

Format of Cash from Operating Activities

Net profit for the year (CY – PY) xxxx

Add : Non Cash and No Operating Expenses xxxx

(Items appeared on Dr side of P& L a/c)

Less : Non Cash and No Operating Incomes xxxx

(Items appeared on Cr side of P& L a/c)

Add: Increase in Current liabilities xxxx

Decrease in Current Assets xxxx xxxx

Less : Decrease in Current Liabilities xxxx

Increase in Current assets xxxx xxxx

Less: Income tax paid xxxx

Cash from Operating Activities xxxx

Calculate Cash from Operating Activities from the Following

	31-12-2008	31-12-2009
Profit and Loss Account	60,000	65000
Debtors	85,000	48,000
Bills receivable	40,000	81,000
General Reserve	1,72,000	2,07,000
Wages Outstanding	26000	8,000
Salaries Prepaid	8,000	10,000
Good will	70,000	60,000

Solution

Calculation of Cash from Operating Activities (COA)

Net Profit during the year (65000-60000)		5000
Add :		
Transfer to General reserve	35000	
Goodwill written off	10000	
Decrease in Debtors - CA	37000	82000
Less :		87000
Increase in Bills Receivable - CA	41000	
Increase in Salaries prepaid - CA	2000	
Decrease in wages outstanding - CL	18000	61000
Cash from Operating Activities		26000



Example: From the following details calculate funds from operations:

	₹
Salaries	10,000
Rent	6,000
Refund of Tax	6,000
Profit on Sale of Building	10,000
Depreciation on Plant	10,000
Provision for Taxation	8,000
Loss on Sale of Plant	4,000
Closing Balance of Profit & Loss A/c	1,20,000
Opening Balance on Profit & Loss A/c	50,000
Discount on Issue of Debentures	4,000
Provision for Bad Debts	2,000
Transfer to General Reserve	2,000
Preliminary Expenses written off	6,000
Goodwill written off	4,000
Dividend Received	10,000
Proposed Dividend	12,000

Solution:

Calculation of fund from operation

First Method

Closing Balance of Profit & Loss A/c	1,20,000
Less: Opening Balance	<u>50,000</u>
Balance Forward	70,000
Add: Non-fund/Non-operating Charges	
Depreciation on Plant	10,000
Provision for Taxation	8,000
Loss on Sale of Plant	4,000
Discount on Issue of Debentures	4,000
Provision for Bad Debts	2,000
Transfer to General Reserve	2,000
Preliminary Expenses off	6,000
Goodwill Written off	4,000
Proposed Dividend	<u>12,000</u>
	1,22,000
Less: Refund of Tax	6,000
Profit on Sale of Building	10,000
Dividend Received	<u>10,000</u>
Fund from Operations	96,000

Second Method:

Adjusted Profit & Loss A/c

To Depreciation on Plant	10,000	By Opening Balance b/d	50,000
To Provision for Taxation	8,000	By Profit on Sale of Building	10,000
To Loss on Sale of Plant	4,000	By Dividend Received	10,000
To Discount on issue of debentures	4,000	By Refund of Tax	6,000
To Provision for bad debts	2,000	By Balancing Figure	96,000
To Transfer to general reserve	2,000	Fund from Operations	
To Preliminary expenses off	6,000		
To Goodwill written off	4,000		
To Proposed Dividend	12,000		
To Closing Profit c/d	1,20,000		
	<u>1,72,000</u>		<u>1,72,000</u>

GLORY Co. Ltd

Calculation of Cash from Operating Activities (COA)

Net Profit during the year		360000
Add :		
Deprecation on Machinery	30000	
Goodwill Written off	10000	
Loss on Sale of Building	5000	
<u>Increase in CL, Decrease in CA</u>		
Decrease in Debtors	20000	
Increase in Creditors	10000	75000
		435000
Less :		
<u>Decrease in CL, Increase in CA</u>		
Increase in Stock	30000	
Decrease in Outstanding Rent	5000	
Decrease in Bills Payable	10000	
Increase in Bills Receivable	20000	65000
Cash from Operating Activities (COA)		370000

**16503**

**V Semester B.B.M.N. Examination, November/December 2015
(Revised New Scheme)**

**MANAGEMENT
Management Accounting (5.3)**



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11. The Balance Sheets of ABC Ltd. as on 31st March 2014 and 31st March 2015 were as follows :

Assets	31-3-2014	31-3-2015
	Rs.	Rs.
Land and Buildings	80,000	1,20,000
Plant and Machinery	5,00,000	8,00,000
Stock	1,00,000	75,000
Sundry Debtors	1,40,000	1,50,000
Prepaid expenses	14,000	12,000
Cash at Bank	16,000	18,000
	8,50,000	11,75,000
Capital and Liabilities	Rs.	Rs.
Share capital	5,00,000	7,00,000
Profit and loss A/c	1,00,000	1,60,000
General Reserve	50,000	70,000
Sundry creditors	1,63,000	2,00,000
Bills payable	30,000	40,000
Outstanding expenses	7,000	5,000
	8,50,000	11,75,000

Additional Information :

- i) ₹ 50,000 depreciation has been charged to plant and machinery during the year 2015.
- ii) A piece of machinery was sold for ₹ 8,000 during 2015. It had cost ₹ 12,000, depreciation of ₹ 7,000 has been provided on it.

Prepare cash flow statement.

Plant and Machinery A/c

To Balance b/d	500000	By P&L a/c (Depreciation)	50000
To P&L a/c (Profit on Sale)	3000	By Bank a/c (Sale)	8000
		By P&L a/c (Depreciation)	7000
To Bank a/c (Purchase)xx	362000		
	865000		865000

Cash Flow Statement – AS – 3 (Indirect Method)

A - Cash flow from Operating Activities		
Net profit for the year		60000
Add :		
Dep on Plant & Machinery (50000+7000)	57000	
Transfer to General Reserve	20000	
Decrease in Stock – CA	25000	
Decrease in Prepaid Exp – CA	2000	
Increase in Bills Payable	10000	
Increase in Creditors	37000	151000
		211000
Less :		
Profit on Sale of Plant and Machinery	3000	
Increase in Drs - CA	10000	
Decrease in O/s Exps – CL	2000	15000
		196000
B - Cash flow from Investing Activities		
Sale of Plant and Machinery	8000	
Purchase of Plant and Machinery	-362000	
Purchase of Land and Buildings	-40000	-394000
C - Cash flow from Financing Activities		
Issue of Shares	200000	200000
Cash flow from all Activities (A+B+C)		2000
Add : Opening balance of Cash & Bank		16000
Closing balance of Cash & Bank balance		18000

