

51 From the following relating to Grow more Ltd.
prepare cash flow statement:

**BALANCE SHEET OF GROW MORE 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	20,00,000	16,00,000
(b) Reserves and Surplus	2	6,00,000	4,20,000
2. Non-current liabilities			
Long-term Borrowings: 10% debentures		4,00,000	----
3. Current Liabilities			
(a) Trade payables		14,00,000	16,40,000
(b) Short-term Provisions	3	<u>2,00,000</u>	<u>1,40,000</u>
Total		<u>46,00,000</u>	38,00,000
II. ASSETS			
1. Non-current Assets			

(a) Property, plant and Equipment and Intangible Assets:			
-Property, plant and Equipment			
(b) Non-current Investment	4	26,00,000	18,00,000
		2,00,000	---
2. Current Assets			
(a) Inventories			
(b) Trade Receivables		8,00,000	4,00,000
(c) Cash and cash Equivalents		1,00,000	14,00,000
Total		---	<u>2.00,000</u>
		<u>46,00,000</u>	<u>38,00,000</u>

Note To Accounts

Particular	31st Mar. 2023 ₹	31st Mar. 2022 ₹
1. Share capital		
issued, subscribed and paid-up:		
Equity shares of 100 each fully paid	<u>20,00,000</u>	<u>16,00,000</u>
2. Reserve and Surplus		

General Reserve	4,00,000	3,00,000
Surplus, i.e., Balance in statement of profit & loss	<u>2,00,000</u>	<u>1,20,000</u>
	<u>6,00,000</u>	<u>4,20,000</u>
3. Short-term Provision		
Provision for tax	<u>2,00,000</u>	<u>1,40,000</u>
4. Property, Plant and Equipment		
Plant and Machinery	14,00,000	10,00,000
Land and building	<u>12,00,000</u>	<u>8,00,000</u>
	<u>26,00,000</u>	<u>18,00,000</u>

Additional Information:

1. Depreciation @25% was charged on the opening value of plant and machinery
2. During the year one old machine costing 1,00,000 (written down value 40,000) was sold for 70,000.
3. 1,00,000 was paid as income tax during the year.
4. Proposed dividend for the year ended 31st March, 2023 was 4,00,000 and for the year ended 31st March, 2022 was 2,00,000.
5. During the current year new debentures were issued on 1st October, 2022.

Solution:

Cash Flow statement

Particulars	₹	₹
(A) Operating Activities		
Net profit before taxation & extraordinary items		5,40,000
Add Depreciation on plant & machinery	2,50,000	
Add interest on 10% debentures (400000 x 10% 6/12)	<u>20,000</u>	<u>2,70,000</u>
		8,10,000
Less Gain on sale of Machinery		<u>(30,000)</u>
Net profit before working capital changes		7,80,000
Add Decrease in trade receivables		<u>4,00,000</u>
		11,80,000
Less Decrease in trade payables	2,40,000	
Less Increase in Inventories	<u>4,00,000</u>	<u>(6,40,000)</u>
Net cash generated from operation		5,40,000
Less Tax paid		<u>(1,00,000)</u>
Net cash flow operating activities		<u>4,40,000</u>
(B) Investing Activities		
Sale of machinery		70,000
Purchase of machinery	(6,90,000)	
Purchase of land & building	(4,00,000)	
Purchase of investment	<u>(2,00,000)</u>	<u>(12,90,000)</u>

Net cash used in investing Activities		<u>(12,20,000)</u>
(C) Financing Activities		
Proceeds from share capital	4,00,000	
Proceeds from 10% debenture	<u>4,00,000</u>	8,00,000
Less: Interest on debenture	(20,000)	
Less: Proposed dividend	<u>(2,00,000)</u>	<u>(2,20,000)</u>
Net cash flow from financing Activities		<u>5,80,000</u>
(D) Net decrease in cash & cash Equivalents		(2,00,000)
(A + B + C) [4,40,000 - 12,2000 + 5,80,000]		
Add opening balance of cash & cash Equivalents		<u>2,00,000</u>
Closing balance of cash & cash equivalents		Nil

Working Notes :

Calculate of net profit Before taxation & Extraordinary items

Particulars	₹
Closing Balance surplus i.e., Balance in statement of profit & Loss	2,00,000
Less: Opening balance surplus i.e. Balance in statement of profit & loss	<u>1,20,000</u>
	80,000
Add proposed Dividend	2,00,000

Add General Reserve	1,00,000
Add Provision for taxation during the year	<u>1,60,000</u>
Net profit before taxation & extraordinary items	5,40,000

Dr. Provision for taxation A/c Cr.

