

CBSE Test Paper 02
Ch-11 Cash Flow Statement

1. Which of the following is not considered with operating activities:
 - a. Loss on sale of assets
 - b. Issue of Equity shares
 - c. Income tax
 - d. General Reserve
2. Mention the net amount of source of cash when a fixed asset (having book value of Rs. 15,000) is sold at a loss of Rs. 5,000.
 - a. 5,000
 - b. 10,000
 - c. 15,000
 - d. 20,000
3. When provision for depreciation account is separately maintained. In this method two accounts namely ___ and ____ account is prepared.
 - a. Fixed assets and Dividend account
 - b. Fixed assets and Investment account
 - c. Fixed assets and provision for depreciation account
 - d. Investment and provision for recitation account
4. Cash Receipts from sale of goods by a trading company come under which activity while preparing cash flow statement?
 - a. Operating Activity
 - b. Financing Activity
 - c. Investing Activity
 - d. Operating and Financing Activities
5. Decrease in the value of Trade Receivable will be
 - a. Added in operating activities
 - b. Added in Investing Activities
 - c. Deducted in Investing activities
 - d. Deducted in operating activities
6. Kaveri Ltd a financing company obtained loans and advances of Rs 5,00,000 during the year @ 12% per annum. In which activity will it be included while preparing cash

flow statement?

7. Name any two financing activities that will result into the inflow of cash.
8. Why is separate disclosure of cash flows from investing activities important? State.
9. 'Payment and receipt of interest and dividend' is classified as which type of activity while preparing cash flow statement?
10. Give an example of the activity which remains financing activity for every enterprise.
11. **Following are the comparative balance sheet of Moti Products Ltd.:**

Liabilities	Rs. (in '00 Lakhs) 2006	Rs. (in '00 lakhs) 2005	Assets	Rs. (in '00 lakhs) 2006	Rs. (in '00 lakhs) 2005
Equity share capital	190	180	Plant & Machinery	62	50
Trade Creditors	76	64	Furniture	9	8
Profit & Loss A/c	35	29	Trade Debtors	190	155
			Cash	40	60
	301	273		301	273

12. X Ltd. has the following opening balances on 1-1-2006: Fixed assets =Rs.1500000 Less Depreciation Rs.500000, bank Rs. 87500, Other Current assets Rs. 625000, Current Liabilities Rs. 250000.
 - i. The net profit for the year is Rs. 175000 after depreciation of Rs. 150000.
 - ii. The company has acquired fixed assets costing Rs. 250000 after selling one machine for Rs. 70000, costing Rs. 150000, on which depreciation charged is Rs. 90000.
 - iii. Current assets and current liabilities(other than bank balances) on 31-12-06 are Rs. 750000 and Rs. 400000 respectively. At the end of accounting year, the company deposits all the cash into the Bank. Calculate Cash from operation for the year 2006
13. ABC Ltd, has Plant and machinery whose written down value on April 1, 2017, was 86000 and on 31st March 2018 was 95000. Dep for the year was 4000. In the beginning

of the year, a part of the plant was sold for 2500 and which has a written down value of 2000. Calculate cash flow from Investing activities.

14. From the following balance sheets of Mansi Ltd. as at 31st march 2017 and 31st march 2016 Prepare Cash Flwo statement.

Particulars	Note No.	31st March 2017	31st March 2016
EQUITY AND LIABILITY			
Shareholders Fund			
Share capital	1	1000000	800000
Reserves and surplus	2	74000	60000
non current liabilities		q	
15% Deb		130000	120000q
Current Liabilities			
Bank overdraft		136000	250000
Trade Payables		220000	240000
Short term Provisions	3	200000	160000
		1760000	1630000
Assets			
Non current Asset			
Fixed Asset	4	500000	600000
Current Asset			
Inventories		700000	600000
Trade receivabkes		480000	400000
Cash		80000	30000
		1760000	1630000

Notes to accounts

Share capital		
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Equity Share Capital	900000	800000
12% Preference Share capital	100000	-
	1000000	800000
Reserves & Surplus		
General Reserve	50000	40000
Surplus	24000	20000
	74000	60000
Short Term Proviion		
Provision fro tax	84000	60000
Proposed Dividend	116000	100000
	200000	160000
Fixed Asset		
Tangible Asset	800000	820000
- Dep	300000	220000
	500000	600000

Additional Information

- i. Interest paid on debentures 18000
- ii. Preference share were issued on march 31st 2017
- iii. Tax provided during the year 84000.

Prepare cash flow statement.

