

Problem sheet-Fund flow statement

1.FK Ltd presented the balance sheet as on 31.12.2004 and 31.12.2005:

Liabilities	31.12.04	31.12.05	Assets	31.12.04	31.12.05
Share capital [Rs. 100 each]	2,00,000	2,50,000	Fixed assets, at cost	2,50,000	3,00,000
Reserves and Surplus	80,000	87,000	Less: depreciation	<u>68,000</u>	<u>82,000</u>
13.5% Convertible debentures	1,00,000	80,000	Trade investments	1,82,000	2,18,000
Public deposits	30,000	25,000	Investments	1,25,000	1,35,000
Current liabilities	62,000	71,000	Inventories	6,000	3,000
Proposed dividend	20,000	25,000	Book debts	41,000	52,000
			Cash and bank	53,000	50,500
			Preliminary expenses	12,000	14,000
			Capital work-in- progress	10,000	5,000
				63,000	60,500

You are informed that during the year 2004:

- Rs. 20,000 debentures were converted into shares at par.
- Rs. 20,000 shares were issued to the shareholders as bonus shares, fully paid, out of reserves.
- Rs. 10,000 shares were issued to the vendor of fixed assets who had supplied a machine costing Rs. 12,000.
- A machine costing Rs. 5,000, book value Rs. 3000 on 31st December, 2004 was disposed off for Rs. 2,000

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- Rs.3,000 of Marketable securities[cost] were disposed of for Rs. 3,600

You are required to make a fund flow statement of that company for 2004.

2. From the following Balance Sheet of PG Ltd as on 31 st December, 2004 and 2005, prepare a source an application of funds statement for the year 2005 together with a statement of changes in Working Capital:

	31.12.04	31.12.05		31.12.04	31.12.05
Issued share capital:			Fixed assets	3,00,000	3,80,000
Equity shares	3,00,000	3,30,000	Less: Depreciation	<u>1,60,000</u>	<u>1,50,000</u>
10% Preference shares	<u>1,00,000</u>	<u>1,00,000</u>	Investment	80,000	74,000
	4,00,000	4,30,000	Stock	1,00,000	1,32,000
General reserve	30,000	4,000	Debtors	1,50,000	1,68,000
Plant replacement reserve	10,000	12,000	Bank	44,000	-
Profit and Loss appropriation	2,000	4,000	Goodwill	24,000	20,000
Creditors	60,000	80,000			
Taxation provision	16,000	28,000			
Provision for dividend	20,000	12,000			
Bank overdraft	-	54,000			
	5,38,000	6,24,000		5,38,000	6,24,000

During the year 2005:

- A bonus issue of shares was made on a 1 for 10 basis.

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- Fixed assets originally costing Rs. 1,20,000 were sold. The depreciation relating to these assets was Rs. 60,000 and a loss on sale of Rs. 20,000 was incurred.
- One year's preference dividend was paid. The equity dividend was provisionally set at Rs. 12,000.
- The tax due on profit for the period was estimated to be Rs. 24,000
- Bad debts of Rs. 24,000 were written off and stocks were valued upwards by Rs. 10,000.
- Investments standing in the books at Rs. 6,000 were sold for a profit of Rs. 2,000
- Depreciation of Rs. 50,000 was charged against profits.

3. The following balance sheets were extracted from the books of accounts of jaypee ltd on 31.03.2004 and 31.03.2005 respectively.

Equity share capital	1,50,000	2,00,000	Goodwill	12,500	10,000
Preference share capital	1,50,000	75,000	Land building, at cost	1,50,000	1,75,000
Capital redemption reserve	nil	25,000	Plant & machinery, at cost	2,78,000	2,70,000
Securities premium	nil	5,000	Investment in subsidiary company	35,000	45,000
10% A Mortgage debentures	25,000	12,500	Debtors	66,000	92,500
8% B Mortgage debentures	50,000	75,000	Investment	37,500	22,500
Capital reserve	30,000	30,000	Closing stock	27,700	58,150
Profit & loss	25,750	34,800	Cash in hand	550	1,150
Provision for depreciation:			Cash at bank	14,000	31,000
			Preliminary expenses	6,000	4,500

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land & building	30,000	37,500		
plant & machinery	79,000	1,00,000		
Creditors	46,500	61,500		
Provision for taxation	26,000	33,500		
Proposed dividend	15,000	20,000		

- Preference shares were redeemed partly out of fresh issue of equity share capital and partly out funds available for dividends and premium of 5% payable on redemption was charged to profit and loss account.
- 50% of 10% A debentures were redeemed at a discount of 10% and the amount of discount credited to profit and loss account.
- Part of plant and machinery costing Rs. 12,500 (against which depreciation of Rs. 6,500 had been provided) was sold at Rs. 9,500 and profit thereon credited to profit and loss account.
- In addition to the proposed dividend of the earlier year an interim dividend of Rs. 20,000 was also paid during the year.
- Rs. 22,500 was paid during the year by way of taxation of the taxation for the earlier year.

