

SUGGESTED SOLUTION

IPCC NOVEMBER 2016 EXAM

FINANCIAL MANAGEMENT

Test Code - I N J1 0 8 0

BRANCH - (MULTIPLE) (Date: 11.09.2016)

Head Office: Shraddha, 3rd Floor, Near Chinai College, Andheri (E), Mumbai – 69.

Tel: (022) 26836666

| Particulars | 31.3.08 | 31.3.09 Eff | _ | • |
|--|---|---------------------------------------|---------------------|---------------------------|
| | Rs. | Rs. | Increase Rs. | Decrease Rs. |
| Current Assets: | | | | |
| Stock | 3,60,000 | 3,50,000 | - | 10,000 |
| Debtors | 3,00,000 | 3,90,000 | 90,000 | - |
| Cash and Bank | 1,00,000 | 95,000 | - | 5,000 |
| Prepaid Expenses | <u>15,000</u> | <u>20,000</u> | 5,000 | - |
| Total (A) | <u>7,75,000</u> | <u>8,55,000</u> | | |
| Current Liabilities: | | | | |
| Creditors | | | - | 95,000 |
| Bills Payable | <u>45,000</u> | <u>81,000</u> | - | 36,000 |
| Total (B) | | · · · · · · · · · · · · · · · · · · · | | |
| Net Working Capital (A-B) | 3,60,000 3,50,000 - 3,50,000 - 3,00,000 90,000 1,00,000 95,000 - 3,00,000 95,000 - 3,00,000 95,000 - 3,00,000 95,000 - 3,00,000 95,000 | | | |
| Net Decrease in Working Capital | - | 51,000 | 000 - 000 51,000 | - |
| | 5,25,000 | 5,25,000 | 1,46,000 | 1,46,000 |
| | | | | (6 Mar |
| b) Funds Flow Statement for the year end | ded 31st Marc | h, 2009 | | Rs. |
| Sources of Fund | | | | |
| Funds from Operation | | | | 7,49,000 |
| ssue of 9% Preference Shares | | | | 5,00,000 |
| Sales of Plant & Machinery | | | | 32,000 |
| Refund of Income Tax | | | | <u>4,000</u> |
| Financial Resources Provided (A) | | | | <u>12,85,000</u> |
| Applications of Fund | | | | 4 50 000 |
| Purchase of Land and Building | | | | 1,50,000 |
| Purchase of Plant and Machinery | | | | 3,60,000 |
| Redemption of Debentures | | | | 2,06,000 |
| • | | | | 3,15,000 |
| Payment of Tax | | | | 1,05,000 |
| Payment of Interim Dividend Payment of Dividend (2007-08) | | | | 50,000 <u>1,50,000</u> |
| Financial Resources Applied (B) | | | | 13,36,000 13,36,000 |
| Net Decrease in Working Capital (A - B) | | | | 51,000 |
| | | | | (6 Mar |
| Working Notes: | | | | Rs. |
| Profit and Loss A/c Balance on 31.3.2009 | | | | 3,00,000 |
| Add: Depreciation on Land and Building | | | 50,000 | 3,00,000 |
| Depreciation on Plant and Machinery | | | 1,20,000 | |
| Loss on Sale of Plant and Machinery (40 | 0 000 – 32 000 |) | 8,000 | |
| Preliminary Expenses written off (40,00 | | 1 | 5,000 | |
| Transfer to General Reserve | 33,000 | | 50,000 | |
| Proposed Dividend | | | 2,60,000 | |
| Provision for Taxation | | | 1,06,000 | |
| Interim Dividend paid | | | <u>50,000</u> | 6,49,000 |
| internii Bividena pala | | | <u>30,000</u> | 9,49,000 |
| Less: Profit and Loss A/c balance on 31.3.08 | | | | 2,00,000 |
| Funds from Operation | | | | 7.49.000 |