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Answer

1. b. Issue of Equity shares, **Explanation:** Issue of Equity shares is not concerned with operating activities. It is part of financing activities.
2. b. 10,000, **Explanation:** Source of cash is Rs.10,000 only i.e. Book value of asset is 15,000 and sold at a loss of Rs.5,000. Sale price = Rs. 15,000 – Rs. 5,000 = Rs. 10,000.
3. c. Fixed assets and provision for depreciation account
Explanation: When provision for depreciation a/c is maintained separately in such a case at the time of sale of asset two accounts are prepared (i) Asset Account (ii) Provision for Depreciation Account or Accumulated Depreciation Account.
4. a. Operating Activity, **Explanation:** Cash Receipts from sale of goods by a trading company come under operating activities. As it is an operating transaction.
5. a. Added in operating activities, **Explanation:** Decrease in the value of Trade Receivables (Current assets) will be added in operating activities while preparing cash flow statement.
6. It will be included in operating activity. 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.
7. Money received by an organisation as a result of its operating activities, investment activities and financing activities can be termed as inflow of cash. The following are the examples of cash inflows from financing activities:
 - i. Issue of Shares or debentures
 - ii. Long term borrowings (raised loan from bank or from other financial institutions)
8. Investing activities are the acquisition and disposal of long-term assets and other investments that are not considered to be cash equivalents. Separate disclosure of

cash flows from investing activities is important because it shows the extent to which the investment have been made for resources intended to generate future income and cash flows. Investing and financing transactions which do not require the use of cash should be excluded from the statement of cash flows, but they should be separately disclosed elsewhere in the financial statements.

9. As per International Accounting Standards -7, cash flows from interest and dividends received and paid shall each be disclosed separately. Each shall be classified in a consistent manner from period to period as either operating, investing or financing activities.
10. Dividend paid. Cash flow from financing (CFF) activities is a category in a company's cash flow statement that accounts for external activities that allow a firm to raise capital. In addition to raising capital, financing activities also include repaying investors, adding or changing loans, or issuing more stock.

11. **Moti Products Ltd.**
Cash Flow Statement
for the year ended on 31st March 2006

Details	Rs. (in '00 lakhs)	Rs. (in '00 lakhs)
Cash flow from Operating Activities:		
Net Profit(35-29)	6	
Adjusted for :		
Less: Increase In Debtors	(35)	
Add: Increase in Trade Creditors	<u>12</u>	(17)
Cash flow from Investing activities:		
Purchase for Plant and machinery	(12)	
Purchase of furniture	<u>(1)</u>	(13)
Cash Flow from financing activities:		
Issue of Share capital	<u>10</u>	10
Net decrease in Cash & Cash Equivalents		(20)

Add: Opening Cash and Cash Equivalent		60
Closing Cash and Cash Equivalent		40

12.

Particulars	Rs.
CASH FROM OPERATING ACTIVITIES:	
Net Profit before tax	175000
Add :Depreciation	150000
Less: Profit on sale of machinery (150000-90000-70000)	(10000)
Operating Profit before working capital change	315000
Add: Current Liabilities Increase (400000-250000)	150000
Less: Current assets Increase (750000-625000)	(125000)
CASH FROM OPERATIONS	340000

13.

Particulars	Amount	Amount
<u>Cash Flow form Investing Activities :</u>		
Purchase of Plant and Machinery	(15000)	
Sale of plant and machinery	<u>2500</u>	
Cash used in investing activities		(12500)

Plant and Machinery account

Date	Particulars	Amount	Date	Particulars	Amount
1.4.2016	To Balance b/d	86000	1.4.2016	By Bank A/c	2500
	TO Gain on sale of plant	500	31.3.2017	By Depreciation	4000
	To Bank(Purchase)	15000		By Balance c/d	95000
		<u>101500</u>			<u>101500</u>

14.

Cash Flow Statement

I. <u>Cash Flow from operating activities :</u>		
Net profit after tax and extraordinary items	4000	
+ Transfer to General Reserve	10000	
Provision for tax	84000	
Proposed dividend	<u>116000</u>	
Net profit before tax and extraordinary items	214000	
+ Depreciation	80000	
Interest on deb paid	<u>18000</u>	
Operating profit before working capital changes	312000	
- Trade Receivables	-80000	
Inventories	-100000	
Trade payables	<u>-20000</u>	
Cash Generated from operations	112000	
- Income Tax	<u>60000</u>	52000
II. <u>Cash Flow from investing activities :</u>		
Sale of fixed asset	<u>20000</u>	20000
III. <u>Cash Flow from Financing activities :</u>		
Issue of equity shares	100000	
Issue of Preference shares	100000	
Issue of Debentures	10000	
Interest on Debentures	-18000	
Bank overdraft	-114000	
Dividend paid	<u>-100000</u>	<u>-22000</u>

Net Cash Flow		<i>50000</i>
+ opening		<u>30000</u>
Closing		<u>80000</u>