

**Solutions for exam Ch.4 & Ch.5:****Question No. 1**

The following are the Summarized Balance Sheet of VIP Ltd. as on 31-12-2019 and 31-12-2020.

Liabilities	2019 IQD	2020 IQD	Assets	2019 IQD	2020 IQD
Share Capital	450,000	525,000	Land & Building	375,000	360,000
General Reserve	75,000	90,000	Machinery	300,000	313,500
Profit & Loss	60,000	48,000	Stock	150,000	111,000
Bank Loan (Long-term)	105,000	-	Debtors	120,000	90,000
Sundry Creditors	225,000	196,500	Cash	15,000	3,000
Provision for Taxation	45,000	52,500	Bank	-	12,000
			Goodwill	-	22,500
	<b>960,000</b>	<b>912,000</b>		<b>960,000</b>	<b>912,000</b>

**Additional Information :**

During the year ended 31-12-2020.

- Dividend of IQD 60,000 was paid.
- Assets of another company were purchased for a consideration of IQD 100,000 payable in shares. The following Assets were purchased Stock IQD 40,000; Goodwill IQD 30,000. Machinery 30,000.
- Machinery was further purchased for IQD 20,000.
- Depreciation written off of machinery IQD 4,000.
- Income Tax provided during the year was IQD 66,000.
- Loss on sale of Machinery IQD 2,000 was written-off to General Reserve.

**Required** :prepare the Cash Flow Statement

**Solution****Working Notes:**

(1) Dr.	Machinery A/c		Cr.
Particulars	IQD	Particulars	IQD
To Balance b/d	300,000	By Depreciation	4,000
To Share Capital (purchase by issue of share)	30,000	By General Reserve (loss on sale)	2,000
To Bank (purchase)	20,000	By Bank (balancing figure)	30,500
		By Balance c/d	313,500
	<b>350,000</b>		<b>350,000</b>

(2) Dr.	Adjusted Profit & Loss A/c		Cr.
Particulars	IQD	Particulars	IQD
To Dividend	60,000	By Balance b/d	60,000
To Depreciation on Building	15,000	By Funds from Operations	84,000
To Transfer to General Reserve	17,000		
To Depreciation on Machinery	4,000		
To Balance c/d	48,000		
	<b>144,000</b>		<b>144,000</b>

(3) Dr.		General Reserve A/c		Cr.	
Particulars	IQD	Particulars	IQD		
To Machinery A/c	2,000	By Balance b/d	75,000		
To Balance c/d	90,000	By P & L A/c (Balancing Figure)	17,000		
	92,000		92,000		

(4) Dr.		Land and Building A/c		Cr.	
Particulars	IQD	Particulars	IQD		
To Balance b/d	375,000	By Depreciation on Building (Balancing Figure)	15,000		
		By Balance c/d	360,000		
	375,000		375,000		

### Books of VIP Ltd.

#### Cash Flow Statement for Year Ending 31-12-2020

	IQD	IQD
Opening Cash Balance as on 2019		15,000
<b>Add : Sources of Cash</b>		
• Sale of Machinery	30,500	
• Decrease In Stock	39000	
• Purchase of Stock	40000	
• Decrease In Debtors	30000	
• Provision for taxation	7500	
• Funds from Operations	84000	231000
		246000
<b>Less : Uses of Cash</b>		
Purchase of Machinery	20,000	
Payment of Dividend	60,000	
Bank - Loan Repaid	105,000	
Decrease In Creditors	28,500	(213,500)
Closing Cash and Bank Balances As on 31 -12-2020		32,500

Particulars
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### Question No. 2

Following are the summarized Balance Sheet of EY Ltd. As on 31<sup>st</sup> March, 2017 and 2018. You are required to prepare a Funds Flow statement for the year ended 31<sup>st</sup> March, 2018.

### Balance Sheet

Liabilities	Amount IQD	Amount IQD	Assets	Amount IQD	Amount IQD
Share Capital	200,000	250,000	Goodwill		5,000
General Reserve	50,000	60,000	Land and Building	200,000	190,000
Profit & Loss A/c	30,500	30,600	Plant and Machinery	150,000	169,000
Bank Loan	70,000	135,200	Stock	100,000	74,000
Creditors	150,000		Debtors	80,000	64,200
Provision for Tax	30,000	35,000	Cash in Hand	500	8,600
<b>Total IQD</b>	<b>530,500</b>	<b>510,800</b>	<b>Total IQD</b>	<b>530,500</b>	<b>510,800</b>

#### Additional Information :

1. Depreciation written-off on Plant and Machinery IQD 14,000 and on Land and Building IQD 10,000.
2. Provision for tax was made during the year IQD 33,000.
3. Dividend of IQD 23,000 was paid.

**Required :prepare the Fund Flow Statement.**

#### (1) Working Notes :

##### Statement Showing changes in Working Capital

Particulars	31-3-2017 IQD	31-3-2018 IQD	increase in Working Capital IQD	Decrease in Working Capital IQD
<b>(A) Current Assets:</b>				
Stock	100,000	74,000	-	26,000
Debtors	80,000	64,200	-	15,800
Cash	500	8,600	8,100	-
<b>Total</b>	<b>180,500</b>	<b>146,800</b>		
<b>(B) Current Liabilities :</b>				
Creditors	150,000	-	150,000	-
<b>Total</b>	<b>150,000</b>		<b>158,100</b>	<b>41,800</b>

- Net Increase in Working Capital

= IQD 158,100 (-) IQD 41,800 = IQD 116,300

#### (2) Dr.

#### Plant and Machinery A/c

#### Cr.

Particulars	IQD	Particulars	IQD
To Bal. b/d	150,000	By Adj. P & L A/c. (Dep. <sup>n</sup> )	14,000
To Bank A/c (Machinery Purchased)	33,000	By Bal. c/d	169,000
	<b>183,000</b>		<b>183,000</b>

**(3) Dr. Land and Building A/c Cr.**

Particulars	IQD	Particulars	IQD
To Bal. b/d	200,000	By Adj. P&L A/c (Dep. <sup>n</sup> )	10,000
		By Bal. c/d	190,000
	<b>200,000</b>		<b>200,000</b>

**4) Dr, Provision for Taxation A/c Cr.**

Particulars	IQD	Particulars	IQD
To Bank A/c	33,000	By Bal. b/d	30,000
To Bal. c/d	35,000	By Adj. P&L A/c	38,000
	<b>68,000</b>		<b>68,000</b>

**(5) Dr. Funds From Operations / Adjusted P & L A/c Cr.**

Particulars	IQD	Particulars	IQD
To Dep. <sup>n</sup> on P & M	14,000	By Bal. b/d	30,500
To Dep. <sup>n</sup> on L & B	10,000	By Operational Profit	90,100
To Dividend Paid	23,000	(Balancing Figure)	
To Provision for Tax	33,000		
To General Reserve	10,000		
To Bal. c/d	30,600		
	<b>120,600</b>		<b>120,600</b>

**Funds Flow Statement  
(As on 31-3-2014)**

Sources	IQD	Application	IQD
Issue of Share Capital	50,000	Purchase of Machinery	33,000
Bank Loan	65,200	Dividend Paid	23,000
Operational Profit	90,100	Tax	33,000
		Increase in Working Capital	116,300
	<b>205,300</b>		<b>205,300</b>