Funds from Operation

<u>7,49,000</u>

| | Diam | + Q. NA | hinery A/c | (2 Marks |
|--------------------------------------|--------------|------------|--|---------------|
| | | | ery A/C | |
| | | Rs. | | Rs. |
| To Balance b/d | 9,0 | 0,000 | By Depreciation | 1,20,000 |
| To Bank [Purchase (Bal. Fig.)] | 3,6 | 0,000 | By Bank (Sale) | 32,000 |
| | | | By P/L A/c (Loss on Sale) | 8,000 |
| | | | By Balance c/d | 11,00,000 |
| | 12,6 | 0,000 | | 12,60,000 |
| | Provis | ion for | Faxation A/c | |
| | Rs. | | | Rs. |
| To Advance tax payment A/c | 76,000 | By E | Balance b/d | 70,000 |
| To Balance c/d | 1,00,000 | By P | P/L A/c (additional provision for 2007-08) | 6,000 |
| | | By P | P/L A/c (Provision for08-09) | 1,00,000 |
| | 1,76,000 | | | 1,76,000 |
| | Advan | ce Tax F | Payment A/c | |
| | Rs. | | | Rs. |
| To Balance b/d | 80,000 | Bv | Provision for taxation A/c | 76,000 |
| To Bank (paid for 08-09) | 1,05,000 | - | Bank (Refund of tax) | 4,000 |
| , | | - | Balance c/d | 1,05,000 |
| | 1,85000 | | | 1,85,000 |
| | 8% | Deben | tures A/c | |
| | | Rs. | | Rs. |
| To Bank (2,00,000 x 103%)(reden | nption) 2, | 06,000 | By Balance b/d | |
| | | | By Premium on redemption | 3,00,000 |
| To Balance c/d | 1, | 00,000 | of Debentures A/c | 6,000 |
| | 3, | 06,000 | | 3,06,000 |
| | O9/ Drofor | onco Ch | • | 0.5 = 2 marks |
| | | | nare Capital A/c | |
| | Rs. | | | Rs. |
| To Bank A/c (3,00,000 x 105%) | - | ВуЕ | alance b/d | 3,00,000 |
| (redemption) | 3,15,000 | | remium on redemption | |
| To Balance c/d | 5,00,000 | | reference shares A/c | 15,000 |
| | | By E | Bank (Issue) | 5,00,000 |
| | 8,15,000 | | | 8,15,000 |
| | Secui | rities Pr | emium A/c | |
| | Rs. | | | Rs. |