Particular	₹	Particular	₹
To Bank A/c (Tax paid)	1,00,000	By Balance B/d	1,40,000
To Balance c/d	2,00,000	By profit & sale A/c (Depreciation during the year (Bal. figure))	1,60,000
	<u>3,00,000</u>		<u>3,00,000</u>

Dr. Plant & Machinery A/c

Cr.

Particular	₹	Particular	₹
To Balance B/d	10,00,000	By Bank A/c (sale)	70,000
To profit & loss A/c (gain)	30,000	By Depreciation A/c (10,00,000 x 25%)	2,50,000
To bank A/c (purchase) (bal. fig.)	<u>6,90,000</u>	By balance c/d	<u>1,40,000</u>

	17,20,000		17,20,000
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52. Following is the summarized Balance Sheet of Philips India 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		13,50,000	13,50,000
(b) Reserves and Surplus	1	11,43,000	10,68,000
2. Non-current liabilities			
Long-term Borrowings: 10% Mortgage loan		8,10,000	----
3. Current Liabilities			
(a) Trade payables (Creditors)		4,02,000	5,04,000
(b) Short-term Provisions :			
Provision for Tax		<u>30,000</u>	<u>2,25,000</u>
Total		<u>37,26,000</u>	<u>31,47,000</u>

II. ASSETS			
1. Non-current Assets			
(a) Property, plant and Equipment and Intangible Assets:			
-Property, plant and Equipment		9,60,000	12,00,000
(b) Non-current Investment		1,80,000	1,50,000
2. Current Assets			
(a) Current Investments		21,000	17,000
(b) Inventories		6,30,000	7,20,000
(c) Trade Receivables		13,65,000	6,30,000
(d) Cash and cash Equivalents:			
Bank			
Total		<u>5,70,000</u>	<u>4,30,000</u>
		<u>37,26,000</u>	<u>31,47,000</u>

Note to Accounts

Particular	31 st Mar. 2023 ₹	31 st Mar. 2022 ₹
1. Reserve and Surplus		
General Reserve	9,30,000	9,00,000

Surplus, i.e., Balance in statement of Profit & Loss	2,04,000	1,68,000
	11,34,000	10,68,000

Additional Information:

1. Investment costing 24,000 were sold during the year the 25,000.
2. Provision for tax made during the year was 27,000.
3. During the year, a part of the fixed Assets costing 30,000 was sold for 36,000. The profits were included in the statement of profit & loss.
4. The interim dividend paid during the year amounted to 1,20,000.

You are required to prepare cash flow statement.

Solution:

Cash Flow statement

Particulars	₹	₹
(A) Operating Activities		
Net profit taxation & extraordinary items (w.n)		2,13,000
Add Depreciation on Fixed Assets		<u>2,10,000</u>
		4,23,000
Less profit on sale of fixed Assets	(6,000)	
Less profit on sale of Investment	<u>(1,500)</u>	<u>(7,500)</u>
Operating profit before working capital changes		4,15,500

