

46. Following was the Balance Sheet of M.M Ltd. as at 31st March, 2023.

BALANCE SHEET as at 31st March, 2023

Particular	Note No.	31 st Mar. 2023 ₹	31 st Mar. 2022 ₹
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) share Capital		5,00,000	4,00,000
(b) Reserves and Surplus	1	2,00,000	(50,000)
2. Non-Current Liabilities			
Long-term Borrowings	2	4,50,000	4,50,000
3. Current Liabilities			
(a) Short-term Borrowings	3	1,50,000	1,00,000
(b) Short-term provision	4	<u>70,000</u>	<u>90,000</u>
Total		<u>13,70,000</u>	<u>9,90,000</u>
II. ASSETS			
1. Non-current Assets			

(a) Property, plant and Equipment and Intangible Assets:			
(i) Property, plant and Equipment	5	10,03,000	7,20,000
(ii) Intangible Assets	6	20,000	30,000
(b) Non-current Investments		1,00,000	75,000
2. Current Assets			
(a) Current Investments		50,000	60,000
(b) Inventories	7	1,07,000	45,000
(c) Cash and cash Equivalents		<u>90,000</u>	<u>60,000</u>
Total		<u>13,70,000</u>	<u>9,90,000</u>

Note to Accounts

Particular	31st Mar. 2023 ₹	31st Mar. 2022 ₹
1. Reserve and surplus		
Surplus, i.e., Balance of profit & loss	<u>2,00,000</u>	<u>(50,000)</u>
	<u>2,00,000</u>	<u>(50,000)</u>
2. Long-term Borrowings		

12% Debentures	<u>4,50,000</u>	<u>4,50,000</u>
	<u>4,50,000</u>	<u>4,50,000</u>
3. Short-term Borrowings		
Current maturities of long-term debts (12% debentures)	----	50,000
	<u>1,50,000</u>	<u>50,000</u>
Bank overdraft	<u>1,50,000</u>	<u>1,00,000</u>
4. Short-term Provision		
Provision for tax	70,000	90,000
	70,000	90,000
5. Property, plant and equipment		
Machinery	12,03,000	8,21,000
Less: Accumulated Depreciation	<u>(2,00,000)</u>	<u>(1,01,000)</u>
	<u>10,03,000</u>	<u>7,20,000</u>
6. Intangible Assets		
Goodwill	<u>1,07,000</u>	<u>30,000</u>
	<u>1,07,000</u>	<u>30,000</u>
7. Inventories		
Stock-in-Trade	<u>1,07,000</u>	<u>45,000</u>

	<u>1,07,000</u>	<u>45,000</u>
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Additional Information:

1. 12% debentures were redeemed on 31st March, 2023.

2. Tax 70,000 was paid during the year.

Prepare cash flow statement.

Solution:

Cash Flow statement

Particulars	₹	₹
(A) Operating activities		
Net profit for the year 9200000 - [50000]		2,50,000
Add provision for taxation (W.N)		50,000
Net profit before taxation & extraordinary items		3,00,000
Add interest on 12% debentures (500000 x 12%)	60,000	
Add Depreciation on machine (200000 - 101000)	99,000	
Add goodwill written off	10,000	1,69,000
Net profit before working capital changes		4,69,000
Less increase in inventories		(62,000)
Net cash from operation		4,07,000
Less Tax paid		70,000

Net cash flow from operating activities		3,37,000
(B) Investing Activities		
Purchase of machine		(3,82,000)
Investing purchased		(25,000)
Net cash used in investing activities		(4,07,000)
(C) Financing activities		
Issue of share capital	1,00,000	
Add Bank overdraft	1,00,000	2,00,000
Less Interest on 12% debenture paid	60,000	
Less Redemption of 12% debenture	50,000	(1,10,000)
Net cash flow from financing activities		90,000
(D) Net increase in cash & cash equivalents		20,000
(A + B + C) [337000 - 407000 + 90000]		
Add opening balance of cash & cash equivalents		1,20,000
(cash + current investments) [60000 + 60000]		
Closing Balance of cash & cash Equivalents		1,40,000

Working Notes:

Dr. Provision for taxation A/c Cr.