| To Premium on redemption of preference shares A/c 15,000 To Balance c/d 4,000 25,000 25,000 25,000 | | emium on redemption of | | 5 5 1 1 1 1 | | |
|--|----------------------|--|---|-------------------------------------|--|--|
| To Balance c/d | | <u>.</u> | 6,000 | By Balance b/d | | 25,000 |
| Page | | | 15 000 | | | |
| Preparation of Statement of Cash Flow for XYZ Limited Cash flow statement as per AS 3 for the year ending 31st March, 2011 Cash flow from Operating Activities Profile exchange loss Preliminary expenses written off Cash flow before tax paid (2,31,000) Add: Stock obtained on acquisition Increase in Current Liabilities (2,31,000) Less: Tax paid (2,31,000) Cash flow from Investing Activities Purchase of investment (1,60,000) Less: Tax paid (2,31,000) Cash flow from Investing Activities Purchase of investment (2,20,000) Cash flow from Investing Activities Purchase of investment (3,60,000) Cash flow from Operating Activities (2,31,000) Cash flow before tax paid (3,60,600) Cash flow from Operating Activities (2,31,000) Cash flow from Operating Activities (2,31,000) Cash flow before tax paid (3,000) Cash flow from Investing Activities (2,31,000) Cash flow from Investing Activities (3,30,000) Cash flow from Investing Activities (4,60,600) Cash flow from Financing Activities (4,60,600) Cash and cash equivalent at the beginning of the year (4,60,600) Cash and cash equivalent at the beginning of the year (4,60,600) Cash and cash equivalent at the beginning of the year (4,60,600) Cash and cash equivalent at the beginning of the year (4,60,600) | | | • | | | |
| Rs. Rs. Fo Bonus to Shareholders A/c 2,00,000 By Balance b/d 3,50,000 Fo Balance c/d 2,00,000 By P/L A/c (transfer) b/f 50,000 Land and Building A/c Rs. Rs. Fo Balance b/d 6,00,000 By Depreciation 50,000 Fo Balance b/d 6,00,000 By Depreciation 50,000 Fo Balance b/d 6,00,000 By Depreciation 50,000 Fo Bank (Purchase) (Bal. Fig.) 1,50,000 By Balance c/d 7,00,000 7,50,000 To Bank (Purchase) (Bal. Fig.) 1,50,000 By Balance c/d 7,00,000 Answer-2: Preparation of Statement of Cash Flow for XYZ Limited Cash flow statement as per AS 3 for the year ending 31st March, 2011 a) Cash flow from Operating Activities Rs. Profit before tax (2,75,000 + 1,70,000) 4,45,000 Add: Depreciation on machinery 80,000 Foreign exchange loss 1,600 Preliminary expenses written off 20,000 Cash flow before working capital adjustment 5,46,600 Add: Stock obtained on acquisition 25,000 Less: Increase in current Liabilities 2,60,000 Less: Increase in current assets 12,31,000 Cash flow before tax paid 6,00,600 Less: Tax paid (1,40,000) Cash flow from operating activities 4,60,600 Cash flow from poperating activities 9,000 Purchase of Machinery (95,000) Purchase of investment (1,00,000) Redemption of preference shares at premium (95,000) Redemption of preference shares at premium (1,10,000) Redemption of preference shares at premium (2,20,000) Net increase/decrease in cash and cash equivalent(1a+b+c) 1,50,000 | | | | | | |
| Rs. Rs. To Bonus to Shareholders A/c 2,00,000 By By Balance b/d 3,50,000 on Balance c/d 2,00,000 By P/L A/c (transfer) b/f 50,000 Land and Building A/c Rs. Rs. To Balance b/d 6,00,000 By Depreciation 50,000 7,00,000 To Bank (Purchase) (Bal. Fig.) 1,50,000 By Balance c/d 7,00,000 7,50,000 7,50,000 7,50,000 Answer-2: Preparation of Statement of Cash Flow for XYZ Limited Cash flow statement as per AS 3 for the year ending 31st March, 2011 a) Cash flow from Operating Activities Rs. Profit before tax (2,75,000 + 1,70,000) 4,45,000 Add: Depreciation on machinery 80,000 Foreign exchange loss 1,600 Preliminary expenses written off 20,000 Cash flow before working capital adjustment 5,46,600 Add: Stock obtained on acquisition 25,000 Increase in Current Liabilities 2,60,000 Less: Increase in current assets [2,31,000] Cash flow before tax paid 6,00,600 Less: Increase in current assets [2,31,000] Cash flow from operating activities Purchase of Machinery Purchase of investment (80,000) (1,75,000) Purchase of shares at premium 1,10,000 Payment of dividend (1,60,000) Redemption of preference shares at premium (2,20,000) (2,70,000) Net increase/decrease in cash and cash equivalent(a+b+c) 15,600 Cash and cash equivalent at the beginning of the year 1,50,000 | | | 25,000 | | | 25,000 |
