

**CBSE Test Paper 04**  
**Ch-11 Cash Flow Statement**

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1. Which of the following item is not added or deducted while preparing cash flow statement?
  - a. Dividend Received
  - b. Bonus shares issued
  - c. Dividend Paid
  - d. Purchase of goodwill
2. Balance i.e. Surplus in Statement of Profit and Loss is part of -----.
  - a. Operating Activities
  - b. Financing Activities
  - c. Not concerned with any activity
  - d. Investing Activities
3. Operating activities is mainly concerned with \_\_\_\_\_.
  - a. Long term assets
  - b. Long – term liabilities and stockholders' equity
  - c. Share and debentures
  - d. Current assets and current liabilities
4. Repayment of long term loans \_\_\_\_\_.
  - a. None of these
  - b. Operating Activities
  - c. Investing Activities
  - d. Financing Activities
5. Old Furniture written off would result in-----.
  - a. Outflow of cash
  - b. None of these
  - c. No flow of cash
  - d. Inflow of cash
6. What is meant by 'cash from operating activities'?
7. Normally, what should be the maturity period for a short-term investment from the date of its acquisition to be qualified as cash equivalents?
8. A Company had Current Assets of Rs.3,00,000 and Current Liabilities of Rs.1,40,000.

Afterwards it purchases goods for Rs.20, 000 on credit. Calculate Current Ratio after the purchase of goods.

9. 'Payment of dividend' will come under which type of activity while preparing a cash flow statement?
10. G Ltd is carrying on a paper manufacturing business. In the current year, it purchased machinery for Rs. 30,00,000; it paid salaries of Rs.60,000 to its employees, it required funds for expansion and therefore, issued shares of Rs. 20,00,000. It earned a profit of Rs. 9,00,000 for the current year. Find out cash flows from operating activities.
11. State which of the following would result in inflow/outflow / no flow of cash and cash equivalents :
  - i. Decrease in cash credit
  - ii. sale of current investment
  - iii. Issue of fully paid bonus share
  - iv. Declaration of final dividend
  - v. Purchase of stock in trade for cash.
12. From the following extract of Balance sheets of Vanijya Ltd.as at 31st march 2010 and 2011. Find net profit before tax.

Particulars	Note no	31st March 2011	31st March 2010
Equity and Liabilities			
Shareholders fund			
share capital		65000	45000
Reserve and surplus	1	42500	24000

#### Notes to accounts

Particulars	31 march 2011	Mar 31, 2010
General Reserve	27500	15000
Surplus	15000	9000
	42500	24000

#### Additional Information

1. An interior dividend 7000 has been paid to shareholders during the year.
13. Prepare a Cash Flow Statement on the basis of the information given in the Balance

Sheet of Live Ltd. As at 31.03.2015 and 31.03.2014:

Particulars	Note No.	31.3.2015 (Rs.)	31.3.2014 (Rs.)
1. EQUITY AND LIABILITIES		.....	.....
(1) Shareholders' funds		.....	.....
(a) Share capital		2,10,000	1,80,000
(b) Reserves and surplus		1,32,000	24,000
(2) Non-current Liabilities		.....	...
(a) Long term-borrowings		1,50,000	1,50,000
(3) Current liabilities		.....	...
(a) Trade payables		75,000	27,000
Total		5,67,000	3,81,000
II. ASSETS		.....	.....
(1) Non-current assets		.....	.....
(a) Fixed assets		.....	.....
(i) Tangible Assets		2,94,000	2,52,000
(b) Non-current Investments		48,000	18,000
(2) Current Assets		.....	.....
(a) Current-Investments (Marketable)		54,000	60,000
(b) Inventories		1,07,000	24,000
(c) Trade receivables		40,000	17,500
(d) Cash and cash equivalents		24,000	9,500
Total		5,67,000	3,81,000

Notes to Accounts:

Note – 1

Particulars	2015 (Rs.)	2014 (Rs.)