Particular	₹	Particular	₹
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To bank A/c (Tax paid)	70,000	By balance B/d	90,000
To Bank c/d	70,000	By profit & loss A/c (Dep. during the year)	50,000
	<u>1,40,000</u>		<u>1,40,000</u>

47. From the following Balance Sheet of Goapl Ltd. and the additional information as at 31st March, 2019. Prepare a cash Flow statement when cash flow from financing activities is 2,32,000:

Particular	Note No.	31 st Mar. 2019 ₹	31 st Mar. 2018 ₹
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) share Capital		10,00,000	8,00,000
(b) Reserves and Surplus	1	4,00,000	(1,00,000)
2. Non-Current Liabilities			
Long-term Borrowings	2	9,00,000	9,00,000

3. Current Liabilities			
(a) Short-term Borrowings	3	2,40,000	1,00,000
(b) Short-term provision	4	<u>2,00,000</u>	<u>1,75,000</u>
Total		<u>27,40,000</u>	<u>18,75,000</u>
II. ASSETS			
1. Non-current Assets			
(a) Property, plant and Equipment and Intangible Assets:			
(i) Property, plant and Equipment	5	20,00,000	14,42,000
(ii) Intangible Assets	6	46,000	58,000
(b) Non-current Investments		1,00,000	45,000
2. Current Assets			
(a) Current Investments		2,00,000	1,20,000
(b) Inventories	7	2,14,000	90,000
(c) Cash and cash Equivalents		<u>1,80,000</u>	<u>1.20,000</u>
Total		<u>27,40,000</u>	<u>18,75,000</u>

Note to Accounts

Particular	31 st Mar. 2019 ₹	31 st Mar. 2018 ₹
1. Reserve and surplus		
Surplus, i.e., Balance of profit & loss	<u>4,00,000</u>	<u>(1,00,000)</u>
2. Long-term Borrowings		
12% Debentures	<u>9,00,000</u>	<u>9,00,000</u>
3. Short-term Borrowings		
Bank overdraft	<u>2,40,000</u>	<u>1,00,000</u>
4. Short-term Provision		
Provision for tax	<u>2,00,000</u>	<u>1,75,000</u>
5. Property, plant and equipment	24,00,000	16,42,000
Machinery	<u>(4,00,000)</u>	<u>(2,00,000)</u>
Less: Accumulated Depreciation	<u>20,00,000</u>	<u>14,42,000</u>
6. Intangible Assets		

Goodwill	<u>46,000</u>	<u>58,000</u>
7. Inventories		
Stock-in-Trade	<u>2,14,000</u>	<u>90,000</u>

Additional information: Tax 1,50,000 was paid during the year.

Solution:

Cash Flow statement

Particulars	₹	₹
(A) Operating activities		
Net profit for the year [400000 - (- 100000)]		5,00,000
Add provision for taxation (w.n)		1,75,000
Net profit before tax & extraordinary items		6,75,000
Add interest on debenture (900000 x 12%)	1,08,000	
Add Depreciation	2,00,000	
Add Goodwill written off	12,000	3,20,000
Net profit before working capital changes		9,95,000
Less increase in inventories		(1,24,000)
Net cash from operation		8,71,000

Less tax paid		(1,50,000)
Net cash flow from operating activities		7,21,000
(B) Investing activities		
Purchase Activities	(7,58,000)	
Purchase of tangible Assets	(55,000)	(8,13,000)
Purchase of Non-current Assets		(8,13,000)
Net cash used in investing activities		
(C) Financing Activities		
Issue of share capital	2,00,000	
Increase in bank overdraft	1,40,000	3,40,000
Less interest on debentures		(1,08,000)
Net cash flow from financing Activities		2,32,000
(D) Net increase in cash & cash Equivalents		1,40,000
(A + B + C) [721000 - 813000 + 232000]		
Add opening balance of cash & cash equivalents		2,40,000
Closing balance of cash & cash Equivalents		3,80,000

Working Note:

Dr. Provision for taxation A/c Cr.

Particular	₹	Particular	₹
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To bank A/c (Tax paid)	1,50,000	By balance B/d	1,75,000
To Bank c/d	2,00,000	By profit & loss A/c (Bal. figure)	1,75,000
	<u>3,50,000</u>		<u>3,50,000</u>

48. From the following Balance sheet of JY Ltd. as at 31st March 2017. prepare cash flow statement:

JY Ltd.