You are required to prepare :

- Schedule of changes in working capital
- Funds flow statement

4. The balance sheets of NKG Ltd. as on 31st December, 1998 and 1999 are given below:

	31.12.98	31.12.99		31.12.98	31.12.99
Share Capital	300000	400000	Fixed Assets at cost	800000	950000
Capital reserve		10000	Less: Depreciation	<u>230000</u>	<u>290000</u>
General Reserve	170000	200000		570000	660000

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Profit & Loss Account	60000	75000	Trade Investment	100000	80000
Debentures	200000	140000	Current Assets	280000	330000
Current Liabilities	120000	130000	Preliminary exp.	20000	10000
Provision for IT	90000	85000			
Proposed Dividend	30000	36000			
Unpaid dividend		4000			
	970000	1080000		970000	1080000

During the year 1999, the company:

- (i) Sold one machine for Rs.25000, the cost of which was Rs.50000 and the depreciation provided on it was Rs.21000;
- (ii) Provided Rs.95000 as depreciation;
- (iii) Redeemed 30% of the debentures @ 103;
- (iv) Sold some trade investments at a profit which was credited to capital reserve;
- (v) Decided to value stock at cost whereas previously the practice was to value stock at cost less 10%. The stock according to books on 31.12.98 was Rs.54000. The stock on 31.12.99 was correctly valued at cost Rs.75000; and
- (vi) Decided to write off fixed assets costing Rs.14000 (fully depreciated).

5. From the following balance sheet of SSB Ltd., prepare (i) a statement showing the source and application of funds and (ii) a schedule of changes in working capital for the year ended 31st December 1999.

Balance Sheet as on 31st December 1999

Previous Year	Capital & liabilities	Rs.	Previous Year	Property & Assets	Rs.
100000	10% Preference share capital	50000	255000	Fixed Assets(net)	310000
150000	Equity share capital	175000	15000	Investments	40000

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50000	Debentures	100000	120000	Current assets	187500
nil	Capital redemption reserve	25000	5000	Discount on debentures	2500
55000	Retained earnings	110000			
5000	Provision for doubtful debts	7500			
35000	Current liabilities	72500			
395000		540000	395000		540000

You are informed that during the year:

- (i) A machine costing Rs. 35000, book value Rs.20,000 was disposed of for Rs.12500.
- (ii) Preference share redemption was carried out at a premium of 5%
- (iii) An equity dividend of 15% and the preference dividend were paid for the year 1998.
- (iv) Stock which was valued at Rs.45000 as on 31st December, 1998 (for preparing the profit and loss account for 1998) was written up to its cost Rs.50000.

The provision for depreciation stood at Rs.75000 on 31st December 1998 and at Rs.95000 on 31st December 1999.

6. From the following balance sheets of Romina Ltd. make out (i) statement of changes in working capital and (ii) fund flow statement:

	1998	1999		1998	1999
Equity share capital	300000	400000	Goodwill	100000	80000
8% Redeemable preference share capital	150000	100000	Land & Building	200000	170000
Capital Reserve		20000	Plant & machinery	80000	200000
General Reserve	40000	50000	Investments	20000	30000

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Profit and Loss A/c	30000	48000	Sundry Debtors	140000	170000
Proposed dividend	42000	50000	Stock	77000	109000
Sundry creditors	25000	47000	Bills Receivable	20000	30000
Bills payable	20000	16000	Cash in hand	15000	10000
Liabilities for expenses	30000	36000	Cash at Bank	10000	8000
Provision for taxation	40000	50000	Preliminary expenses	15000	10000
	677000	817000		677000	817000

- (i) A piece of land has been sold out in 1999 and the profit on sale has been credited to capital reserve.
- (ii) A machine has been sold for Rs.10000. The written down value of the machine was Rs.12000. Depreciation of Rs.10000 is charged on plant in 1999.
- (iii) The investments are trade investments Rs.3000 by way of dividend is received, including Rs.1000 from pre-acquisition profit which has been credited to the investment account.
- (iv) An interim dividend of Rs.20000 has been paid in 1999.