Reserve and Surplus	1,32,000	24,000
Surplus (Balance in Statement of Profit and Loss)		

14. From the following balance sheet of JY Ltd as at 31st March, 2017, prepare a cash flow.

Particulars		Note No.	31st March, 2017 (Rs.)	31st March, 2016 (Rs.)
<b>I EQUITY AND LIABILITIES</b>				
<b>(1) Shareholder's Funds</b>				
(a) Share Capital			5,00,000	5,00,000
(b) Reserves and Surplus		1	1,00,000	(25,000)
<b>(2) Non-current Liabilities</b>				
Long-term Borrowings		2	2,50,000	1,50,000
<b>(3) Current Liabilities</b>				
(a) Short-term Borrowings		3	1,50,000	1,00,000
(b) Short-term Borrowings		4		1,25,000
	<b>Total</b>			
<b>II ASSETS</b>				
<b>(1) Non-current Assets</b>				
(a) Fixed Assets i. Tangible		5	6,00,000	4,50,000
<b>(2) Current Assets</b>				
Trade Receivables			2,75,000	2,25,000
Cash and Cash Equivalents			1,25,000	75,000
Short-term Loans and Advances			2,00,000	1,00,000

	<b>Total</b>			
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### Note to Accounts

Note No.	Particulars	31st March, 2017 (Rs.)	31st March 2016 (Rs.)
1.	<b>Reserves and Surplus</b>		
	(Surplus, i.e., Balance in the statement of Profit and Loss)	1,00,000	(25,000)
		1,00,000	(25,000)
2.	<b>Long-term Borrowings</b>		
	10% Debentures	2,50,000	1,50,000
		2,50,000	1,50,000
3.	<b>Short-term Borrowings</b>		
	Bank Overdraft	1,50,000	1,00,000
		1,50,000	1,00,000
4.	<b>Short-term Provisions</b>		
	(i) Proposed Dividend	75,000	50,000
	(ii) Provision for Tax	1,25,000	75,000
		2,00,000	1,25,000
5.	<b>Tangible Assets</b>		
	Machinery	7,37,500	5,25,000
	Accumulated Description	(1,37,500)	(75,000)
		6,00,000	4,50,000

### Additional Information

Rs.1,00,000, 10% debentures were issued on 31st March, 2017.

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**Answer**

1. a. (b) Bonus shares issued, **Explanation:** Issue of bonus shares will not affect the preparation of cash flow statement as in this transaction no cash involve.
2. a. (a) Operating Activities, **Explanation:** Balance i.e. Surplus in Statement of Profit and Loss is part of operating activities as it is used to find out the net profit of the year of a company.
3. a. (d) Current assets and current liabilities, **Explanation:** Operating activities is mainly concerned with current assets and current liabilities as Current means revenue/operating activities.
4. a. (d) Financing Activities, **Explanation:** Repayment of Long term loans is a financing activities as it reduce company's Non current liabilities.
5. a. (c) No flow of cash, **Explanation:** There will be no flow of cash because old furniture is written off as depreciation and not sold.
6. Cash flows from operations primarily measures the cash-generating abilities of the company's core operations rather than from its ability to raise capital or purchase assets. 'Cash from operating activities' are the principal revenue-producing activities of the enterprise and other activities, that are not investing or financing activities.
7. **Cash and cash equivalents** are the most liquid current assets found on a business's balance sheet. Cash equivalents are short-term commitments "with temporarily idle cash and easily convertible into a known cash amount". An investment normally counts to be a cash equivalent when it has a short maturity period of 90 days or less, and can be included in the cash and cash equivalents balance from the date of acquisition when it carries an insignificant risk of changes in the asset value; with more than 90 days maturity, the asset is not considered as cash and cash equivalents.
8. Current Asset = Cash + Bank+ Current Investment+ Inventory+ Trade receivables+ other current assets. Current Liability = Short Term Borrowings + Trade Payable +Short Term Provisions+ other current liabilities. Current Ratio =  $\frac{\text{Current assets}}{\text{Current Liabilities}}$   
$$\text{Current Ratio} = \frac{Rs.3,00,000+Rs.20,000}{Rs.140,000+Rs.20,000} = \frac{Rs.3,20,000}{Rs.1,60,000} = 2 : 1$$

9. 'Payment of dividend' is classified as financing activity' while preparing a cash flow statement. Cash flow from financing activities is a category in a company's cash flow statement that accounts for external activities that allow a firm to raise capital.
10. Rs. 9,00,000 profit earned during the year will be the cash flow from operating activities. An activity that directly affects an organization's cash inflows and outflows, and determine its net income. Cash inflows result from sales of goods or services, sale of shares, and from income earned on investments. Cash outflows result from equipment and inventory purchases, interest and principal payments on loans, salaries, dividends, and various other costs and expenses.
11. Effect of transactions on cash & cash equivalents :

S.No.	Transactions	Effect	Reasons
1.	Decrease in cash credit	Outflow	Short term borrowings has decreased.
2.	sale of current investment	No flow	Current investments are part of cash & cash equivalents.
3.	Issue of fully paid bonus share	No Flow	It is capitalisation of profit.
4.	Declaration of final dividend	No Flow	Dividend declared will be paid in next year.
5.	Purchase of stock in trade for cash.	Outflow	Cash is decreased.