| Fo Bonus to Shareholders A/c 2,00,000 By Balance b/d 5,0000 Commonsion | | | Gene | · | | |
| To Balance c/d 2,00,000 By P/L A/c (transfer) b/f 50,000 Land and Building A/c Rs. Rs. Fo Balance b/d 6,00,000 By Depreciation 50,000 Fo Bank (Purchase) (Bal. Fig.) 1,50,000 By Balance c/d 7,00,000 7,50,000 7,50,000 Answer-2: Preparation of Statement of Cash Flow for XYZ Limited Cash flow statement as per AS 3 for the year ending 31st March, 2011 a) Cash flow from Operating Activities Rs. Profit before tax (2,75,000 + 1,70,000) 4,45,000 Add: Depreciation on machinery 80,000 Foreign exchange loss 1,600 Preliminary expenses written off 20,000 Add: Stock obtained on acquisition 25,000 Increase in Current Liabilities 2,60,000 Less: Increase in current assets (2,31,000) Cash flow before tax paid 6,00,600 Less: Tax paid (1,40,000) Cash flow from operating activities Purchase of Machinery (95,000) Purchase of Machinery (95,000) Purchase of Investment (80,000) (1,75,000) Redemption of preference shares at premium 1,10,000 Redemption of preference shares at premium 1,10,000 Redemption of preference shares at premium (2,20,000) (2,70,000) Net increase/decrease in cash and cash equivalent(a+b+c) 15,600 Cash and cash equivalent at the beginning of the year 1,50,000 | | | Rs. | | | Rs. |
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| Answer-2: Preparation of Statement of Cash Flow for XYZ Limited Cash flow statement as per AS 3 for the year ending 31st March, 2011 (a) Cash flow from Operating Activities Profit before tax (2,75,000 + 1,70,000) Add: Depreciation on machinery Answer 2: Profit before tax (2,75,000 + 1,70,000) Add: Depreciation on machinery Add: Depreciation on machinery Add: Depreciation on machinery Add: Stock obtained on acquisition Add: Stock ob | | | 7 50 000 | | | 7 50 000 |
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| Cash flow from operating activities Cash flow from Investing Activities Purchase of Machinery Purchase of investment (80,000) Cash flow from Financing Activities Issue of shares at premium Payment of dividend (1,60,000) Redemption of preference shares at premium Net increase/decrease in cash and cash equivalent(a+b+c) Cash and cash equivalent at the beginning of the year 4,60,600 (95,000) (1,75,000) (1,75,000) (2,70,000) (2,70,000) 15,600 | Prepa | Cash flow from Operating Profit before tax (2,75,000 Add: Depreciation on mack Foreign exchange loss Preliminary expenses writt Cash flow before working of Add: Stock obtained on account increase in Current Liability Less: Increase in current as | ment as per As Activities + 1,70,000) ninery en off capital adjustmation ies | S 3 for the year ending 31s | Rs. 4,45,000 80,000 1,600 20,000 5,46,600 25,000 2,60,000 (2,31,000) | Rs. |
| Cash flow from Investing Activities Purchase of Machinery Purchase of investment (95,000) Purchase of investment (80,000) (1,75,000) Cash flow from Financing Activities Issue of shares at premium Payment of dividend (1,60,000) Redemption of preference shares at premium Net increase/decrease in cash and cash equivalent(a+b+c) Cash and cash equivalent at the beginning of the year (95,000) (1,75,000) (1,75,000) (2,70,000) (2,70,000) (2,70,000) | Prepa | Cash flow from Operating Profit before tax (2,75,000 Add: Depreciation on mack Foreign exchange loss Preliminary expenses writt Cash flow before working of Add: Stock obtained on accommodate in Current Liability Less: Increase in current as Cash flow before tax paid | ment as per As Activities + 1,70,000) ninery en off capital adjustmation ies | S 3 for the year ending 31s | Rs. 4,45,000 80,000 1,600 20,000 5,46,600 25,000 2,60,000 (2,31,000) 6,00,600 | Rs. |