Add Decrease in inventories		<u>90,000</u>
		5,05,500
Less Decrease in Trade Payables	(1,02,000)	
Less Increase in Trade payables	<u>(7,35,000)</u>	<u>8,37,000</u>
Cash Generated from operation		(3,31,500)
Less Tax paid (W.N)		<u>(2,22,000)</u>
Net cash used in operating Activities		<u>(5,53,500)</u>
(B) Investing Activities		
Sale proceeds of fixed Assets	36,000	
Sale proceeds of investment	<u>25,500</u>	61,500
Less Purchase of investment		<u>(54,000)</u>
Net cash flow from investing Activities		<u>7,500</u>
(C) Financing Activities		
Proceeds from mortgage loan		8,10,000
Less interim dividend paid		<u>(1,20,000)</u>
Ne cash flow from financing Activities		<u>6,90,000</u>
(D) Net increase in cash & cash Equivalents		1,44,000
(A + B + C) [(55350) + 7500 + 690000]		
Add opening Balance of cash & cash Equivalents		<u>4,47,000</u>
[cash + current investment] (430000 +17000)		
Closing balance of cash & cash equivalents		5,91,000

Working Note:

Calculation of net profit before taxation & extraordinary items

Particulars	₹
Closing Balance of surplus balance in statement of profit & loss	2,04,000
Less: Opening balance of surplus balance in statement of profit & loss	1,68,000
Add Provision for taxation of current year	36,000
Add Interim dividend	27,000
Add General Reserve	1,20,000
Net profit before taxation & Extraordinary items	30,000
	2,13,000

Dr.	Provision for taxation	A/c	Cr.
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Particular	₹	Particular	₹
To Bank A/c (Balancing figure)	2,22,000	By Balance B/d By profit & loss A/c	2,25,000

To Balance c/d	30,000	(Depreciation during the year)	27,000
	<u>2,52,000</u>		<u>2,52,000</u>

Dr. Fixed Assets A/c
Cr.

Particular	₹	Particular	₹
To Bank B/d	12,00,000	By Bank A/c	36,000
To profit & loss A/c (Gain)	6,000	By Depreciation A/c (Balancing figure)	2,10,000
	<u>12,06,000</u>	By Balance c/d	9,60,000
			<u>12,06,000</u>

Dr. Investment A/c
Cr.

Particular	₹	Particular	₹
To Bank B/d	1,50,000	By Bank A/c	25,500
To Profit & loss A/c (Gain)	1,500		
	<u>54,000</u>	By Balance c/d	<u>1,80,000</u>

To Bank A/c (purchase)	<u>205500</u>		<u>205500</u>
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53. Following is the balance Sheet of Akash 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		30,00,00	20,00,000
(b) Reserves and Surplus	1	(4,25,000)	(5,37,500)
2. Non-current liabilities			
Long-term Borrowings	2	7,50,000	6,25,000
3. Current Liabilities			
Trade payables		4,75,000	6,75,000
Total		<u>38,00,000</u>	<u>27,62,500</u>

II. ASSETS			
1. Non-current Assets			
(a) Property, plant and Equipment and Intangible Assets:			
-Property, plant and Equipment (machinery)		17,25,000	12,50,000
(b) Non-current Investment		3,00,000	5,00,000
2. Current Assets			
(a) Inventories		10,00,000	7,50,000
(b) Trade Receivables		6,00,000	1,12,000
(c) Cash and cash Equivalents		1,75,000	1,50,000
Total		<u>38,00,000</u>	<u>27,62,500</u>

Note To Accounts

Particular	31 st Mar.	31 st Mar.
	2023 ₹	2022 ₹
1. Reserve and Surplus		
Surplus, i.e., Balance in statement of Profit & Loss	<u>(4,25,000)</u>	<u>(5,37,500)</u>

2. Long-term Borrowings		
12% Debentures	<u>7,50,000</u>	<u>6,25,000</u>

Additional information:

- I. Debentures were issued on 1st January, 2023.
- II. Machinery costing 5,00,000 on which depreciation charged was 1,75,000 was sold for 3,75,000.
- III. Depreciation charged during the year amounted to 2,00,000.
- IV. Non-current investment were sold at a profit of 20%.

Prepare Cash Flow Statement.

