



## ANSWERS

1. (d)
2. (c)
3. (c)
4. (c)
5. (a)
6. (b)
7. (c)
8. (d)
9. (a)
10. (c)
11. (c)
12. (a)
13. (b)
14. (b)
15. (b)

### Working Note:

MACHINERY ACCOUNT			
Dr.			Cr.
Particulars	₹	Particulars	₹
To Balance b/d	15,00,000	By Depreciation A/c	2,00,000
To Statement of Profit & Loss (Gain)	60,000	By Bank A/c (Sale) (Balancing Figure)	5,10,000
To Bank A/c (Purchase)	1,50,000	By Balance c/d	10,00,000
	17,10,000		17,10,000

16. (d)

### Working Note:

Calculation of Net Profit before Tax and Extraordinary Items:	₹
Surplus, i.e., Balance in Statement of Profit & Loss (31st March, 2023)	11,00,000
Less: Surplus, i.e., Balance in Statement of Profit & Loss (31st March 2022)	5,00,000
	6,00,000
Add: Proposed Dividend for the year ended 31st March, 2022 declared in the year 2023	7,00,000
	13,00,000

**Note:** Dividend Payable (₹ 50,000) has no affect on Net Profit before Tax and Extraordinary Items.

17. (d)

**Working Note:**

<i>Calculation of Net Profit before Tax and Extraordinary Items:</i>	₹
Surplus, i.e., Balance in Statement of Profit & Loss (31st March, 2023)	6,00,000
Less: Surplus, i.e., Balance in Statement of Profit & Loss (31st March, 2022)	4,00,000
	<u>2,00,000</u>
Add: Loss on Issue of Debentures	50,000
	<u>2,50,000</u>

**Note:** Loss on Issue of Debentures (₹ 50,000) is added to Net Profit before Tax and Extraordinary Items as it does not involve flow of cash and also proceeds from Issue of Debentures is shown at amount received.

18. (b)

19. (a) Investing Activities include the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Financing Activities are activities that result in changes in size and composition of owner's capital (including Preference Share Capital in the case of a company) and borrowings of the enterprise.

(b) Transactions which represent movement between items of Cash or Cash Equivalents are not cash flows since these components are part of the cash management of an enterprise rather than part of operating, investing and financing activities.

(c) Interest received on investments by a company is an Investing Activity.

20. *Calculation of Net Cash Flow from Operating and Investing Activities:*

Particulars	₹
<b>I. Cash Flow from Operating Activities</b>	
Net Profit before Tax and Extraordinary Items (WN 1)	3,30,000
<i>Adjustment for Non-cash and Non-Operating Items:</i>	
Add: Depreciation	1,30,000
Loss on Sale of Machinery	40,000
Operating Profit before Working Capital Changes	<u>5,00,000</u>
Add: <i>Change in Current Assets and Increase in Current Liabilities:</i>	
Increase in Current Assets	(60,000)
Increase in Trade Payables	1,10,000
Net Cash Flow from Operating Activities before Tax	<u>5,50,000</u>
Less: Tax Paid	30,000
<b>Net Cash Flow from Operating Activities</b>	<u>5,20,000</u>
<b>II. Cash Flow from Investing Activities</b>	
Proceeds from Sale of Machinery	35,000
Purchase of Property, Plant and Equipment: Fixed Assets (WN 2)	(3,65,000)
<b>Net Cash used in Investing Activities</b>	<u>(3,30,000)</u>

**Working Notes:**

1. Calculation of Net Profit before Tax and Extraordinary Items:	₹
Surplus, i.e., Balance in Statement of Profit & Loss (Closing)	4,00,000
Less: Surplus, i.e., Balance in Statement of Profit & Loss (Opening)	(1,00,000)
	<u>3,00,000</u>
Add: Provision for Tax	30,000
Net Profit before Tax and Extraordinary Items	<u>3,30,000</u>

