

Department of Commerce  
B.com - Final year  
Management Accounting

By: —  
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Example: —

From the following information as contained in the Income Statement and Balance Sheet of XYZ Ltd. Prepare cash flow statement by (i) Direct Method, and (ii) Indirect Method

Income Statement  
for the year ending 31<sup>st</sup> March 2015

Sales (Net)		4,03,200
Less: Cost of sales	3,16,800	
Depreciation	9,600	
Salaries	38,400	
Operating Expenses	12,800	
Provision for Tax	14,080	3,91,680
Net operating Profit		11,520
Add, Profit on sale of equipment		1,920
		13,440
Add, Balance of Profit B/F		24,288
		37,728
Less, Dividend Paid		11,520
P/L A/c Balance on 31-3-15		26,208

Balance sheet

Capital & Liabilities	31-3-14 Amount	31-3-15 Amount	Assets	31-3-14 Amt.	31-3-15 Amt.
Share Capital	57,600	71,040	Land	7,680	15,360
P/L A/c Balance	24,288	26,208	Building & Equip	57,600	92,160
Creditors	38,400	37,440	Cash	9,600	11,520
Outstanding Expenses	3,840	7,680	Debtors	26,880	29,760
Income Tax Payable	1,920	2,160	Stock	49,240	15,360
Accumulated Depre.	19,200	21,600	Advances	1,920	1,440
	1,45,248	1,65,600		1,45,248	1,65,600

Note: — Cost of Equipment sold is Rs. 11,520

Solution

Cash Flow Statement (Direct Method)

Particulars	Rs.	Rs.
Cash flow from Operating activities		
Cash receipts from customers	4,00,320	
Cash Paid to Suppliers & Employees	(3,38,432)	
Income Tax Paid	(13,888)	
Net Cash from operating activities		48,000
Cash Flow from Investing activities:		
Purchase of Land	(7,680)	
Sale of Equipment	5,760	
Purchase of Building & Equipments	(46,080)	
Net Cash from Investing Activities		(48,000)
Cash Flow from Financing Activities:		
Issue of equity share	13,440	
Dividend Paid	(11,520)	
Net Cash from Financing activities		1,920
Net increase in cash		1,920
Cash in the beginning		9,600
<u>Cash at the End</u>		<u>11,520</u>

Working Note: —

1. Cash receipts from customers:

Sales	Rs. 4,03,200
Add, Debtors (opening Balance)	26,880
	4,30,080
Less, Debtors (closing Balance)	29,760
Cash receipts from customers =	<u>4,00,320</u>

Working Note: -

2. Cash Paid to Suppliers & Employees :

	RS
Cost of Sales	3,16,800
Add, Operating Expenses	12,800
Add, Salaries	38,400
Add, Creditors (Opening Balance)	38,400
Add, Outstanding Expenses (Opening Bal.)	3,840
Add, Stock (Closing Balance)	15,360
Add, Advances (Closing Balance)	1,440
	<u>4,27,040</u>

Less, Creditors (Closing Balance)	37,440
Outstanding Exp. (Closing Bal.)	7,680
Stock (Opening Balance)	42,240
Advances (Opening Balance)	1,248
	<u>88,608</u>
Cash Paid to Suppliers & Employees =	<u>3,38,432</u>

3. Sale of Equipment :

Cost	11,520
Less, Accumulated Dep. on it	<u>7,680</u>
	3,840
Add, Profit on Sale	<u>1,920</u>
	<u>5,760</u>

Accumulated Depreciation on Equipment Sold: -	<del>17,200</del>
Accumulated Depreciation upto 31-3-14 (Opening)	17,200
Add, Depreciation for the year	<u>9,600</u>
	28,800
Less, Accumulated Depreciation upto 31-3-15 (Closing)	<u>21,120</u>
	<u>7,680</u>

working Note : -

4. Purchase of Buildings & Equipment :-

Cost 31-3-15	92,160
Cost 31-3-14	57,600
Less, Equipment sold	11,520
Purchases	<u>46,080</u>

5. Income - Tax Paid during 2014 - 2015 :-

Income - Tax Payable 31-3-14	1,920
Add, Provision made	14,080
	<u>16,000</u>
Less, Income - Tax Payable 31-3-15	2,112
Income Tax Paid =	<u>13,888</u>