Solution:

Cash Flow Statement

Particulars	₹	₹
(A) Operating Activities		
Net profit as per statement of profit & loss A/c [425000 – (5375000)]		<u>1,12,500</u>
Net profit before tax & Extraordinary items		1,12,500
Add depreciation	2,00,000	
Add interest on debenture [(625000 x 12% x 9/12)] + (750000 x 12% x 3/12)]	<u>78,750</u>	<u>2,78,750</u>
		3,91,250

Less: profit on sale of machine	(50,000)	
Less: sale of investment	<u>(40,000)</u>	<u>(90,000)</u>
Net profit before working capital changes		3,01,250
Less Decrease in trade payables	(2,00,000)	
Less increase in inventory	(2,50,000)	
Less increase in trade Receivables	<u>(4,87,500)</u>	<u>(9,37,500)</u>
Net cash used in operating Activities		<u>(6,36,250)</u>
(B) Investing Activities		
Proceeds from sale of machinery	3,75,000	
Proceeds from sale of investment	<u>2,40,000</u>	6,15,000
Less purchase of machinery		<u>(10,00,000)</u>
Net cash used in investing Activities		<u>(3,85,000)</u>
(C) Financing Activities		
Issue of share capital	10,00,000	
Issue of debenture	<u>1,25,000</u>	11,25,000
Less interest on debenture		<u>(78,750)</u>
Net cash flow from financing Activities		<u>10,46,250</u>
(D) Net increase in cash & cash equivalents		25,000
[A + B + C] (-636250 – 385000 +1046250)		
Add opening Balance of cash & cash Equivalents		<u>1,50,000</u>
Closing balance of cash & cash Equivalents		1,75,000

Working Notes:-

Dr. **machinery A/c** **Cr.**

Particular	₹	Particular	₹
To balance B/d	12,50,000	By Depreciation A/c	2,00,000
To profit & loss A/c (Gain)	50,000	By bank A/c (sale)	3,75,000
To bank A/c (purchase) (bal. fig.)	10,00,000	Bu balance c/d	17,25,000
	23,00,000		23,00,000

Dr. **Investment A/c**

Cr.

Particular	₹	Particular	₹
To Balance b/d	5,00,000	By bank A/c (Sale)	2,40,000
To profit & loss A/c (Gain)	40,000	By balance c/d	3,00,000
	5,40,000		5,40,000

54 From the following balance sheet of samta 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	1	7,50,000	7,50,000
(b) Reserves and Surplus	2	3,05,000	(20,000)
2. Non-current liabilities			
Long-term Borrowings (8% deb.)		2,60,000	1,50,000
3. Current Liabilities			
(a) Short-term Borrowings (8% bank loan)		40,000	50,000
(b) Trade payables		1,20,000	1,10,000
(c) Short-term Provision	4	<u>50,000</u>	<u>40,000</u>
Total		<u>15,25,000</u>	<u>10,80,500</u>
II. ASSETS			

1. Non-current Assets			
(a) Property, plant and Equipment and Intangible Assets:			
(i) Property, plant and Equipment		8,60,000	6,20,000
(ii) Intangible Assets (goodwill)		15,000	40,000
(b) Non-current Investment		1,25,000	80,000
2. Current Assets			
(a) Current investment		5,000	15,000
(b) Inventories		1,95,000	1,00,000
(c) Trade Receivables		2,00,000	2,00,000
(d) Cash and cash Equivalents		<u>1,25,000</u>	<u>25,000</u>
Total		<u>15,25,000</u>	<u>10,80,000</u>

Note to Accounts

Particular	31st Mar. 2023 ₹	31st Mar. 2022 ₹
1. Share capital		
Equity share capital	5,50,000	4,50,000
10% preference share capital	<u>2,00,000</u>	<u>3,00,000</u>

		<u>7,50,000</u>	<u>7,50,000</u>
2. Reserve and surplus			
Securities premium:	10,000		
Less: premium on redemption of preference shares written off	<u>5,000</u>	5,000	---
General Reserve		1,50,000	1,20,000
Surplus, i.e., balance in statement of profit & loss		<u>1,50,000</u>	<u>(1,40,000)</u>
		<u>3,05,000</u>	<u>(20,000)</u>
3. Short-term provision			
Provision for tax		<u>50,000</u>	<u>40,000</u>

Additional Information:

- I. During the year a piece of machinery costing 60,000 on which depreciation charged was 20,000 was sold at 50% of its book value. Depreciation provided on tangible Assets 60,000.
- II. Income tax 45,000 was provided.
- III. Additional Debentures were issued at par on 1st October, 2022 and Bank loan was repaid on the same date.
- IV. At the end of the year preference shares were redeemed at a premium of 5%.