## 2. Dr. PROPERTY, PLANT AND EQUIPMENT ACCOUNT: FIXED ASSETS ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Balance b/d	7,50,000	By Bank A/c (Sale)	35,000
To Bank A/c— Purchase (Balancing Figure)	3,65,000	By Accumulated Depreciation A/c (Transfer)	70,000
		By Statement of Profit & Loss A/c (Loss on Sale)	40,000
		By Balance c/d	9,70,000
	<u>11,15,000</u>		<u>11,15,000</u>

## 3. Dr. ACCUMULATED DEPRECIATION ACCOUNT Cr.

Particulars	₹	Particulars	₹
To Fixed Assets A/c (Balancing Figure)	70,000	By Balance b/d	1,80,000
To Balance c/d	2,40,000	By Statement of Profit & Loss A/c (Depreciation)	1,30,000
	<u>3,10,000</u>		<u>3,10,000</u>

**21.****Aakashvani Ltd.****CASH FLOW STATEMENT for the year ended 31st March, 2023**

Particulars	Detail (₹)	₹
<b>I. Cash Flow from Operating Activities</b>		
Net Profit before Tax and Extraordinary Items (WN 1)	2,50,000	
<i>Adjustment for Non-cash and Non-Operating Items:</i>		
Goodwill Amortised	2,40,000	
Depreciation Charged	50,000	
Interest on Debentures	52,000	
Operating Profit before Working Capital Changes	5,92,000	
<i>Add: Decrease in Current Assets and Increase in Current Liabilities:</i>		
Trade Receivables	10,000	
	6,02,000	
<i>Less: Increase in Current Assets and Decrease in Current Liabilities:</i>		
Inventories	(1,10,000)	
Trade Payables	(20,000)	(1,30,000)
Cash Generated from Operations	4,72,000	
Less: Tax Paid	Nil	
Cash Flow from Operating Activities	4,72,000	4,72,000

<b>II. Cash Flow from Investing Activities</b>		
Purchase of Land and Building	(5,00,000)	
Purchase of Goodwill (WN 2)	(40,000)	
Proceeds from Sale of Non-current Investments	2,00,000	
Loans and Advances Given	(50,000)	
<i>Cash Used in Investing Activities</i>		(3,90,000)
<b>III. Cash Flow from Financing Activities</b>		
Proceeds from Issue of Shares	5,00,000	
Securities Premium	50,000	
Redemption of 8% Debentures (₹ 3,00,000 + ₹ 30,000)	(3,30,000)	
Interest on Debentures	(52,000)	
Dividend Paid (WN 3)	(1,40,000)	
<i>Cash Flow from Financing Activities</i>		28,000
<b>IV. Net Increase in Cash and Cash Equivalents (I + II + III)</b>		1,10,000
<i>Add: Cash and Cash Equivalents (Opening) (₹ 1,00,000 + ₹ 1,50,000) (WN 4)</i>		2,50,000
<b>V. Closing Cash and Cash Equivalents (₹ 1,10,000 + ₹ 2,50,000)</b>		3,60,000

**Working Notes:**

1. <i>Net Profit before Tax and Extraordinary Items:</i>	₹
Net Profit as per Statement of Profit & Loss (₹ 1,50,000 – ₹ 1,10,000)	40,000
<i>Add: Transfer to General Reserve</i>	60,000
Proposed Dividend (Previous years)	1,50,000
Net Profit before Tax and Extraordinary Items	2,50,000

2. <i>Dr.</i>	GOODWILL ACCOUNT		<i>Cr.</i>
Particulars	₹	Particulars	₹
To Balance b/d	6,00,000	By Statement of Profit & Loss	2,40,000
To Bank A/c (Balancing Figure)	40,000	By Balance c/d	4,00,000
	6,40,000		6,40,000

3. <i>Dr.</i>	DIVIDEND PAYABLE ACCOUNT		<i>Cr.</i>
Particulars	₹	Particulars	₹
To Bank A/c (Balancing Figure)	1,40,000	By Balance b/d	30,000
To Balance c/d	40,000	By Surplus, i.e., Balance in Statement of Profit & Loss A/c (Proposed Dividend of previous year)	1,50,000
	1,80,000		1,80,000

4. Current Investment is a part of Cash and Cash Equivalents.