| Purchase of Machinery Purchase of investment (20) Cash flow from Financing Activities Issue of shares at premium Payment of dividend (1,60,000) Redemption of preference shares at premium Net increase/decrease in cash and cash equivalent(a+b+c) Cash and cash equivalent at the beginning of the year (95,000) (1,75,000) (1,75,000) (1,75,000) (2,70,000) (2,70,000) (2,70,000) (2,70,000) | Prepa | Cash flow from Operating Profit before tax (2,75,000 Add: Depreciation on mack Foreign exchange loss Preliminary expenses writt Cash flow before working of Add: Stock obtained on accommodate in Current Liability Less: Increase in current as Cash flow before tax paid Less: Tax paid | ment as per As | S 3 for the year ending 31s | Rs. 4,45,000 80,000 1,600 20,000 5,46,600 25,000 2,60,000 (2,31,000) 6,00,600 | |
| Cash flow from Financing Activities Issue of shares at premium Payment of dividend (1,60,000) Redemption of preference shares at premium Net increase/decrease in cash and cash equivalent(a+b+c) Cash and cash equivalent at the beginning of the year 1,10,000 (2,70,000) 15,600 15,000 | Prepa | Cash flow from Operating Profit before tax (2,75,000 Add: Depreciation on mack Foreign exchange loss Preliminary expenses writt Cash flow before working of Add: Stock obtained on account increase in Current Liability Less: Increase in current as Cash flow before tax paid Less: Tax paid Cash flow from operating as | ment as per As | S 3 for the year ending 31s | Rs. 4,45,000 80,000 1,600 20,000 5,46,600 25,000 2,60,000 (2,31,000) 6,00,600 | |
| Cash flow from Financing Activities Issue of shares at premium Payment of dividend (1,60,000) Redemption of preference shares at premium Net increase/decrease in cash and cash equivalent(a+b+c) Cash and cash equivalent at the beginning of the year 1,10,000 (2,70,000) 15,600 15,000 | Prepa | Cash flow from Operating Profit before tax (2,75,000 Add: Depreciation on mack Foreign exchange loss Preliminary expenses writt Cash flow before working of Add: Stock obtained on accompany in the company in the compa | ment as per As | S 3 for the year ending 31s | Rs. 4,45,000 80,000 1,600 20,000 5,46,600 25,000 2,60,000 (2,31,000) 6,00,600 (1,40,000) | |
| Payment of dividend (1,60,000) Redemption of preference shares at premium (2,20,000) Net increase/decrease in cash and cash equivalent(a+b+c) 15,600 Cash and cash equivalent at the beginning of the year 1,50,000 | Prepa (a) | Cash flow from Operating Profit before tax (2,75,000 Add: Depreciation on mack Foreign exchange loss Preliminary expenses writt Cash flow before working of Add: Stock obtained on acc Increase in Current Liability Less: Increase in current as Cash flow before tax paid Less: Tax paid Cash flow from operating a Cash flow from Investing A Purchase of Machinery | ment as per As | S 3 for the year ending 31s | Rs. 4,45,000 80,000 1,600 20,000 5,46,600 25,000 2,60,000 (2,31,000) 6,00,600 (1,40,000) | 4,60,600 |
| Redemption of preference shares at premium (2,20,000) Net increase/decrease in cash and cash equivalent(a+b+c) 15,600 Cash and cash equivalent at the beginning of the year 1,50,000 | Prepa (a) | Cash flow from Operating Profit before tax (2,75,000 Add: Depreciation on mack Foreign exchange loss Preliminary expenses writt Cash flow before working of Add: Stock obtained on according in Current Liability Less: Increase in current as Cash flow before tax paid Less: Tax paid Cash flow from operating of Cash flow from Investing A Purchase of Machinery Purchase of investment | ment as per As | S 3 for the year ending 31s | Rs. 4,45,000 80,000 1,600 20,000 5,46,600 25,000 2,60,000 (2,31,000) 6,00,600 (1,40,000) | 4,60,600 |
