

Sale of machine and investment, redemption of debentures etc. are there

18. The summarised Balance Sheets of X Ltd. as on 31st March, 2014 and on 31st March, 2015 are as follows :

| Particulars | Note No. | March 31,2014 ₹ | March,2015 ₹ |
|---|----------|--------------------|------------------|
| I. EQUITY AND LIABILITIES : | | | |
| 1. Shareholders' Funds : | | | |
| (a) Share Capital | | 6,00,000 | 7,00,000 |
| (b) Reserves & Surplus | 1 | 4,20,000 | 5,50,000 |
| 2. Non-current Liabilities : | | | |
| (a) Long-term Borrowings (Debentures) | | 4,00,000 | 2,80,000 |
| 3. Current Liabilities : | | | |
| (a) Trade Payables (Trade Creditors) | | 2,40,000 | 2,60,000 |
| (b) Other Current Liabilities (Unclaimed Dividend) | | - | 8,000 |
| (c) Short-term Provisions | 2 | <u>2,40,000</u> | <u>2,42,000</u> |
| Total | | <u>19,00,000</u> | <u>20,40,000</u> |
| II ASSETS : | | | |
| 1. Non-Current Assets : | | | |
| (a) Fixed Assets-Tangible Assets. | 3 | 11,40,000 | 12,20,000 |
| (b) Non-current Investment (Trade Investments) | | 2,00,000 | 1,60,000 |
| 2. Current Assets : | | | |
| Total | | <u>19,00,000</u> | <u>20,40,000</u> |

Notes to Accounts :

| Particulars | 31.2014 ₹ | 31.12.15 ₹ |
|--|------------------|------------------|
| 1. Reserves & surplus : | | |
| (a) Capital Reserve | - | 20,000 |
| (b) General Reserve | 3,40,000 | 4,00,000 |
| (c) Balance in Statement of Profit & Loss | 80,000 | 1,30,000 |
| | <u>4,20,000</u> | <u>5,50,000</u> |
| 2. Short-term Provisions : | | |
| (a) Provision for Income Tax | 1,80,000 | 1,70,000 |
| (b) Proposed Dividend | 60,000 | 72,000 |
| | <u>2,40,000</u> | <u>2,42,000</u> |
| 3. Fixed Assets – Tangible Assets : | | |
| Fixed Assets (at cost) | 16,00,000 | 19,00,000 |
| Less : Depreciation | 4,60,000 | 6,80,000 |
| | <u>11,40,000</u> | <u>12,20,000</u> |

Financial Accounting—III (Hons.)

H-431

During the year ended 31st March, 2015 the Company :-

- (i) Sold one machine for ₹ 50,000; The cost of the machine was ₹ 1,28,000 and the depreciation provided for it was ₹ 70,000 ✓
- (ii) Redeemed 30% of debenture @ ₹ 103. ✓
- (iii) Sold some trade investments at a profit which was credited to Capital Reserve. ✓
- (iv) Paid Income Tax ₹ 1,65,000 ✓

Prepare the Fund Statement for the year ended 31st March 2015.

[2000]

[Ans. Increase in W/C ₹ 80,000; Fund from operation ₹ 6,38,600; Purchase of F. Assets ₹ 4,28,000; Total of FFS ₹ 8,48,600.]

Fund Flow Statement.

(1st) statement showing changes in Working Capital.

| | 31.3.14 | 31.3.15 |
|---|--------------|--------------|
| <u>(Current Assets - Current Liabilities)</u> | | |
| Current Assets (A) | 56000 | 66000 |
| Less:- Current liabilities, Creditors | 24000 | 24000 |
| Unclaimed div. | — | 800 |
| (B) | 24000 | 25800 |
| Net Working Capital (A-B) | 32000 | 39200 |
| Changes in Working Capital | 7000 | — |
| | <u>41000</u> | <u>39200</u> |

(2nd) statement showing fund & flow.

| Sources | | Applications | |
|------------------------|--------------|-----------------------|--------------|
| 1. Sale of F. A. | 5000 | 1. changes in w.c. | 7000 |
| 2. " " Investment | 6000 | 2. Purchase of F. A. | 42800 |
| 3. Issue of Sh. | 10000 | 3. Dividend paid | 6000 |
| 4. Fund from operation | 63860 | 4. Tax paid | 16500 |
| | | 5. Redemption of deb. | 12360 |
| | | | — |
| | <u>64860</u> | | <u>64860</u> |

(3rd) Dr.