BALANCE SHEET as at 31st March, 2017

Particular	Note No.	31 st Mar. 2017 ₹	31 st Mar. 2016 ₹
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) share Capital		5,00,000	5,00,000
(b) Reserves and Surplus	1	1,00,000	(25,000)
2. Non-Current Liabilities			
Long-term Borrowings	2	2,50,000	1,50,000

3. Current Liabilities			
(a) Short-term Borrowings	3	1,50,000	1,00,000
(b) Short-term provision	4	<u>1,25,000</u>	<u>75,000</u>
Total		<u>11,25,000</u>	<u>8,00,000</u>
II. ASSETS			
1. Non-current Assets			
Property, plant and Equipment			
and Intangible Assets:			
-Property, plant and Equipment	5	6,00,000	4,50,000
2. Current Assets			
(a) Trade Receivables		2,75,000	2,25,000
(b) Cash and cash Equivalents		50,000	25,000
(c) Sort-term loans and Advances		<u>2,00,000</u>	<u>1,00,000</u>
Total		<u>11,25,000</u>	<u>8,00,000</u>

Note to Accounts

Particular	31 st Mar. 2017 ₹	31 st Mar. 2016 ₹
1. Reserve and surplus		
Surplus, i.e., Balance of profit & loss	<u>1,00,000</u>	<u>(25,000)</u>
	<u>1,00,000</u>	<u>(25,000)</u>
2. Long-term Borrowings		
10% Debentures	<u>2,50,000</u>	<u>1,50,000</u>
	<u>2,50,000</u>	<u>1,50,000</u>
3. Short-term Borrowings		
Bank overdraft	<u>1,50,000</u>	<u>1,00,000</u>
	<u>1,50,000</u>	<u>1,00,000</u>
4. Short-term Provision		
Provision for tax	1,25,000	75,000
	1,25,000	75,000
5. Property, plant and equipment		
Machinery	7,37,500	5,25,000
Accumulated Deprecation	<u>(1,37,500)</u>	<u>(75,000)</u>
	<u>6,00,000</u>	<u>4,50,000</u>

Note: Proposed dividend for the year ended 31st March, 2016 and 2017 are 50,000 and 75,000 and respectively.

Additional information: 1,00,000, 10% Debentures were issued on 31st march, 2017.

Solution:

Cash Flow statement

Particulars	₹	₹
(A) Operating activities		
Net profit before tax & extraordinary items (w.n)		3,00,000
Add depreciation on machinery	62,500	
interest on 10% debentures	<u>15,000</u>	<u>77,500</u>
Net profit before working capital changes		3,77,500
Less increase in trade receivables		<u>(50,000)</u>
Net cash generated from operating activities		3,27,500
Less: Tax paid		<u>75,000</u>
Net cash flow from operating activities		<u>2,52,500</u>
(B) investing activities		
Purchase of machinery		(2,12,500)
Short term loans & Advances		<u>(1,00,000)</u>
Net cash used in investing activities		(3,12,500)
(C) Financing Activities		
Proceeds from issue of 10% debentures		1,00,000

Less Interest paid	15,000	
Less Dividend paid	<u>50,000</u>	<u>65,000</u>
		35,000
Add Bank overdraft		<u>50,000</u>
Net cash flow from financing Activities		<u>85,000</u>
(D) Net increase in cash & cash Equivalents		25,000
(A + B + C) [252500-312500 + 85000]		
Add opening balance of cash & cash Equivalents		<u>25,000</u>
Closing balance of cash & cash Equivalents		<u>50,000</u>

Working Notes:

Calculation of profit before tax & Extraordinary items

Particulars	₹
Closing balance, i.e., balance in statement of profit & loss	1,00,000
Less opening balance surplus, i.e., balance in statement of profit & loss	<u>(25,000)</u>
	1,25,000
Add provision for taxation of current year	1,25,000
Add Proposed dividend of previous year	<u>50,000</u>

Net profit before taxation & Extraordinary items	<u>1,75,000</u>
	3,00,000

49. From the following Balance Sheet of Mishi Ltd. as at 31st March, 2023, prepare cash flow statement:

Particular	Note No.	31 st Mar. 2023 ₹	31 st Mar. 2022 ₹
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) share Capital		16,00,000	12,00,000
(b) Reserves and Surplus	1	6,60,000	4,40,000
2. Non-Current Liabilities			
Long-term Borrowings (10% debentures)		3,20,000	2,00,000
3. Current Liabilities			
(a) Short-term Borrowings (bank loan)		80,000	1,10,000

