

# Chapter 6 Cash Flow Statement (As per AS – 3 Revised)

## Question 1

Classify the following into:

- Operating activities
  - Investing activities
  - Financing activities
  - Cash equivalents, while preparing a cash flow statement
1. Cash sales
  2. Cash received from trade receivables
  3. Purchase of building
  4. Sale of building
  5. Issue of share capital or Debentures
  6. Buy-back of equity shares
  7. Dividend paid
  8. Interest paid on Debentures or Long-term loans by (a) Finance company (b) Non-finance company
  9. Cash purchases
  10. Cash paid to trade payables
  11. Redemption of debentures and preference shares
  12. Repayment of Long-term loan
  13. Office expenses
  14. Selling and distribution expenses
  15. Manufacturing expenses
  16. Purchase of goodwill
  17. Sale of patents
  18. Purchase of investments
  19. Sale of investments by (a) Finance company (b) Non-finance company
  20. Commission and royalty received
  21. Interest received on investments by (a) Finance company (b) Non-finance company
  22. Dividend received on shares by (a) Finance company (b) Non-finance company
  23. Rent paid
  24. Rent received if (a) Company's main business is property business (b) Other business
  25. Income tax paid
  26. Income tax refund received
  27. Bank balance
  28. Short-term deposits in the bank

29. Investment in the short term or marketable securities

**Solution:**

• **Operating activities:**

1. Cash sales
2. Cash received from trade receivables
3. Interest paid on Debentures or Long-term loans by **(a)** Finance company
4. Cash purchases
5. Cash paid to trade payables
6. Office expenses
7. Selling and distribution expenses
8. Manufacturing expenses
9. Sale of investments by (a) Finance company
10. Commission and royalty received
11. Interest received on investments by (a) Finance company
12. Dividend received on shares by (a) Finance company
13. Rent paid
14. Rent received if (a) Company's main business is property business
15. Income tax paid
16. Income tax refund received

• **Investing activities:**

1. Purchase of building
2. Sale of building
3. Purchase of goodwill
4. Sale of patents
5. Purchase of investments
6. Sale of investments by (b) Non-finance company
7. Interest received on investments by (b) Non-finance company
8. Dividend received on shares by (b) Non-finance company
9. Rent received if (b) Other business

• **Financing activities:**

1. Issue of share capital or Debentures
2. Buy-back of equity shares
3. Dividend paid
4. Interest paid on Debentures or Long-term loans by (b) Non-finance company
5. Redemption of debentures and preference shares
6. Repayment of Long-term loan

• **Cash Equivalents:**

1. Bank balance
2. Short-term deposits in the bank
3. Investment in the short term or marketable securities

### Question 2

The following is the position of current assets and current liabilities of A Ltd.

	<b>31.3.2018</b>	<b>31.3.2019</b>
	₹	₹
Provision for doubtful debts	1,000	–
Short-term loans	10,000	19,000
Creditors	15,000	10,000
Bills payable	20,000	40,000

The company incurred a loss of ₹. 45,000/- during the year. Calculate cash from operating activities.

### Solution:

#### CALCULATION OF CASH FROM OPERATING ACTIVITIES

*For the year ended 31st March 2019*

	₹	₹
Net loss for the year		(45,000)
Adjustments for non-cash and non-operating items:		
<b>Less:</b> Decrease in provision for doubtful debts		(1,000)
		46,000
Operating loss before working capital changes		
<b>Add:</b> Increase in current liabilities:		
Bills payable		20,000
		(26,000)
<b>Less:</b> Decrease in current liabilities:		
Creditors		(5,000)
Cash used (or lost) in Operating Activities		(31,000)