

Department of Commerce
 B.com - Final year
 Management Accounting

By: -
 Prem Kumar

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 31st 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	31-3-15	Assets	31-3-14	31-3-15
	Amount	Amount		Amt	Amt
Share Capital	57,600	71,040	Land	7,600	15,360
P/L A/c Balance	24,288	26,208	Buildings & Equip	57,600	99,160
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	2,112	Stock	49,240	15,360
Accumulated Depre.	19,200	21,120	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 (Indirect Method)

Particulars	Rs.	Rs.
1. Net Profit before Tax and extraordinary items (11,520 + 14,000)	25,600	
Adjustments: -		
Depreciation	7,600	
Net Profit before working capital changes	35,200	
Increase in Debtors	(2,880)	
Decrease in Stock	26,880	
Increase in Advances	(192)	
Decrease in Creditors	(760)	
Increase in outstanding Expenses	3,840	
Income - Tax Paid	(13,888)	
Net cash from operating activities:		48,000
2. 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)
3. Cash Flow from Financing Activities:		
Issue of Equity Shares	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
Cash at the End		11,520