(b) Trade payables		<u>1,50,000</u>	<u>1,80,000</u>
Total		<u>28,10,000</u>	<u>21,30,000</u>
II. ASSETS			
1. Non-current Assets			
(a) Property, plant and Equipment and Intangible Assets:			
-Property, plant and Equipment	2	19,00,000	12,10,000
(b) Non-current Investment		2,70,000	12,10,000
2. Current Assets			
(a) Current Investment		1,60,000	80,000
(b) Trade Receivables		1,80,000	4,00,000
(c) Cash and cash Equivalents	3	<u>3,00,000</u>	<u>2.40,000</u>
Total		<u>28,10,000</u>	<u>21,30,000</u>

Note to Accounts

Particular	31 st Mar.	31 st Mar.
	2023 ₹	2022 ₹

1. Reserve and Surplus		
Securities premium	20,000	---
General Reserve	3,00,000	2,40,000
Surplus, i.e., balance in statement of profit & loss	<u>3,40,000</u>	<u>2,00,000</u>
	<u>6,60,000</u>	<u>4,40,000</u>
2. Property, plant and Equipment		
Machinery (cost)	21,40,000	14,00,000
Less: Accumulated Depreciation	<u>2,40,000</u>	<u>1,90,000</u>
	<u>19,00,000</u>	<u>12,10,000</u>
3. Cash and Cash Equivalents		
Cash in hand	1,40,000	1,10,000
Bank Balance	<u>1,60,000</u>	<u>1,30,000</u>
	<u>3,00,000</u>	<u>2,40,000</u>

Additional Information:

- I. During the year, machinery costing 1,40,000 (accumulated depreciation provided thereon 1,10,000) was sold for 20,000.
- II. During the year, Non-current Investments costing 80,000 were sold at a profit of 16,000.
- III. Debentures were issued on 31st March, 2023.

Solution:

Cash Flow statement

Particulars	₹	₹
(A) Cash flow from operating activities		
Profit as per statement of P & L (3,40,000 - 2,00,000)		1,40,000
Add general reserve		60,000
Net profit before tax & extraordinary item		2,00,000
Add Deprecation	1,60,000	
Add Interest debenture (10% of 2,00,000)	20,000	
Add loss on sale of fixed Assets	10,000	1,90,000
		3,90,000
Less: profit on sale of investment		(16,000)
Operating profit before working capital changes		3,74,000
Less: Decrease in current liabilities		
Trade payables	(30,000)	
Add: Decrease in current Assets		
Trade receivables	2,20,000	1,90,000
Cash Generated from operation		5,64,000
Less: Tax paid		
Net cash flow from operating Activities		5,64,000
(B) Cash flow From investing Activities		
Sale of fixed Assets	20,000	

Sale of non-current investment	96,000	1,16,000
Less Purchase of non-current investment	(1,50,000)	
Less Purchase of fixed Assets	(8,80,000)	(10,30,000)
Net cash used in investing Activities		(9,14,000)
(C) Net flow from financing Activities		
Proceeds from issue of share capital	4,00,000	
Proceeds from issue of debenture	1,20,000	
Securities premium reserve	20,000	5,40,000
Less Repayment of bank loan	(30,000)	
Less Interest paid	(20,000)	(50,000)
Net cash flow from financing Activities		4,90,000
(D) Net increase in cash & cash Equivalents		1,40,000
(A + B + C) [5,64,000 - 9,14,000 + 4,90,000]		
Add opening balance of cash & cash equivalents		3,20,000
(1,10,000 + 1,30,000 + 80,000)		
Closing balance of cash & cash Equivalents		4,60,000

Dr. fixed Assets A/c
Cr.

Particular	₹	Particular	₹
To Balance B/d	14,00,000	By bank A/c (sale)	20,000

To bank A/c (purchase) (Bal. fig)	8,80,000	By Accumulated Dep. A/c	1,10,000
		By profit & loss A/c (Loss on sale)	10,000
		By Balance c/d	<u>21,40,000</u>
	<u>22,80,000</u>		<u>22,80,000</u>

Dr. **Accumulated Depreciation A/c**
Cr.

Particular	₹	Particular	₹
To fixed Assets A/c	1,10,000	By Balance B/d	1,90,000
To Balance c/d	2,40,000	By profit & sale A/c (Depreciation) (Bal. figure)	1,60,000
	<u>3,50,000</u>		<u>3,50,000</u>

Dr. **Non-current Investment A/c**
Cr.