| Net increase/decrease in cash and cash equivalent(a+b+c) 15,600 Cash and cash equivalent at the beginning of the year 1,50,000 | Prepa (a) | Cash flow from Operating Profit before tax (2,75,000 Add: Depreciation on mack Foreign exchange loss Preliminary expenses writt Cash flow before working of Add: Stock obtained on accelerate in Current Liability Less: Increase in current as Cash flow before tax paid Less: Tax paid Cash flow from operating a Cash flow from Investing A Purchase of Machinery Purchase of investment Cash flow from Financing | ment as per As | S 3 for the year ending 31s | Rs. 4,45,000 80,000 1,600 20,000 5,46,600 25,000 2,60,000 (2,31,000) 6,00,600 (1,40,000) | 4,60,600 |
| Cash and cash equivalent at the beginning of the year 1,50,000 | Prepa | Cash flow from Operating Profit before tax (2,75,000 Add: Depreciation on mack Foreign exchange loss Preliminary expenses writt Cash flow before working of Add: Stock obtained on acc Increase in Current Liability Less: Increase in current as Cash flow before tax paid Less: Tax paid Cash flow from operating a Cash flow from Investing A Purchase of Machinery Purchase of investment Cash flow from Financing Issue of shares at premium | ment as per As | S 3 for the year ending 31s | Rs. 4,45,000 80,000 1,600 20,000 5,46,600 25,000 2,60,000 (2,31,000) 6,00,600 (1,40,000) | 4,60,600 |
| · · · · · · · · · · · · · · · · · · · | Prepa (a) | Cash flow from Operating Profit before tax (2,75,000 Add: Depreciation on mack Foreign exchange loss Preliminary expenses writt Cash flow before working of Add: Stock obtained on accelerate in Current Liability Less: Increase in current as Cash flow before tax paid Less: Tax paid Cash flow from operating as Cash flow from Investing A Purchase of Machinery Purchase of investment Cash flow from Financing Issue of shares at premium Payment of dividend (1,60) Redemption of preference | ment as per As | s 3 for the year ending 31st | Rs. 4,45,000 80,000 1,600 20,000 5,46,600 25,000 2,60,000 (2,31,000) 6,00,600 (1,40,000) (95,000) (80,000) | 4,60,600 (1,75,000) |
| Cash and cash equivalent at the end of the year 1,65,600 | Prepa (a) | Cash flow from Operating Profit before tax (2,75,000 Add: Depreciation on mack Foreign exchange loss Preliminary expenses writt Cash flow before working of Add: Stock obtained on accommodate in Current Liabilities. Increase in current as Cash flow before tax paid Less: Tax paid Cash flow from operating as Cash flow from Investing A Purchase of Machinery Purchase of investment Cash flow from Financing Issue of shares at premium Payment of dividend (1,60) Redemption of preference Net increase/decrease in corrections | ment as per As | nium quivalent(a+b+c) | Rs. 4,45,000 80,000 1,600 20,000 5,46,600 25,000 2,60,000 (2,31,000) 6,00,600 (1,40,000) (95,000) (80,000) | 4,60,600 (1,75,000) (2,70,000) 15,600 |
| | Prepa (a) | Cash flow from Operating Profit before tax (2,75,000 Add: Depreciation on mack Foreign exchange loss Preliminary expenses writt Cash flow before working of Add: Stock obtained on acc Increase in Current Liability Less: Increase in current as Cash flow before tax paid Less: Tax paid Cash flow from operating of Cash flow from Investing A Purchase of Machinery Purchase of investment Cash flow from Financing Issue of shares at premium Payment of dividend (1,60) Redemption of preference Net increase/decrease in cash and cash equivalent as | ment as per As | nium quivalent(a+b+c) g of the year | Rs. 4,45,000 80,000 1,600 20,000 5,46,600 25,000 2,60,000 (2,31,000) 6,00,600 (1,40,000) (95,000) (80,000) | 4,60,600 (1,75,000) (2,70,000) 15,600 1,50,000 |

