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**SUGGESTED SOLUTION**

**CA INTERMEDIATE**

**SUBJECT- FM AND ACCOUNTS**

**Test Code – CIM 8638**

**BRANCH - () (Date :)**

**Head Office : Shraddha, 3<sup>rd</sup> Floor, Near Chinai College, Andheri (E), Mumbai – 69.**

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## ANSWER -1

### Workings:

#### 1. Sale receipts

Month	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Forecast sales (S)	1,000	1,000	1,000	1,250	1,500	2,000	1,900	2,200
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
S×15	15,000	15,000	15,000	18,750	22,500	30,000	28,500	33,000
Debtors pay:								
1 month 40%		6,000	6,000	6,000	7,500	9,000	12,000	11,400
2 month 60%		-	9,000	9,000	9,000	11,250	13,500	18,000
	-	-	15,000	15,000	16,500	20,250	25,500	29,400

#### 2. Payment for materials – books produced two months before sale

Month	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Qty produced (Q)	1,000	1,250	1,500	2,000	1,900	2,200	2,200	2,300
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Materials (Q×5)	5,000	6,250	7,500	10,000	9,500	11,000	11,000	11,500
Paid (2 months after)	-	-	5,000	6,250	7,500	10,000	9,500	11,000

#### 3. Variable overheads

Month	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Qty produced (Q)	1,000	1,250	1,500	2,000	1,900	2,200	2,200	2,300
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Var. overhead (Q×2)	2,000	2,500	3,000	4,000	3,800			
Var. overhead (Q×2.50)						5,500	5,500	5,750
Paid one month later		2,000	2,500	3,000	4,000	3,800	5,500	5,500

#### 3. Wages payments

Month	Dec	Jan	Feb	Mar	Apr	May	Jun
Qty produced (Q)	1,250	1,500	2,000	1,900	2,200	2,200	2,300
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Wages (Q × 4)	5,000	6,000	8,000				
Wages (Q × 4.50)				8,550	9,900	9,900	10,350
75% this month	3,750	4,500	6,000	6,412	7,425	7,425	7,762
25% this month		1,250	1,500	2,000	2,137	2,475	2,475
		5,750	7,500	8,412	9,562	9,900	10,237

(3 MARKS)

**Cash budget – six months ended June**

	Jan	Feb	Mar	Apr	May	Jun
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Receipts:						
Credit sales	15,000	15,000	16,500	20,250	25,500	29,400
Premises disposal	-	-	-	-	25,000	-
	15,000	15,000	16,500	20,250	50,500	29,400
Payments:						
Materials	5,000	6,250	7,500	10,000	9,500	11,000
Var. overheads	2,500	3,000	4,000	3,800	5,500	5,500
Wages	5,750	7,500	8,412	9,562	9,900	10,237
Fixed assets	-	-	-	-	10,000	-
Corporation tax	-	-	10,000	-	-	-
	13,250	16,750	29,912	23,362	34,900	26,737
Net cash flow	1,750	(1,750)	(13,412)	(3,112)	15,600	2,663
Balance b/f	1,500	3,250	1,500	(11,912)	(15,024)	576
Cumulative cash flow	3,250	1,500	(11,912)	(15,024)	576	3,239

(7 MARKS)

**ANSWER -2**

**Cash flow Statement for the year ending 31<sup>st</sup> March, 2019**

	<i>Particulars</i>	Rs.	Rs.
1	<b>Cash Flow from Operating Activities</b>		
A.	Closing balance as per Profit and Loss Account		27,000
	<i>Less:</i> Opening balance as per Profit and Loss Account		(18,000)
	<i>Add:</i> Dividend declared during the year		37,000
	<i>Add:</i> Interim dividend paid during the year		10,000
	<i>Add:</i> Transfer to reserve		10,000
	<i>Add:</i> Provision for Tax		<u>32,000</u>
B.	Net profit before taxation, and extra-ordinary item		98,000
C.	<i>Add:</i> Items to be added		
	Depreciation	18,000	
	Loss on sale of Plant	3,000	
	Goodwill written off	<u>13,000</u>	34,000
D.	<i>Less:</i> Dividend Income		<u>(1,500)</u>
E.	Operating profit before working capital changes [B + C - D]		1,30,500

	F.	<i>Add:</i> Decrease in Current Assets and Increase in Current Liabilities		
		Decrease in Inventories	7,000	
		Increase in Trade Payables	<u>21,000</u>	28,000
	G.	<i>Less:</i> Increase in Trade Receivables		<u>(33,000)</u>
	H	Cash generated from operations (E+F-G)		1,25,500
	I	Less: Income taxes paid		<u>(28,000)</u>
	J	Net Cash from (used in) operating activities		<u>97,500</u>
II.		<b>Cash Flows from investing activities:</b>		
		Purchase of Plant		(1,34,000)
		Sale of Land		50,000
		Sale of plant		12,000
		Purchase of investments		(25,600)
		Dividend Received		<u>2,100</u>
		Net cash used in investing activities		<u>(95,500)</u>
III.		<b>Cash Flows from Financing Activities:</b>		
		Proceeds from issue of equity share capital		1,00,000
		Redemption of preference shares		(50,000)
		Interim Dividend (inclusive of DDT) paid		(10,000)
		Final dividend (inclusive of DDT) paid		<u>(27,000)</u>
		Net cash from financing activities		<u>13,000</u>
IV.		<b>Net increase in cash and cash equivalents (I+II+III)</b>		15,000
V.		<b>Cash and cash equivalents at beginning of period</b>		<u>17,000</u>
VI.		<b>Cash and cash equivalents at end of period (IV+V)</b>		<u>32,000</u>

(10 MARKS)

1. **Land and Building Account**

<i>Particulars</i>	<i>Rs.</i>	<i>Particulars</i>	<i>Rs.</i>
To Balance b/d	1,00,000	By Bank A/c (Sale)	50,000
To Capital Reserve A/c (Profit on sale/revaluation)	25,000	By Balance c/d	75,000
	<u>1,25,000</u>		<u>1,25,000</u>

2. **Plant and Machinery Account**

<i>Particulars</i>	<i>Rs.</i>	<i>Particulars</i>	<i>Rs.</i>
To Balance b/d	90,000	By Depreciation A/c	18,000
To Bank A/c (Purchase)	1,34,000	By Bank A/c (sale)	12,000
		By Profit and Loss A/c (Loss on sale)	3,000

	<u>        </u>	By Balance c/d	<u>1,91,000</u>
	2,24,000		2,24,000

3.

**Investments Account**

<i>Particulars</i>	<i>Rs.</i>	<i>Particulars</i>	<i>Rs.</i>
To Balance b/d	10,000	By Bank A/c (Div. received)	600
To bank A/c (Purchase)	<u>25,600</u>	By Balance c/d	<u>35,000</u>
	35,600		35,600