Adjusted P/L A/c.

~~86660~~
12500
18 Cr.

| | | | |
|----------------------------------|-----------------|------------------------|---------------|
| To dep. on F. A. | 29000 | By Balance b/d | 8000 |
| To loss on Sale of F. A. | 8000 | 4. Fund from operation | 63860 |
| To Sale of Investment | 5000 | | — |
| To proposed div. | 7200 | | — |
| To provision for Tax | 15500 | | — |
| To Prem. on Red. of deb. | 3600 | | — |
| To General Reserve. | 60000 | | — |
| | | | <u>71860</u> |
| To Balance c/d | 13200 | | <u>450400</u> |
| | <u>71860</u> | | <u>450400</u> |

4th) Current Assets Dr ~~or~~ not Asset A/c
 Dr) Current - Current A/c Page 210

Dr. Fixed Assets A/c (1/1/21) Cr.

| | | | |
|--------------------|---------------|--|---------------|
| Total wd | 160000 | By Bank (Sale) 5000 " Provision for dep. 7000 | |
| To Bank (Purchase) | 42800 | " P/L (Loss) 800 | 128000 |
| | <u>202800</u> | By Bond wd | 1900000 |
| | | | <u>202800</u> |

Dr. Provision for depreciation A/c Cr.

| | | | |
|-----------------|--------------|------------|--------------|
| To Fixed Assets | 7000 | By Bond wd | 46000 |
| | | " P/L | 29000 |
| To Bond wd | 68000 | | <u>75000</u> |
| | <u>75000</u> | | |

Dr. Investment A/c Cr.

| | | | |
|--------------------------|--------------|------------|--------------|
| To Bond wd. | 2000 | By Bank | 6000 |
| To Capital Reserve (P/S) | 2000 | By Bond wd | 16000 |
| | <u>22000</u> | | <u>22000</u> |

5th) Current liability Dr ~~or~~ not liabilities A/c
 Dr) Current - Current A/c Page 210

Dr. Proposed dividend A/c Cr.

| | | | |
|----------------|--------------|-------------|--------------|
| To Bank (Paid) | 6000 | By Bond wd. | 6000 |
| To Bond wd | 7200 | " P/L A/c | 7200 |
| | <u>13200</u> | | <u>13200</u> |

Dr. Provision for Income Tax A/c Cr.

| | | | |
|----------------|--------------|-------------|--------------|
| To Bank (Paid) | 16500 | By Bond wd. | 18000 |
| To Bond wd. | 17000 | " P/L | 15500 |
| | <u>33500</u> | | <u>33500</u> |

| | Debiture | % | |
|----------------------|----------|---|---------------|
| To Bank (Redemption) | 123600 | | 40000 |
| To Bond c/d | 28000 | | 3600 |
| | | | <u>403600</u> |
| | | Buy Bond c/d. | 40000 |
| | | ✓ P/L (Premium on sell) | 3600 |
| | | $(\frac{40000 \times 300 \times Rs. 3}{100})$ | |

| | St. Corp. | % | |
|-------------|--------------|----------------|--------------|
| To Bond c/d | 70000 | | 600000 |
| | <u>70000</u> | | 100000 |
| | | Buy Bond c/d | |
| | | ✓ Bank (Issue) | <u>70000</u> |

| | General Reserve | % | |
|-------------|-----------------|--------------|--------------|
| To Bond c/d | 40000 | | 34000 |
| | <u>40000</u> | | 6000 |
| | | Buy Bond c/d | |
| | | ✓ P/L | <u>40000</u> |

Cash Flow Statement was prepared
 statement of W.C. was given and cash
 flow of fund was given and Application
 of fund was given and
 and was % was 22%

Cash Flow Statement.