Solution:

Cash Flow Statement

Particulars	₹	₹
(A) Operating Activities		
Net profit before Taxation & Extraordinary items		3,65,000
Add depreciation on fixed Assets	60,000	
Add loss on sale of machinery	20,000	
Add interest on 8% debentures	16,400	
Add interest on 8% Bank loan	3,600	
Add Goodwill written off	<u>25,000</u>	<u>1,25,000</u>
Net profit before working capital changes		4,90,000
Add increase in trade payables		<u>10,000</u>
		5,00,000
Less Increase in inventory		<u>(9,50,000)</u>
Net cash from operation		4,05,000
Less tax paid		<u>(35,000)</u>
Net cash flow from operation Activities		<u>3,70,000</u>
(B) Investing Activities		
Proceeds from sale of machine		20,000

Less purchase of machine	(3,40,000)	
Less Purchase of investment	<u>(45,000)</u>	<u>(3,85,000)</u>
Net cash used in investing Activities		<u>(3,65,000)</u>
(C) Financing Activities		
Proceeds from issue of equity share capital	1,00,000	
Securities premium Reserve	10,000	
Proceeds from issue of 8% debentures	<u>1,10,000</u>	2,20,000
Less redemption of preference share @ 5% premium (1,00,000 + 5000)	(1,05,000)	
Less redemption of 8% bank loan	(10,000)	
Less interest on 8% debentures (1,50,000 x 8% + 1,10,000 x 8% x 6/12)	(16,400)	
Less interest on 8% Bank loan (40,000 x 8% + 10,000 x 8% 6/12)	<u>(3,600)</u>	<u>(1,35,000)</u>
Net cash flow form financing Activities		<u>85,000</u>
(D) Net increase in cash & cash equivalents (A + B + C) [3,70,000 - 3,65,000 + 85,000]		90,000
Add opening balance of cash & cash equivalents (cash + current investments) (25,000 + 15,000)		<u>40,000</u>
Closing balance of cash & cash equivalents		

(cash + current investments) (1,25,000 + 5,000)		1,30,000
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Working Notes:

Calculation of Net profit before working capital changes:

Particulars	₹
Closing balance i.e., surplus in statement of profit & loss A/c	1,50,000
Less opening balance i.e., surplus in statement of profit & loss A/c	(1,40,000)
	2,90,000
Add General Reserve	30,000
Add provision for taxation	45,000
Net profit before taxation & extraordinary items	3,65,000

Dr. Machinery A/c		Cr.	
Particular	₹	Particular	₹
To balance B/d	6,20,000	By bank A/c (sale)	20,000
To bank A/c (purchase) (bal. fig.)	3,40,000	By Profit & loss A/c	20,000
		By Depreciation A/c	60,000
		By balance c/d	<u>8,60,000</u>

	<u>9,60,000</u>		<u>9,60,000</u>
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Dr.		Provision for depreciation 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 & loss A/c (Depreciation during the year)	45,000	
	<u>85,000</u>		<u>85,000</u>	

55 From the following balance sheet and information of sun Ltd., 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	1	7,00,000	6,00,000
(b) Reserves and Surplus	2	4,10,000	2,00,000
2. Non-current liabilities			

Long-term Borrowings (10% deb.)		3,00,000	2,00,000
3. Current Liabilities			
Trade payables		<u>1,40,000</u>	<u>60,000</u>
Total		<u>15,50,000</u>	<u>10,60,500</u>
II. ASSETS			
1. Non-current Assets			
(a) Property, plant and Equipment and Intangible Assets:			
-Property, plant and Equipment		7,00,000	6,00,000
(b) Non-current Investment (10% investment)		2,00,000	1,00,000
2. Current Assets			
(a) Current investment		90,000	50,000
(b) Inventories		2,00,000	1,00,000
(c) Trade Receivables	3	2,80,000	1,90,000
(d) Cash and cash Equivalents		<u>80,000</u>	<u>20,000</u>
Total			

