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Cash flow statement questions for class 12 download

Given article text here What is sale of copyrights? Sale of Copyrights is concerned with Investing Activities The most important objective of cash flow statement is that helps to ascertain the inflows and outflows of cash and from All of the options Dividend paid by a Trading company is classified under which kind of activity while preparing cash flow statement? Dividend paid by a Trading company is classified under Cash Flow from Financing Activities A decrease in the balance of Accounts Receivable. A decrease in the balance of Accounts Receivable. A company who issues bonds or stocks in result raised funds which finally Increases cash Proceeds from the sale of equipment used in the business. Proceeds from the sale of equipment used in the business. A financial statement that shows the inflows and outflows of cash during a particular period of time is known as Statement of cash flows For the calculation of cash flow from operating activities, payments and receipts shown in Profit & Loss account are converted into payments and receipts actually in cash by eliminating Non-cash revenue from the revenue earned and Non-cash expenses from expenses incurred Financing activities brings changes in Size and composition of owners equities and Borrowing of the enterprise Dividend paid by a financial company is shown as cash outflow under Cash and Cash Equivalent. Principal revenue generating activities of an enterprise are called as Operating activities The exchange or conversion of long-term bonds into common stock. For the calculation of cash flow from operating activities, payments and receipts shown in Profit & Loss account are converted into payments and receipts actually in cash by eliminating Non-cash revenue from the revenue earned and Non-cash expenses from expenses incurred During the year, ABC Ltd sold 40% of its investments at a profit of Rs 16,800. Cash flow from investing activities is (a) Rs. 28,800. Non-cash items and non-operating items are not required to be adjusted under the (a) Direct method. Payment of income tax is shown as (c) Operating Activities. If goodwill was Rs. 40,000 at the beginning of a year and Rs. 48,000 at the end, its effect on cash flow will be (a) Cash used in Investing Activities Rs. 8,000. A source of cash is (d) Sale of marketable securities for cash. Cash outflow on salary expenses will be (a) Rs. 35,000. Cash from Operating activities will decrease due to (d) Both A and B above. The statement of cash flows provides information about the (c) operating, investing, and financing activities. Net Profit for the year is Rs. 15,000. Interest Received in advance on 1st Jan 2004 was Rs. 2,000 and 31st December 2004 was Rs. 3,000. Cash from operation will be (c) Rs. 16,000. Increase in bills receivable results in (a) Decrease in cash. An example of Cash Flows from Financing Activity is (b) Cash receipts from issue of shares. Interest received by a finance company is classified under which kind of activity while preparing a Cash flow statement? (a) Cash Flow from Operating Activities. An example of cash flow from investing activity is (d) Sale of investment. Given article text here Given article text here The income statement cannot be used for the purpose of comparison over a period of time. Cash Outflows from investing activities are all of the options. Cash payments to acquire fixed assets and Cash payments to acquire shares, warrants. Calculate cash used in investing activities if opening and closing value of plant is ₹ 40000 and ₹100000 and depreciation on plant is ₹ 10000. ₹70000 If provision for depreciation of plant is ₹ 30000 (opening bal.) and ₹ 35000 (closing bal). An item of plant costing ₹ 20000 having book value of ₹ 14000 was sold for ₹ 18000 during the year. Calculate depreciation of plant for the year. ₹11000 Buy back of equity shares is an operating activity. Issue of fully paid bonus share will result into no flow Issue of 9% debentures to the vendor for the purchase of machinery will result in outflow 1) The conversion of bonds into common stock is an example of financing information that is reported outside of the three major sections of the statement of cash flows. 2) Companies using the indirect method must also disclose the amount paid for dividends and income taxes. 3) Cash dividends (plural) from financing activities occur when a corporation issues equity securities, bonds, and long-term notes. 4) The purchase of preferred stock will be reported as a decrease in the cash provided by financing activities. 