

CBSE Test Paper 01
Ch-11 Cash Flow Statement

1. The various activities operating, investing and financing classified as per ____related to cash flow statement
 - a. AS – 5(revised)
 - b. AS – 4(revised)
 - c. AS – 6(revised)
 - d. AS – 3(revised)
2. Dividend Received is concerned with_____.
 - a. Operating Activities
 - b. None of these
 - c. Financing Activities
 - d. Investing Activities
3. 'Vinod 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.
 - a. 9,00,000
 - b. 8,00,000
 - c. 20,00,000
 - d. 8,60,000
4. Cash Flow Statement is also known as
 - a. None of these
 - b. 'Statement of Changes in Financial Position on Cash basis' and 'Statement accounting for variation in cash'
 - c. Statement of Changes in Financial Position on Cash basis
 - d. Statement accounting for variation in cash
5. Dividend Received is considered as operating activity when_____.
 - a. Received by a manufacturing company
 - b. Received by a Trading Company.
 - c. Received by any company.

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- d. Received by a finance company
6. What is the difference between operating activity and investing activity?
7. Give the meaning of Cash Flow.
8. Give two examples of Cash Equivalents.
9. "An enterprise may hold securities and loans for dealing or trading purpose in which they are similar to inventory acquired specifically for resale." Is this statement correct? Cash flows from such activities will be classified under which type of activity while preparing cash flow statement?
10. Interest received on debentures would result into inflow, outflow' or no flow of cash? Give reason.
11. Give any five transactions belong to operating and investing activities.
12. **Classify the following into Cash Flows from-**
Operating Activities; Investing Activities; Financing Activities.
- i. Cash sale of goods in cash
 - ii. Cash payment to acquire fixed assets
 - iii. Cash payments from issuing shares at a premium
 - iv. Payment of dividend
 - v. Interest received on Investment
 - vi. Interest Paid on debentures
 - vii. payment of income tax
 - viii. Cash repayment of long term loans
 - ix. Cash payment of salaries and wages to employees
13. A company had following balances
investment in the beginning = 34000
investment at the end = 28000
during the year, company sold 40% of its investments held in the beginning of the period at a profit of 8400. calculate cash flow form investing activity.
14. Following is the balance sheet of Rs Ltd as at 31st March, 2016.

	Particulars	Note No.	31st March, 2016 Amt (Rs)	31st March,2015 Amt (Rs)
1.	EQUITY AND LIABILITIES			
	1.Shareholders' Funds			
	(a) Share Capital		9,00,000	7,00,000
	(b) Reserves and Surplus	1	2,50,000	1,00,000
	2.Non-current Liabilities			
	Long-term Borrowings	2	4,50,000	3,50,000
	3.Current Liabilities			
	(a)Short-term Borrowings	3	1,50,000	75,000
	(b)Short-term Provisions	4	2,00,000	1,25,000
	Total		19,50,000	13,50,000
2	ASSETS			
	1.Non-current Assets			
	(a)Fixed Assets			
	(i)Tangible	5	14,65,000	9,15,000
	(ii)Intangible	6	1,00,000	1,50,000
	(b) Non-current Investments		1,50,000	1,00,000
	2.Current Assets			
	(a)Current Investments		40,000	70,000

	(b)Inventories	7	1,22,000	72,000
	(c)Cash and Cash Equivalents		73,000	43,000
	Total		19,50,000	13,50,000

Note to Accounts

Note No.	Particulars	31st March,2016 Amt (Rs)	31st March,2015 Amt (Rs)
1.	Reserves and Surplus (Surplus i.e., Balance in the Statement of Profit and Loss)	2,50,000	1,00,000
		2,50,000	1,00,000
2.	Long-term Borrowings 12% Debentures	4,50,000	3,50,000
		4,50,000	3,50,000
3.	Short-term borrowings Bank Overdraft	1,50,000	75,000
		1,50,000	75,000
4.	Short-term Provisions Proposed Dividend	2,00,000	1,25,000
		2,00,000	1,25,000
5.	Tangible Assets		
	Machinery	16,75,000	10,55,000
	Accumulated Depreciation	(2,10,000)	(1,40,000)
		14,65,000	9,15,000
6.	Intangible Assets		
	Goodwill	1,00,000	1,50,000

		1,00,000	1,50,000
7.	Inventories		
	Stock in Trade	1,22,000	72,000
		1,22,000	72,000

Additional Information

- i. Rs.1,00,000, 12% debentures were issued on 31st March,2016.
 - ii. During the year a piece of machinery costing Rs.80,000 on which accumulated depreciation was Rs. 40,000 was sold at a loss of Rs.10,000.
- Prepare a cash flow statement.

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Answer

1. d. AS – 3(revised), **Explanation:** The various activities in Cash Flow Statement as operating, investing and financing classified as per Accounting Standard – 3 (AS- 3 Revised).
2. d. Investing Activities, **Explanation:** Dividend received is added to investing activities while calculating Cash flow from investing activities in Cash Flow statement. As Dividend Received on investment in other companies.
3. a. 9,00,000, **Explanation:** Cash flow from operating activities is Rs.9,00,000 after all adjustments (salary).
4. b. 'Statement of Changes in Financial Position on Cash basis' and 'Statement accounting for variation in cash'
Explanation: 'Statement of Changes in Financial Position on Cash basis' and 'Statement accounting for variation in cash'
5. d. Received by a finance company
Explanation: Dividend received by a finance company is considered as an operating activity as the company operates in financial items.
6. Operating activities involve the cash effects of transactions that enter into the determination of net income, such as cash receipts from sales of goods and services and cash payments to suppliers and employees for acquisitions of inventory and expenses. Cash flow from investing activities is an item on the cash flow statement that reports the aggregate change in a company's cash position resulting from investment gains or losses and changes resulting from amounts spent on investments in capital assets, such as plant and equipment.
7. Cash flow is the net amount of cash and cash-equivalents being transferred into and out of a business.
8. Cash equivalents are held by an enterprise for meeting its short-term cash commitments instead of the purpose of investment or such other purposes.