		<u>15,50,000</u>	<u>10,60,000</u>
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Note to Accounts

Particular	31 st Mar. 2023 ₹	31 st Mar. 2022 ₹
1. Share capital		
Equity share capital	5,00,000	3,00,000
10% preference share capital	<u>2,00,000</u>	<u>3,00,000</u>
	<u>7,00,000</u>	<u>6,00,000</u>
2. Reserve and surplus		
Securities premium	10,000	---
Surplus, i.e., balance in statement of profit & loss	<u>4,00,000</u>	<u>2,00,000</u>
	<u>4,10,000</u>	<u>2,00,000</u>
3. Trade Receivables		
Sunday Debtors	3,00,000	2,00,000
Less: Provision of Doubtful Debts	<u>20,000</u>	<u>10,000</u>
	<u>2,80,000</u>	<u>1,90,000</u>

You are informed that during the year:

**I. Proposed Dividend: 31st March, 2023 31st March
2022**

Equity share capital	Nil	Nil
Preference share capital	10%	10%

II. A machine with a book value of 90,000 was sold for 50,000.

III. Depreciation charged during the year 60,000.

IV. Debentures were issued on 1st April, 2022.

V. Investments were purchased on 31st March, 2023.

VI. Preference shares were redeemed on 31st December, 2022

**VII. An interim dividend @ 15% was paid on equity shares on
31st December, 2022.**

**VIII. Fresh equity shares were issued at p premium of 5% on 31st
March, 2023.**

Solution:

Cash Flow Statement

Particulars	₹	₹
(A) Operating Activities		
Net profit before Tax & extraordinary items		2,75,000
Add depreciation on fixed assets	60,000	
Add loss on sale of machine	40,000	
Add interest on debenture	30,000	
Add provision for doubtful debts	<u>10,000</u>	<u>1,40,000</u>
		4,15,000

Less interest on investment		<u>10,000</u>
Net profit before working capital changes		4,05,000
Add increase in trade payables		<u>80,000</u>
		4,85,000
Less increase in inventory	(1,00,000)	
Less increase in trade Receivables	<u>(1,00,000)</u>	<u>(2,00,000)</u>
Net cash flow from operating Activities		<u>2,85,000</u>
(B) Investing Activities		
Add sale of machine	50,000	
Add interest on machine	<u>10,000</u>	60,000
less purchase of machine	(2,50,000)	
less purchase of investment	<u>(1,00,000)</u>	<u>(3,50,000)</u>
Net cash used in investing Activities		<u>(2,90,000)</u>
(C) Financing Activities		
proceeds from issue of share capital	2,00,000	
Securities premium reserve	10,000	
Less Interest on 10% debentures (3,00,000 x 10%)	<u>1,00,000</u>	3,10,000
Less dividend on preference share (3,00,000 x 10%)	30,000	
Less interim dividend paid	30,000	
Less redemption of preference share capital	45,000	
Net cash flow from financing Activities	<u>1,00,000</u>	<u>(205000)</u>

(D) Net increase in cash & cash Equivalents		<u>105000</u>
(A + B + C) [2,85,500 - 2,90,000 + 1,05,000]		1,00,000
Add opening cash & cash equivalents		
(cash + current investments) (20,000 + 50,000)		70,000
		1,70,000

Working Notes:

Calculation of net profit before tax & extraordinary items

Particulars	₹
Closing balance i.e., surplus balance of statement of profit & loss	4,00,000
Less: opening balance i.e., surplus balance of statement of profit & loss	<u>2,00,000</u>
	2,00,000
Add preference share dividend paid	30,000
Add interim dividend paid	<u>45,000</u>
Net profit before tax & extraordinary items	2,75,000

Dr.

Machinery A/c

Cr.