7. From the following prepare a statement of source and application of funds of BPR Ltd., for the year ended 31ST December 1999:

	31.12.1999	31.12.1998
	Rs.	Rs.
Equity share capital	400000	250000
Preference share capital		150000
Revaluation reserve	70000	100000
General reserve	60000	50000
Profit & loss account	10000	

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15% Debenture	100000	
Bank Overdraft	50000	40000
Provision for taxation	60000	10000
Sundry creditors	350000	320000
	1100000	920000
Plant & machinery	400000	380000
Other fixed assets	20000	20000
Stock-in-trade	320000	200000
Book debts	355000	290000
Debenture discount	5000	
Profit & loss account		30000
	1100000	920000

- (i) During 1999, preference shareholders were given an option to convert their shares into equity shares or have the preference shares redeemed at a premium of 5%. Holders of Rs. 50000 preference shares opted for conversion and the other shares were redeemed. The premium was charged to profit and loss account.
- (ii) Depreciation charged during the year 1999 had been -
- (a) Rs.70000 on plant & machinery, out of which Rs.30000 was charged against revaluation reserve.
- (b) Rs. 5000 on other fixed assets.
- (iii) The balance in the provision for taxation account is after charging Rs.20000 paid as advance income tax.
- (iv) Debentures were issued at a discount one half of which has been written off against profits.
- (v) Included in stock-in-trade as on 31.12.1998 was a plant costing Rs.60000. This was capitalized in 1999.

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8. The following are the summaries of the Balance Sheets of ROX Ltd. as on 31st December 1998 and 31st December 1999.

	1998 Rs.	1999 Rs.
Sundry creditors	39500	41135
Bills payable	33780	11525
Bank overdraft	59510	
Provision for taxation	40000	50000
Reserves	50000	50000
Profit & Loss a/c	39690	41220
Share capital	200000	260000
	462480	453880
Cash at bank	2500	2700
Sundry debtors	85175	72625
Sundry advances	2315	735
Stock	111040	97370
Land & Building	148500	144250
Plant & machinery	112950	116200
Goodwill		20000
	462480	453880

The following additional information is obtained from the general ledger:

- (i) During the year ended 31st December 1999, an interim dividend of Rs.26000 was paid.
- (ii) The assets of another company were purchased for Rs.60000 payable in fully paid shares of the company. These assets consisted of stock Rs.21640,

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machinery Rs.18360 and goodwill Rs.20000. In addition, sundry purchases of plant were made totaling Rs.5650.

- (iii) Income tax paid during the year amounted to Rs.25000.
- (iv) The net profit for the year before tax was Rs. 62530.

You are required to prepare a statement showing the source and application of funds for the year 1999 and a schedule setting out changes in working capital.

9. From the following balance sheet of Sundries Ltd. (i) a statement of changes in working capital and (ii) a funds flow statement:

Balance Sheet

Liabilities	1998	1999	Assets	1998	1999
Equity Share capital	20000	27500	Goodwill	3500	2500
General Reserve	2500	4000	Land & Building	7500	10000
Profit & Loss A/c	3000	2500	Plant & Machinery	9000	22500
6% Debentures	5000	10000	Stock	10000	11500
Sundry Creditors	4500	7250	Sundry debtors	4000	3500
Bills Payable	1700	2500	Bills receivable	3250	4200
Unclaimed Dividend	300	250	Cash at bank	2250	2800
Provision for Tax	2500	3500	Discount on issue of shares		500
	39500	57500		39500	57500

Additional information:

- (a) Depreciation on plant & machinery and building for 1999 amounted to Rs.2500 and Rs.1500 respectively.

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- (b) The above company acquired the asset of Small Co. for Rs.10000 and paid the purchase consideration by issuing fully paid shares amounting to Rs.7500 and by paying the balance in cash. The assets consisted of plant & machinery for Rs.5500, stock for Rs. 2500 and goodwill for Rs.2000.
- (c) Income tax paid during 1999 amounted to Rs.3500.
- (d) Interim dividend paid during 1999 was Rs.5000.
- (e) Debentures were issued at a discount of Rs.1000.
- (f) Decided to value the stock at cost, whereas previously the practice was to value stock at cost less 20%. The stock according to books on 31st December 1998 was Rs.10000; the stock on 31st December 1999 Rs.11500 was correctly valued at cost.

NABAGRAM HIRALAL PAUL COLLEGE. Fund Flow Statement