Working Notes:

1. Plant and Machinery Account

| | Rs. | | Rs. |
|------------------------|----------|-----------------|----------|
| To balance b/d | 7,00,000 | By depreciation | 80,000 |
| To bank | 95,000 | | |
| To acquired from other | 1,05,000 | By balance c/f | 8,20,000 |
| | 9,00,000 | | 9,00,000 |
| | | | |

2. Provision for Tax Account

| | Rs. | | Rs. |
|---------------------------|----------------------|----------------------------|----------------------|
| To bank To balance c/f | 1,40,000 1,80,000 | By balance b/d By P & L | 1,50,000 1,70,000 |
| | 3,20,000 | | 3,20,000 |

3. Profit for the year 2011

| | Rs. |
|--|-------------------------------------|
| P&L Account (1,75,000-1,30,000) Transfer to general reserve (1,20,000+1,00,000 for redemption-opening2,00,000) Proposed dividend | 45,000 20,000 <u>2,10,000</u> |
| Net Profit | 2,75,000 |

4. Cash and Cash Equivalent

Opening balance + short term investment =Rs. 1,00,000 + Rs. 50,000 = Rs. 1,50,000 Closing balance = Closing cash + short term investment + foreign exchange loss = Rs. 80,000+Rs. 84,000+Rs. 1,600=Rs. 1,65,600

(4 x 1 = 4 Marks)

Answer-3 (a):

Computation of Rate of Interest and Revised Maturity Value

Principal = Rs. 10,000

Amount = Rs. 12,625

$$10,000 = \frac{12,625}{\left(1+i\right)^4}$$

$$P_n = A \times (PVF_{n,i})$$

 $10,000 = 12,625 (PVF_{4,i})$

 $0.7921 = (PVF_{4, i})$

According to the Table on Present Value Factor ($PVF_{4,i}$) of a lump sum of Re. 1, a PVF of0.7921 for half year at interest (i) = 6 percent. Therefore, the annual interest rate is 2 x 0.06 = 12 percent.

i = 6% for half year

i = 12% for full year.

Therefore, Rate of Interest = 12% per annum

Revised Maturity Value =
$$10,000 \left(1 + \frac{12}{100} \times \frac{1}{4}\right)^{2\times4} = 10,000 \left(1 + \frac{3}{100}\right)^8 = 10,000 \left(1.03\right)^8$$

= $10,000 \times 1.267$ [Considering (CVF_{8,3}) = 1.267]

Revised Maturity Value = 12,670.

(6 Marks)

| Answ | er-3 (b) : | | | 2 2042 | | |
|-------|---|---|-------------------------|--------------------|----------------------|--|
| (A) | Cash flow S Cash flow from Operating | | or the year ending 31.0 |)3.2012 (Rs.) | (Rs.) | |
| (~) | | | 00) | 3,08,000 | (113.) | |
| | Net Profit before Tax (80,000 + 50,000 + 1,78,000) 3,08,000 Add: Depreciation 2,05,000 | | | | | |
| | Loss on Sale of Machine | 15,000 | | | | |
| | Interest Paid on Debenture | 14,000 | | | | |
| | | est Paid on Debentures minary Expenses written off | | | | |
| | Cash flow before working of | | | <u>10,000</u> | | |
| | (-) Increase in Stock | apitai aujustiileiits | | 5,52,000 | | |
| | ` ' | | | (1,85,000) | | |
| | (-) Increase in Debtors | | | (2,55,000) | | |
| | (+) Increase in Creditors Cash flow from Operating A | \ctivitios | | 65,000 1 77 000 | | |
| | | Activities | | 1,77,000 | 10.000 | |
| /D\ | Less: Tax paid | ativities | | (1,58,000) | 19,000 | |
| (B) | Cash flow from Investing A | ctivities | | CE 000 | | |
| | Sale of Machine | | | 65,000 | | |
| | Purchase of Fixed Assets | | | (1,10,000) | (45.000) | |
| (6) | Net cash used in Investing | | | | (45,000) | |
| (C) | Cash flow from Financing a | ctivities | | 2 00 000 | | |
| | Issue of Equity Shares | | | 2,00,000 | | |
| | Redemption of Debentures | | | (1,05,000) | | |
| | Interest paid on Debenture | | | (14,000) | 04.000 | |
| | Net cash used in Financing | | | | 81,000 | |
| | Net Increase in Cash and Cash | | g year | | 55,000 | |
| | Add : Opening Balance of C | ash | | | 1,25,000 | |
| | Closing Balance of Cash | | | | 1,80,000 (5 Marks | |
| Work | ing Notes: | Fixed Asset | s Assount | | | |
| | | rixea Asset | | | | |
| То Ва | lance b/d | 20,50,000 | By Bank | | 65,000 | |
| To Ba | nk | 1,10,000 | By P&L a/c | | 15,000 | |
| | | | By Depreciation a/c | | 2,05,000 | |
| | | | By Balance c/d | | 18,75,000 | |
| | | 21,60,000 | | | 21,60,000 | |
| | | Provision | for Tax | | | |
| | lance b/d | 1,58,000 | | | 1,45,000 | |
| То Ва | nk | 1,65,000 | By P & L a/c | | 1,78,000 | |
| | | 3,23,000 | | | 3,23,000 | |
| | | General Re | | | | |
| To Eq | uity share capital a/c | 2,00,000 | | | 7,50,000 | |
| То Ва | lance c/d | 6,00,000 | • | | 50,000 | |
| | | 8,00,000 | | | 8,00,000 | |
| | | | | | (3 Marks | |