12.

Net Profit after Tax	<b>6000</b>
+ Transfr to General Reserve	12500
Interim Dividend	7000
Net Profit before tax	<b>25500</b>

13.

### Cash Flow Statement

For the year ended 31st March, 2015

Particulars	Details (₹)	Amounts (₹)
<b>A Cash flow from operating activities</b>		

<b>A. Cash Flow from Operating Activities</b>		
Net Profit Before Tax and Extra-ordinary Items	1,08,000	
Add : Non cash and Non-operating charges		.....
Operating Profit before working capital changes	1,08,000	
Add : Increase in Current Liabilities	...	
Increase in trade payables	48,000	
Less : Increase in Current Assets		
Increase in trade receivables	(22,500)	
Increase in inventories	(83,000)	
<b>Cash generated from Operating Activities</b>		<b>50,500</b>
<b>B. Cash Flow from Investing Activities</b>	.....	
Purchase of Fixed Assets ( tangible assets )	(42,000)	.....
Purchase of non-current investments	(30,000)	
<b>Cash Used in Investing Activities</b>	.....	<b>(72,000)</b>
<b>C. Cash Flow From Financing Activities</b>		
Issue of share capital	30,000	
Cash Flow from Financing Activities		<b>30,000</b>
Net Increase in Cash & Cash equivalent (A+ B + C)	.....	8,500
Add : Opening balance of cash & cash equivalents :	.....	.....
Marketable Securities	.....	60,000
Cash & Cash Equivalent	.....	9,500
Closing balance of cash & cash equivalent ( Note 1)	.....	78,000

Working Note : 1. Calculation of Cash and cash equivalents at the end : cash and Cash Equivalents at the end (₹24,000) + Marketable Securities at the end (₹54,000) =



₹78,000

14. **Working Note:**

Particulars	(Rs.)	(Rs.)
Surplus i.e Balance in Statement of Profit and Loss (Closing)	1,00,000	
(-) Surplus i.e. Balance in Statement of Profit and Loss (Opening)	(25,000)	1,25,000
(+) Proposed Dividend	75,000	
Provision for Tax	1,25,000	2,00,000
Net Profit before Tax and Extraordinary Item		3,25,000

**Cash Flow Statement**

For the year ending 31st March, 2017

Particulars	Details	Amount
<b>(A) Cash Flow from Operating Activities</b>		
Net Profile before Tax and Extraordinary Items		<b>3,25,000</b>
<b>Adjustment for</b>		
(+) Depreciation	62,500	
(+) Interest on Debenturies (1,50,000 × 10%)	15,000	<u>77,500</u>
Operating Profile before Working Capital Changes		<b>4,02,500</b>
(+) Decrease in Current Assets and Increase in Current Liabilities		-
(-) Increase in Current Assets and Decrease in Current Liabilities		
Trade Receivable	(50,000)	
Short-term Loan and Advances	(1,00,000)	<u>(1,50,000)</u>
Cash Generated from Operations		<b>2,52,500</b>
(-) Income Tax Paid		<u>(75,000)</u>
Cash Flow from Operating Activities		<b>(1,77,500)</b>

<b>(B) Cash Flow from Financing Activites</b>		
Purchased of Machinery	(2,12,500)	
Cash used in Investing Activities		<b>(2,12,500)</b>
<b>(C) Cash Flow from Financing Activities</b>		
Proceeds from Issue of Debentures	1,00,000	
Increase in Bank Overdraft	50,000	
Dividend Paid	(50,000)	
Interest on Debentures	(15,000)	
Cash Flow from Financing Activities		<b><u>85,000</u></b>
Net Increase in Cash and Cash Equivalents		<b>50,000</b>
(+) Opening Cash and Cash Equivalents		75,000
Closing Cash and Cash Equivalents		1,25,000