Particular	₹	Particular	₹
To Balance B/d	2,00,000	By bank A/c (sale) (8000 + 16000)	96,000

To profit & loss A/c (Profit on sale)	16,000	Bank balance C/d	2,70,000
To Bank A/c (purchase) (bal. fig.)	1,50,000		
	3,66,000		3,66,000

50. Following is the Balance Sheet of Sonal Ltd.:

BALANCE SHEET OF SONAL LTD. as at 31st March, 2023

Particular	Note No.	31 st Mar. 2023 ₹	31 st Mar. 2022 ₹
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) share Capital	1	6,00,000	5,50,000
(b) Reserves and Surplus	2	1,28,000	70,000

2. Current Liabilities			
(a) Trade payables		1,22,000	88,000
(b) Short-term Provisions	3	<u>50,000</u>	<u>40,000</u>
Total		<u>9,00,000</u>	7,48,000
II. ASSETS			
1. Non-current Assets			
Property, plant and Equipment and Intangible Assets:			
(i) Property, plant and Equipment		3,70,000	2,80,000
(ii) Intangible Assets (Goodwill)		90,000	1,15,000
2. Current Assets			
(a) Current Investment		1,60,000	80,000
(b) Inventories		1,80,000	4,00,000
(c) Trade Receivables		<u>3,00,000</u>	<u>2.40,000</u>
(d) Cash and cash Equivalents			
Total		<u>9,00,000</u>	<u>7,48,000</u>

Note to Accounts

Particular	31 st Mar. 2023 ₹	31 st Mar. 2022 ₹
1. Share capital		
Equity share capital	5,00,000	4,00,000
10% Preference share capital	<u>1,00,000</u>	<u>1,50,000</u>
	<u>6,00,000</u>	<u>5,50,000</u>
2. Reserve and Surplus		
Securities Premium	10,000	---
General Reserve	70,000	40,000
Surplus, i.e., Balance in statement of profit & loss	<u>48,000</u>	<u>30,000</u>
	<u>1,28,000</u>	<u>70,000</u>
3. Short-term Provision		
Provision for tax	<u>50,000</u>	<u>40,000</u>

Additional Information:

1. Proposed dividend for the years ended 31st March, 2023 and 2022 were 60,000 and 50,000 respectively.
2. A machine costing 50,000 (depreciation provided thereon 30,000) was sold for 10,000.
3. Depreciation charged during the year was 20,000.
4. Interim dividend paid 20,000.
5. Income Tax paid 35,000.

Prepare a cash flow statement for the year ended 31st March, 2023, complying with AS-3 (Revised).

Solution:

Cash Flow statement

Particulars	₹	₹
(A) Operating Activities		
Net profit before taxation & Extraordinary items		1,63,000
Add Depreciation on tangible Assets	20,000	
Add Loss on sale of machinery	10,000	
Add Goodwill written off	25,000	55,000
Net profit before working capital changes		2,18,000
Add increase in trade payables		34,000
		2,52,000
Less increase in inventories		(82,000)
Net cash Generated from operation		(1,70,000)
Less Tax paid		(35,000)
Net cash flow from operating Activities		1,35,000
(B) Investing Activities		
Machinery Sold		10,000
Less Machinery purchased		(1,30,000)
Net cash used in investing Activities		(1,20,000)

(C) Financing Activities		
Proceeds from equity share capital	1,00,000	
Security premium reserve	10,000	1,10,000
Less: Preference share capital	(50,000)	
Interim dividend	(20,000)	
Proposed dividend	(50,000)	(1,20,000)
Net cash used in Financing Activities		(10,000)
(D) Net increase in cash & cash Equivalents		5,000
(A + B + C) [1,35,000 - 1,20,000 - 10,000]		
Add opening balance of cash & cash Equivalents		96,000
(cash + current investments) [81,000 + 15,000]		
Closing balance of cash & cash equivalents		1,01,000
(cash + current investment) [91,000 + 10,000]		

Working Notes:

Calculation of profit before taxation & extraordinary items

Cash Flow statement

Particulars	₹
Closing Balance surplus balance in statement of profit & loss	48,000
Less: Opening Balance surplus balance in statement of profit & loss	<u>(30,000)</u>
	18,000

Add: Proposed dividend of previous year	50,000
Add: Interim dividend	20,000
Add: Provision for taxation of current year	45,000
Add: General Reserve	<u>30,000</u>
Net profit before taxation & extraordinary items	1,63,000

Dr. **Provision for taxation A/c** Cr.

Particular	₹	Particular	₹
To Bank A/c (Tax paid)	35,000	By Balance B/d	40,000
To Balance c/d	50,000	By profit & sale A/c (provision for taxation of current year)	45,000
	<u>85,000</u>		<u>85,000</u>