- a. Treasury bills,
- b. Commercial paper.

9. Yes, this statement is correct. This statement refers to finance companies. Many types of companies own equities or bonds as part of their assets, trading securities are a special class of asset used by a company, mainly financial institutions, to create profits by buying and selling, rather than holding the security for any length of time and is classified under operating activity.
10. Cash inflow, because cash comes in as interest on debentures. Cash inflow is the money coming into a business. That could be from sales, investments or financing.
11. i. Transactions belong to operating activities are :
- a. Cash received against Revenue from services rendered.
 - b. Cash sale of goods.
 - c. commission received.
 - d. Income Tax paid.
 - e. cash paid to creditors.
- ii. Transactions belong to Investing activities are :
- a. Cash proceeds from sale of fixed assets.
 - b. Receipts from Repayments of advances and loans made to third party.
 - c. Debentures purchased.
 - d. Purchase of patents.
 - e. Loan advanced.

12.

S.NO.	Transactions	Classification/Activities
1	Cash sale of goods	Operating
2	Cash payment for acquire fixed assets	Investing
3	Issuing shares at a premium	Financing
4	Payment of dividend	Financing
5	Interest received on Investment	Investing
6	Interest Paid on debentures	Financing

7	payment of income tax	Operating
8	Cash repayment of long term loans	Financing
9	Cash payment of salaries and wages	Operating

13. **Investment A/c**

Particulars	Rs.	Particulars	Rs.
To Balance b/d	34000	By Bank	22000
To Statement of P&L (gain on sale)	8400	By Balance c/d	28000
To Bank	7600		
	50000		50000
			Rs.
Sale of investment			22,000
Purchase of investment			(7,600)
Cash flow from investing activity			14,400

14. **R.S. Ltd.**
Cash Flow Statement
(for the year ended 31st March,2016)

	Particulars		Amt (Rs)
A.	Cash Flow from Operating Activities		
	Net profit before Tax and Extraordinary Items (W.N)		3,50,000
	Adjustments for Non-cash and Non-Operating Items		
	(+) Goodwill Written off	50,000	
	(+) Interest on Debentures	42,000	
	(+) Depreciation	1,10,000	
	(+) Loss on sale of Machinery	10,000	2,12,000

	Operating Profit before Working Capital Changes		5,62,000
	(-)Increase in Current Assets and Decrease in Current Liabilities		
	Inventories	(50,000)	(50,000)
	Net Cash from Operating Activities		5,12,000
B.	Cash Flow from Investing Activities		
	Proceeds from Sale of Machinery	30,000	
	Purchase of Machinery	(7,00,000)	
	Purchase of Non-Current Investments	(50,000)	
	Net Cash used in Investing Activities		(7,20,000)
C.	Cash Flow From Financing Activities		
	Proceeds from Issue of Share Capital	2,00,000	
	Increase in Bank Overdraft	75,000	
	Interest on Debentures Paid	(42,000)	
	Proceeds from Issue of Debentures	1,00,000	
	Proposed Dividend Paid	(1,25,000)	
	Net Cash Flow From Financing Activities		2,08,000
	Net Decrease in Cash and Cash Equivalents		0
	(+) Cash and Cash Equivalents in the Beginning of the year (Cash and cash equivalents 43,000+Current investment 70,000)		1,13,000
	Cash and Cash Equivalents at the End of the year (Cash and cash equivalents 73,000 + current investment 40,000)		1,13,000

Working Notes

1. Calculation of Net Profit before Tax and Extraordinary Items

Profits as per statement of profit and Loss (2,50,000-1,00,000)	1,50,000
(+) Proposed dividend	2,00,000
	Rs.3,50,000

Machinery Account

Dr.			Cr
Particulars	Amt (Rs)	Particulars	Amt (Rs.)
To Balance b/d	10,55,000	By Bank A/c (Sale)	30,000
To Bank A/c (Purchases)	7,00,000	By Accumulated Depreciation A/c	40,000
		By Statement of Profit and Loss (Loss on Sale)	10,000
		By Balance c/d	16,75,000
	17,55,000		17,55,000

Accumulated Depreciation Account

Dr			Cr
Particulars	Amt (Rs)	Particulars	Amt (Rs)
To Machinery A/c (Depreciation on Machinery Sold)	40,000	By Balance b/d	1,40,000
To Balance c/d	2,10,000	By Depreciation A/c (Statement of Profit and Loss)	1,10,000
	2,50,000		2,50,000

Net Cash Flow from Operating Activities=Rs.5,12,000

Net Cash used in Investing Activities=Rs.(7,20,000)

Net Cash Flow from Financing Activities=Rs.2,08,000

2. Above Cash Flow Statement is prepared as per Accounting Standard 3(Revised).
3. Cash and Cash Equivalents include Cash, Bank, Short Term Deposits, Current Investment and marketable securities.
4. Dividend paid to shareholders is a financing activity as dividend is paid on the Share Capital of the company. Share Capital is to be shown as Financing Activity in Cash Flow Statement.
5. If between two accounting years amount of goodwill decreases it is added to Net Profit before Tax and Extraordinary Items