Particular	₹	Particular	₹
To balance B/d	6,00,000	By bank A/c (sale)	50,000

To bank A/c (purchase) (bal. fig.)	2,50,000	By Profit & loss A/c (loss)	40,000
		By Depreciation A/c	60,000
		By balance c/d	<u>7,00,000</u>
	<u>8,50,000</u>		<u>8,50,000</u>

56 Read the following hypothetical text and answer the given question on its basis. Profit for the year ended 31st March, 2023 of ipay (a payment processing start up) was 15,00,000 after accounting the following:

Particulars	₹
Depreciation	1,00,000
Loss of furniture due to fire	10,000
Interest on investment (long-term)	25,000
Tax Refund	10,000

Additional Information:

Particular	31 st Mar. 2023 ₹	31 st Mar. 2022 ₹
Share capital	20,00,000	15,00,000
Securities premium	15,00,000	20,00,000

General Reserve	2,50,000	2,50,000
Machinery	5,00,000	3,00,000
Furniture	80,000	1,00,000
Marketable securities	1,00,000	---
10% non-current investment	3,00,000	2,00,000
patents	50,000	80,000
cash-in-hand and at Bank	50,000	1,00,000
Bank overdraft	5,00,000	7,00,000
Provision for Tax	1,00,000	75,000

- I. Patents purchased during the year was 50,000.
- II. Proposed dividend for the year ended 31st March, 2022 and 2023 was 1,50,000 and 2,00,000 respectively.
- III. Interim dividend during the year ended 31st March, 2022 and 2023 was 50,000 and 1,20,000 respectively.

You are required to:

1. Determine net profit before tax and Extraordinary items.
2. Determine operating profit before working capital changes.
3. Determine cash flow from investing activities.
4. Determine cash Flow from financing activities.
5. Determine cash and cash Equivalents.

Solution:

Calculation of profit before taxation & extraordinary items

Particulars	₹
Profit for the year	15,00,000
Add proposed dividend of provision year	1,50,000
Add interim dividend paid during the year	1,20,000
Add provision for taxation of current year	1,00,000
Add loss of furniture due to fire	<u>10,000</u>
	18,80,000
Less tax refund	<u>10,000</u>
Net profit before tax and extraordinary item	18,70,000

Calculation of operating profit before working capital changes

Particulars	₹
Net profit before tax & extraordinary items	18,70,000
Add depreciation	1,00,000
Add patents amortized (w.n)	<u>80,000</u>

	20,50,000
Less interest on investment	<u>25,000</u>
Operating profit before working capital changes	20,25,000

Calculation of cash flow from investing Activities

Particulars	₹
Purchase of machinery (5,00,000 - 3,00,000)	(2,00,000)
purchase of patents (w. n. 1)	(50,000)
Purchase of furniture (w. n. 2)	(90,000)
Purchase of 10% non-current investment (long-term) (3,00,000 - 2,00,000)	<u>(1,00,000)</u>
	(4,40,000)
Add interest on investment (long-term)	<u>25,000</u>
Net cash used in investing Activities	(4,15,000)

Calculation of Cash flow from financing Activities

Particulars	₹
Proceeds of issue of share capital	5,00,000
Less payment of bank overdraft (2,00,000)	
Less proposed dividend of previous year (1,50,000)	
Less interim dividend of current year <u>(1,20,000)</u>	<u>(4,70,000)</u>
Net cash flow from financing Activities	30,000

Calculation of Cash & Cash Equivalents

Particulars	₹
Closing balance of cash in hand of bank	50,000
Closing balance of marketable securities	<u>1,00,000</u>
Closing balance of cash & cash Equivalents	

Dr.		Patents A/c		Cr.	
Particular	₹	Particular	₹		

To balance B/d	80,000	By amortization A/c (Bal. figure)	80,000
To bank A/c (purchase)	50,000	By balance B/d	50,000
	<u>1,30,000</u>		<u>1,30,000</u>

**Dr.
Cr.**

Furniture A/c

Particular	₹	Particular	₹
To balance B/d	1,00,000	By Depreciation A/c	1,00,000
To Bank A/c (purchase) (balancing figure)	90,000	By loss of furniture due to fire	10,000
	<u>1,90,000</u>	By balance c/d	80,000
			<u>1,90,000</u>