5) The gain on the sale of an asset used in a company's business will be a deduction to the cash provided by operating activities under the indirect method. 6) The retirement (similar to repurchase or retirement) of bonds payable will decrease the cash provided by financing activities. 7) The 2010 statement of cash flows of ABC Corp. explains the change in the cash and cash equivalents from December 31, 2009 through December 31, 2010. 8) The entire gain from the sale of an asset used in the business will be reported as an increase in the cash provided by investing activities. 9) An increase in Accounts receivable would be an increase in the cash provided by operating activities under the indirect method. 10) Cash outflows (opposite of inflows) from investing activities occur when a corporation purchases equipment to be used in the business and when it makes a long-term investment in another corporation. Financial statements, when used together, offer a comprehensive view of an enterprise's financial health and cash generating capabilities. They enable users to understand the company's ability to generate cash and develop models to evaluate the present value of future cash flows, allowing for more accurate comparisons between different enterprises. Moreover, this information helps eliminate discrepancies in reporting operating performance due to varying accounting treatments for similar transactions and events. Operating activities are the primary drivers of a company's cash inflows and outflows. They encompass most of the enterprise's main operations and typically result from transactions that affect net income or loss. Examples include: - Cash inflows from operating activities, such as receipts from sales, royalties, and other revenue - Cash outflows, including payments to suppliers, employees, and insurance companies Investing activities involve acquiring and disposing of long-term assets and investments not classified as cash equivalents. These may include purchasing fixed assets, sharing in enterprises, and making loans to third parties. Cash inflows from investing activities result from the sale or repayment of these assets, while outflows occur from purchases and advances made. Financing activities relate to an enterprise's long-term funding sources, such as issuing equity shares, debentures, and bank loans. This category includes cash inflows from share issuance and outflows from loan repayments. Overall, a comprehensive view of an enterprise's cash flows provides vital insights into its financial stability and performance. Cash inflows and outflows from various activities. Short-term and long-term borrowings, dividends paid on equity and preference shares. Calculating cash flow from operating activities using the direct method. Key steps in calculating cash flow: 1. Calculate Cash Receipts from Customers: Revenue from Operations + Trade Receivables at beginning - Trade Receivables at end. 2. Determine Purchases: Cost of Revenue from Operations - Opening Inventory + Closing Inventory. 3. Calculate Cash Payment to Suppliers: Purchases + Trade Payables at beginning - Trade Payables at end. Examples: 1. Calculate cash flow from operating activities for a company with the following data: * Cash Receipts from Customers = Rs 2,20,000 + Rs 33,000 - Rs 36,000 = Rs 2,17,000 * Purchases = Rs 1,20,000 - Rs 22,000 + Rs 27,000 = Rs 1,25,000 * Cash Paid to Suppliers = Rs 1,25,000 + Rs 17,000 - Rs 15,000 = Rs 1,27,000 2. Calculate cash flow from investing activities for a company with the following data: * Machinery (at cost) Closing balance: Rs 4,20,000 * Accumulated Depreciation: Rs 1,60,000 * Patents Closing balance: Rs 2,80,000 Additional information: * A machine costing Rs 40,000 with its accumulated depreciation of Rs 24,000 was sold for Rs 20,000. * Patents written off were Rs 40,000 and some patents were sold at a profit of Rs 20,000. Cash flow from investing activities: * Proceeds from sale of machinery: Rs 20,000 * Payment for purchase of machinery (Working Note 1): Rs 60,000 * Proceeds from sale of patents (Working Note 2): Rs 1,00,000 Format of cash flow statement: (i) Cash flows from operating Activities * a) Net profit before tax and extraordinary items * b) Items to be added: + Depreciation + Goodwill patents + Interest on borrowings + Loss on sale of assets + Increase in provision of debts * c) Less: + Interest income/received + Dividend income received + Rental income received + Profit on sale of fixed asset * d) Operating profits before working capital changes (A + B - C) * e) Decrease in current assets and increase