Answer-4:
Preparation of Monthly Cash Budget
Cash Budget for four months from June, 2014 to September, 2014

| Particulars | June (Rs.) | July (Rs.) | July (Rs.) August (Rs.)Septemb | | | |
|-------------------------|------------|------------|--------------------------------|----------|--|--|
| Opening Balance | 45,000 | 45,500 | 45,500 | 45,000 | | |
| Receipts: | | | | | | |
| Cash Sales | 1,00,000 | 98,000 | 1,08,000 | 1,22,000 | | |
| Collection from debtors | 3,48,000 | 3,80,000 | 3,96,000 | 4,12,000 | | |
| Dividends | 25,000 | - | - | - | | |
| Total (A) | 5,18,000 | 5,23,500 | 5,49,500 | 5,79,000 | | |
| Payments: | | | | | | |
| Creditors for Materials | 2,00,000 | 2,10,000 | 2,60,000 | 2,82,000 | | |
| Wages | 1,62,500 | 1,65,000 | 1,65,000 | 1,67,500 | | |
| Overheads | 40,000 | 38,000 | 37,500 | 60,800 | | |
| Installment for Machine | - | 20,000 | 20,000 | 20,000 | | |
| Interest on Debentures | 30,000 | - | - | - | | |
| Advance Tax | - | - | 15,000 | - | | |
| Total (B) | 4,32,500 | 4,33,000 | 4,97,500 | 5,30,300 | | |
| Surplus (A – B) | 85,500 | 90,500 | 52,000 | 48,700 | | |
| Fixed Deposits | 40,000 | 45,000 | 7,000 | 3,000 | | |
| Closing Balance | 45,500 | 45,500 | 45,000 | 45,700 | | |
| | | | | | | |

(8 Marks)

Working Notes:

(1) Cash Sales and Collection from Debtors:

| Month | Total | Cash | Credit | С | ollection fr | tors | |
|-------------|----------|----------|----------|----------|--------------|----------|----------|
| | Sales | Sales | Sales | June | July | Aug. | Sept. |
| | Rs. | Rs. | Rs. | Rs. Rs. | Rs. | Rs. | Rs. |
| April, 2010 | 4,20,000 | 84,000 | 3,36,000 | 1,68,000 | - | - | - |
| May, 2010 | 4,50,000 | 90,000 | 3,60,000 | 1,80,000 | 1,80,000 | - | - |
| June, 2010 | 5,00,000 | 1,00,000 | 4,00,000 | - | 2,00,000 | 2,00,000 | - |
| July, 2010 | 4,90,000 | 98,000 | 3,92,000 | - | - | 1,96,000 | 1,96,000 |
| Aug., 2010 | 5,40,000 | 1,08,000 | 4,32,000 | - | - | - | 2,16,000 |
| Sept.,2010 | 6,10,000 | 1,22,000 | 4,88,000 | - | - | - | - |
| | | | Total | 3,48,000 | 3,80,000 | 3,96,000 | 4,12,000 |

(1 Mark)

(2) Payment of Wages

June = 80,000 + 82,500 = 1,62,500;

July = 82,500 + 82,500 = 1,65,000;

Aug. = 82,500 + 82,500 = 1,65,000; and

Sept.= 82,500 + 85,000 = 1,67,500.

(Note: It has been assumed that the company wants to keep minimum cash balance ofRs. 45,000.)

(1 Mark)