium Account

Particulars	Rs.	Particulars	Rs.
Debenture holder Account	5000	Profit and Loss A/c.	5000
	<u>5000</u>		<u>5000</u>

Debenture holder Account

Particulars	Rs.	Particulars	Rs.
Bank Account	55000	Debenture Account	50000
		Debenture Redemption Premium A/c.	5000
	<u>55000</u>		<u>55000</u>

Provision for Income tax Account

Particulars	Rs.	Particulars	Rs.
Bank Account	30000	Opening Balance	35000
Closing Balance	45000	Profit and Loss A/c.	40000
	<u>75000</u>		<u>75000</u>

Profit and Loss Account

Particulars	Rs.	Particulars	Rs.
General Reserve	88000	Opening Balance	80000
Provision for income tax	40000	Profit on Machinery	5000
Proposed dividend	42000	Profit on Investment	20000
Goodwill written off	10000	Adjusted Profit	265000
Depreciation – Land	30000		
Depreciation – Machinery	45000		
Debenture redemption prem.	5000		

Preliminary exp. written off	10000		
Closing Balance	100000		
	<u>370000</u>		<u>370000</u>

Fund Flow Statement

Sources of funds	Rs.	Application of funds	Rs.
Sales of Investment	100000	Purchase of Machinery	155000
Sales of Machinery	45000	Payment of Debenture	55000
Issue of Equity Share	125000	Payment of taxes	30000
Security Premium	12500	Increase in Working Capital	22500
Installment on Pref. share	40000	Payment of dividend	25000
Adjusted Profit	265000	Payment of Pref. share holder	230000
		Purchase of Land	70000
	<u>587500</u>		<u>587500</u>

Ans.9

Schedule of Changes in Working Capital

Particulars	31.03.05 Rs.	31.03.06 Rs.	Changes in Working Capital	
			Increase Rs.	Decrease Rs.
Total Current Assets (A)	157000	235000	78000	-
Total Current Liabilities	41250	43000	-	1750
Working Capital (A-B)	115750	192000		
Increase in Working Capital (?)	76250			76250
	<u>192000</u>	<u>192000</u>	<u>78000</u>	<u>78000</u>

Preference share capital Account

Particulars	Rs.	Particulars	Rs.
Pref. share holder Account	95000	Opening Balance	80000
Closing Balance	4000	Bank Account	19000
	<u>99000</u>		<u>99000</u>

Redemption Premium Account

Particulars	Rs.	Particulars	Rs.
Pref. share holder Account	14250	Share premium Account	14250
	<u>14250</u>		<u>14250</u>

Pref. share holder Account

Particulars	Rs.	Particulars	Rs.
Bank Account	109250	Pref. share Capital	95000
		Redemption Premium Account	14250
	<u>109250</u>		<u>109250</u>

Capital Redemption Reserve Account

Particulars	Rs.	Particulars	Rs.
Equity share Capital Account	95000	Profit & Loss Account	95000
	<u>95000</u>		<u>95000</u>

Equity share Capital Account

Particulars	Rs.	Particulars	Rs.
		Opening Balance	200000
Closing Balance	400000	Capital Red. Reserve A/c	95000
		Bank Account	105000
	<u>400000</u>		<u>400000</u>

General Reserve Account

Particulars	Rs.	Particulars	Rs.
		Opening Balance	120000
Closing balance	125000	Provision for taxation	5000
	<u>163000</u>		<u>163000</u>

Share premium Account

Particulars	Rs.	Particulars	Rs.
Red. Premium Account	14250	Opening Balance	3750
Closing balance	-	Bank Account	10500
	<u>14250</u>		<u>14250</u>

Land & Building Account

Particulars	Rs.	Particulars	Rs.
Opening Balance	220000	Bank Account	39000
Capital Reserve Account	9000		
Bank Account	80000	Closing Balance	27000
	<u>309000</u>		<u>309000</u>

Capital Reserve Account

Particulars	Rs.	Particulars	Rs.
		Opening Balance	2000
		Land & Building Account	9000
Closing Balance	20000	Profit & Loss Account	9000
	<u>20000</u>		<u>20000</u>

Vehicle Account

Particulars	Rs.	Particulars	Rs.
Opening Balance	33000	Profit & Loss Account (Depreciation)	9000
Bank Account	45000	Closing Balance	69000
	<u>78000</u>		<u>78000</u>

Machinery Account

Particulars	Rs.	Particulars	Rs.
Opening Balance	80000	Bank Account	18000
		Depreciation Fund Account	12000
		Profit & Loss Account (loss)	10000
Bank Account	110000	Closing Balance	150000
	<u>190000</u>		<u>190000</u>

Depreciation fund (machinery) Account

Particulars	Rs.	Particulars	Rs.
Machinery Account	12000	Opening Balance	20000
Closing Balance	30000	Profit & Loss Account	22000
	<u>42000</u>		<u>42000</u>

Provision for Income tax Account

Particulars	Rs.	Particulars	Rs.
Bank Account	35000	Opening Balance	40000
General Reserve Account	5000		
Closing Balance	52000	Profit and Loss A/c.	52000
	<u>52000</u>		<u>52000</u>

Profit and Loss Account

Particulars	Rs.	Particulars	Rs.
Capital Red. Reserve A/c	95000	Opening Balance	60000
Capital Reserve Account	9000	Adjusted Profit	300000
Loss – Machinery	10000		
Depreciation – Machinery	22000		
Depreciation – Vehicle	9000		
Provision for tax	52000		
Patent written off	12000		
Preliminary exp. written off	5000		
Equity dividend	36000		
Closing Balance	110000		
	<u>360000</u>		<u>360000</u>

Fund Flow Statement

Sources of funds	Rs.	Application of funds	Rs.
Sales of land	39000	Increase in Working Capital	76250
Sales of Machinery	18000	Purchase of Vehicle	45000
Issue of Equity Share	105000	Payment of taxes	35000
Security Premium	10500	Purchase of Machinery	110000
Installment on Pref. share	19000	Payment of Equity dividend	36000
Adjusted Profit	300000	Payment of Pref. share holder	109250
		Purchase of Land	80000
	<u>491500</u>		<u>491500</u>