in current liabilities * f) Less: Increase in current assets and decrease in current liabilities * g) Cash generated from operations (D + E - F) * h) Less: Income tax paid (Net tax refund received) * i) Cash flow from before extraordinary items Cash Flow Statement Analysis The cash flow statement is an essential tool for understanding a company's liquidity position and its ability to generate funds. The statement can be divided into three main categories: operating activities, investing activities, and financing activities. **Operating Activities** Net cash from operating activities represents the amount of cash generated or used by a company's core business operations. It includes items such as: * Proceeds from sale of fixed assets * Interest and dividend received * Rent income * Purchase of fixed assets To calculate net cash from operating activities, we need to add the following: * Net profit before tax * Transfer to reserves * Non-cash non-operating expenses (such as depreciation) * Loss on sale of assets **Investing Activities** Net cash from investing activities represents the amount of cash generated or used by a company's investment activities. It includes items such as: * Proceeds from sale of investments * Purchase of investments * Proceeds from sale of intangible assets To calculate net cash from investing activities, we need to add the following: * Proceeds from sale of fixed assets * Proceeds from sale of investments * Proceeds from sale of intangible assets * Interest and dividend received **Financing Activities** Net cash from financing activities represents the amount of cash generated or used by a company's financing activities. It includes items such as: * Proceeds from issue of shares and debentures * Proceeds from other long-term borrowings To calculate net cash from financing activities, we need to add the following: * Cash proceeds from the issue of shares (including premium) * Interest paid on debenture * Redemption of debenture **Example Calculations** Using the provided examples, we can calculate the cash from financing activities as follows: * Example 3: Cash proceeds from the issue of shares = Rs. 1,10,000 (including premium) * Example 4: To calculate cash from operating activities, we need to add: + Net profit before tax + Transfer to reserves + Non-cash non-operating expenses (such as depreciation) + Loss on sale of assets The final answer is not provided in the given text. Net profit after considering various items was Rs.1,00,000. This was arrived at by adding depreciation on fixed assets (Rs.20,000), writing off preliminary expenses (Rs.10,000), loss on sale of furniture (Rs.1,000), provision for taxation (Rs.1,60,000), and transfer to general reserve (Rs.14,000) to the net profit. To calculate cash flow from operating activities, we first determine net profit before tax and extraordinary items by adding provisions for taxation and transfers to general reserve to the given net profit of Rs.1,00,000, resulting in a net profit before tax and extra-ordinary item of Rs.2,74,000. For calculating cash flow from investing activities, we consider various transactions involving machinery, patents, goodwill, investment, and additional information such as the sale of a machine for Rs.20,000 after deducting accumulated depreciation, writing off patents to the extent of Rs.60,000, selling some patents at a profit, interest received on investments, dividend received, rent received, cash paid for purchasing machinery, and cash paid for purchasing investments. These transactions involve proceeds from the sale of machinery, investment, and patents, as well as cash payments for purchasing machinery and investments. We need to calculate the total impact of these transactions on cash flow from investing activities. **Financial Statements** The company's financial statements show the following: * Interest received: Rs. 20,000 * Rent received: Rs. 110,000 * Net cash used in investing activities: Rs. (2,51,000) **Working Notes** There are four sets of working notes: 1. Investment Account: * Initial investment: Rs. 2,50,000 * Sale of investment: Rs. 1,10,000 * Total: Rs. 6,10,000 2. Machinery Account: * Original cost: Rs. 5,00,000 * Additional purchase: Rs. 1,00,000 * Sale of machinery: Rs. (5,50,000) * Total: Rs. 6,00,000 3. Provision for Depreciation Account: * Total depreciation on machinery sold: Rs. 25,000 * Balance in the account: Rs. 1,45,000 4. Patents Account: * Initial investment: Rs. 2,00,000 * Sale of patents: Rs. (30,000) * Written off: Rs. 60,000 * Total: Rs. 2,10,000 **Cash Flow from Financing Activities** The company's