A. Fund Flow from Operating Activities.

| | |
|--|-----------|
| (i) Fund from Operations | 63800 |
| Add:- (a) decrease in C. A. (b) Increase in C. L. Less: (a) Increase in C. A. (b) decrease in C. L. | |
| Less:- Current Assets (56000 - 66000) | (-) 10000 |
| Add:- Current Liabilities. | |
| (a) Creditors | 2000 |
| (b) Unclaimed div | 8000 |
| | 56600 |
| Less:- Tax Paid | 16500 |
| | 401600 |

B. Fund Flow from Investing Activities. (Sale/Purchase of Assets, Dividend Received)

| | |
|-----------------------|-----------|
| (a) Sale of F. A. | 5000 |
| (b) " " Investment | 6000 |
| (c) Purchase of F. A. | (-) 42800 |
| | (-) 31800 |

C. Fund Flow from Financing Activities. (Issue and Redemption of Shares & Debentures, Dividend on Shares paid)

| | |
|-----------------------------|------------|
| (a) Issue of Sh. | 100000 |
| (b) Redemption of Debenture | (-) 123600 |
| (c) Dividend Paid | (-) 60000 |
| | (-) 83600 |

Add:- opening Cash and Bank Bal.

Cf. Cash/Bank Bal. =

MIL
xx

(e) Decided to value the Stock at cost, whereas previously the practice was to value Stock at cost less 10%. The Stock according to books on March 31, 2014 was ₹ 1,08,000; the Stock on March 31, 2015 ₹ 1,50,000 was correctly valued at cost. [2008]

[Ans. Increase in working capital ₹ 68,000; Total of Fund flow statement ₹ 8,51,600; Fund from operation ₹ 5,41,600; Purchase of fixed asset ₹ 4,28,000; Sale of Investment ₹ 60,000, Redemption of Debenture ₹ 1,23,600; Payment of dividend ₹ 52,000]

12 From the figures given below prepare a statement showing the application and sources of funds during the year 2014-15.

| Particulars | Note No. | 31.3.2014 ₹ | 31.3.2015 ₹ |
|---|----------|-----------------|------------------|
| I. EQUITY AND LIABILITIES: | | | |
| 1. Shareholders' Funds: | | | |
| (a) Share Capital ✓ | | 5,00,000 | 4,50,000 |
| (b) Reserves & Surplus (Reserves) ✓ | 1 | 1,10,000 | 2,70,000 |
| 2. Non-current Liabilities: | | | |
| (a) Long-term Borrowings (Debentures) ✓ | | 1,00,000 | 2,00,000 |
| 3. Current Liabilities: | | 70,000 | 1,45,000 |
| | | 7,80,000 | 10,65,000 |
| II. ASSETS: | | | |
| 1. Non-current Assets: | | | |
| (a) Fixed Assets-Tangible Assets ✓ | | 5,10,000 | 6,20,000 |
| (b) Non-current Investment (Trade Investment) ✓ | | 30,000 | 80,000 |
| (c) Other Non-current Assets (Discount on Debentures) ✓ | | 5,000 | 5,000 |
| 2. Current Assets: | | | |
| (a) Trade Receivables ✓ | | 2,30,000 | 3,60,000 |
| (b) Other Current Assets (Discount on Debtures) ✓ | 2 | 5,000 | - |
| | | 7,80,000 | 10,65,000 |

Notes to Accounts :

| Particulars | 30.03.14 ₹ | 30.03.15 ₹ |
|--------------------------------------|-----------------|-----------------|
| I. Share Capital: | | |
| Equity ✓ | 3,00,000 | 3,50,000 |
| Preference ✓ | 2,00,000 | 1,00,000 |
| | 5,00,000 | 4,50,000 |
| 2. Trade Receivable | | |
| Less: Provision for Doubtful Debts ✓ | 2,40,000 | 3,75,000 |
| | 10,000 | 15,000 |
| | 2,30,000 | 3,60,000 |

You are informed that during the year :-

(i) A machine costing ₹ 70,000 (book value ₹ 40,000) was disposed off for ₹ 25,000. *sale*

(ii) Preference Share redemption was carried out at a premium of 5%.