cash flow from financing activities is as follows: * Proceeds from issue of equity share capital: Rs. 1,00,000 * Proceeds from issue of preference share capital: Rs. 1,00,000 * Redemption of debentures (at a premium): Rs. (52,500) * Interest paid on debentures: Rs. (12,500) * Interim dividend paid: Rs. (75,000) * Final dividend paid: Rs. (2,50,000) * Net cash used in financing activities: Rs. 1,90,000 **Balance Sheets** The company's balance sheets as at 31st March, 2014 and 2015 are as follows: 1. Equity and Liabilities: * Shareholders' funds: + Share capital + Reserves and surplus * Current liabilities: + Trade payables 2. Assets: * Non-current assets: + Fixed assets (tangible assets) * Current assets: + Inventories + Trade receivables + Cash and cash equivalents Given text: in Statement of P&L A/c Total15,000 10,00027,500 15,00025,00042,500Additional Information : (i) Depreciation on fixed assets for the year 2014-15 was Rs. 14,700. (ii) An interim dividend Rs. 7,000 has been paid to the shareholders during the year. Solution :Calculation of Net Profit before Tax and Extraordinary item: Net Profit as per Balance in Statement of Profit & Loss A/c (15000 - 1,000) Add : Transfer to General Reserve (27,500 -15,5000) Add : Interim dividend paid during the year Net Profit before Tax-and Extraordinary itemsRs. 5,000 12,500 7,00024,500Cash Flow Statement For the year ended 31st March 2015ParticularsDetails Rs.A. Cash flow from operating activities Net Profit Before Tax and Extra-ordinary Item Adjustment for non-cash and non-operating items Add : Depreciation on fixed assets Operating Profit before working capital changes Adjustment for Working Capital Changes Add : Increase in Trade Payables Less : Increase in trade receivable Increase in Inventories Net Cash Inflow from Operating Activities B. Cash Flow from Investing Activities Purchase of Fixed Assets Net Cash Used in Investing Activities C. Cash Flow From Financing Activities Issue of share capital Payment of interim dividend Cash Flow from Financing Activities Net Increase in Cash & Cash equivalent Add : Cash & Cash Equivalent at the beginning of year Cash & Cash Equivalent at the end of year 24,500 14,700 38,000 (51,000) 13,00039,200 2,30041,500 (1,500) (2,000) (51,000) 20,000 (7,000)NI 3,0003,000Fixed Assets AccountDateParticularsRs.To Balance b/d To Back A/c (Additional Purchase)46,700 51,000 By Depreciation A/c (Current year dep. On remaining fixed assets) By Balance c/d14,700 83,00097,70097,700: Prepare a Cash Statement on the basis of the information given in the Balance Sheet of Live Ltd. As at 31.03.2015 and 31.03.2014-ParticularsNote No.31.3.2014 (Rs.)31.3.2014 (Rs.)1. EQUITY AND LIABILITIES (1) Shareholders' funds (a) Share capital (b) Reserves and surplus (2) Non-current Liabilities (a) Long term-borrowings (3) Current liabilities (a) Trade payables Total 2,10,000 1,32,000 1,50,000 75,000 1,80,000 24,000 1,50,000 27,0005,67,0003,81,000II. ASSETS (1) Non-current assets (a) Fixed assets (i) Tangible Assets (b) Non-current Investments (2) Current Assets (a) Current-Investments (Marketable) (b) Inventories (c) Trade receivables (d) Cash and cash equivalents Total 2,94,000 48,000 54,000 1,07,000 40,000 24,000 2,52,000 18,000 60,000 24,000 17,500 9,5005,67,0003,81,000Notes to Accounts: Note - 1 Particulars2015 (Rs.)2014 (Rs.)Reserve and Surplus Surplus (Balance in Statement of Profit and Loss)1,32,00024,000 Cash flow statement for RK Ltd. for the year ended on 31st March 2015 is as follows: **A. Cash flow from operating activities** Net Profit Before Tax and Extra-ordinary Item: Rs. 1,08,000 Adjustment for non-cash and non-operating items: (72,000) Operating Profit before working capital changes: Rs. 30,000 Adjustment for charges in working Capital: (22,500) Cash generated from operation before tax and extraordinary items: Rs. 48,000 Less : Increase tax paid: (42,000) Net cash flow from operating activities: Rs. 6,000 **B. Cash Flow from Investing Activities** Purchase of Fixed Assets: (50,500) Sale of Machinery: 30,000 Net cash flow from Investing Activities: (20,500) **C. Cash Flow From Financing Activities** Proceeds from Issue of share: 69,500 Less : Opening balance of cash & cash equivalents: 8,500 Net Increase in Cash & Cash equivalent during the year: Rs. 61,000 Net Increase in Cash & Cash Equivalent during the period is Rs. 58,000. This includes Rs. 10,000 from financing activities (A+B+C) and a net increase of Rs. 5,000. The cash and cash equivalent at the beginning of the period is Rs. 50,000, while it ended with Rs. 37,000.

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