(iii) Dividend at 15% was paid on equity share for the year 2013-14. *2,00,000*

(iv) The provision for depreciation stood at ₹ 1,50,000 on 31.3.2014 and at ₹ 1,90,000 on 31.3.15.

(v) Stock which was valued at ₹ 90,000 as on 31.3.2014 was written up to its cost ₹ 1,00,000 for preparing the Statement of Profit and Loss for 2014-15. [2010]

[Ans. Total of Fund Flow Statement ₹ 4,65,000; Increase in working capital ₹ 45,000; Fund from operation ₹ 2,90,000; Purchase of Fixed Assets ₹ 2,20,000.]

No. 10 - 2012

Statement showing changes in Working Capital.

| Current Assets: | 230000 | (100000 - 90000) under valuation | 360000 |
|------------------------------------|--------|----------------------------------|--------|
| Trade Receivable | | 18000 | 240000 |
| Current Liabilities | | 70000 | 145000 |
| Working Capital | 170000 | 215000 | |
| Share (changed) in Working Capital | 45000 | 215000 | |

Statement showing Sources & Application of Funds.

| Sources | Applications |
|-------------------------------|---------------------------------|
| 1. Sale of F.A. 25000 | 1. Increase in W.C. 45000 |
| 2. Issue of adventure 100000 | 2. Purchase of F.A. 220000 |
| 3. Issue of Reg. Sr. 50000 | 3. " of Surplus 50000 |
| 4. Fund from operation 200000 | 4. Reduction of Reg. Sr. 105000 |
| | 5. Reg. Sr. Paid 45000 |
| <u>460000</u> | <u>465000</u> |

Adjusted P/L (Reserves & Surplus)

| Dr - | Cr. |
|-----------------------------------|----------------------------------|
| To Reg. on F.A. 15000 | 110000 |
| To Reg. on Sale of F.A. 5000 | |
| To Profit on Reg. Sr. 45000 | |
| To Reg. Sr. (15% of 300000) 45000 | |
| To Premium on Reg. Sr. 5000 | |
| To Bal b/d 27000 | |
| <u>147000</u> | <u>110000</u> |
| | Under valuation of op. Sr. 10000 |
| | Reg. Fund from operation 20000 |
| | <u>440000</u> |

Account on reg. Sr. 5000 / Reg. Sr. 5000

| Fixed Assets A/c. | | Cr. |
|-------------------------------|--------------|----------------------------------|
| To Bal b/d (51000 + 15000) | 66000 | By Bal (Sale) 25000 |
| To Bal (Purchase) | 22000 | By Accu. Dep (7000-4000) 3000 |
| | | By P/L 15000 |
| | | By Bal c/d (62000 + 19000) |
| | <u>88000</u> | <u>88000</u> |

| Accumulated Depreciation A/c. | | Cr. |
|-------------------------------|--------------|---------------------|
| To F.A. | 3000 | By Bal b/d 15000 |
| To Bal c/d | 19000 | By P/L 7000 |
| | <u>22000</u> | <u>22000</u> |

| Pref. Sh. Cap. A/c. | | Cr. |
|---------------------|--------------|--|
| To Bal | 10500 | By Bal b/d 20000 |
| To Bal c/d | 10000 | By P/L (Premium on redemption) 5000 |
| | <u>20500</u> | <u>20500</u> |

Since nominal value of Pref. shares redeemed Rs. 10000 and nominal value of Sh. issued Rs. 5000 so balance of Rs. 5000 should be transferred to C.R.R.

Cash Flow Statement

A. Fund Flow from Operating Activities.

| | |
|--|-----------|
| Fund from operation | 29000 |
| Less:- Increase in Current Assets (36000 - 24000) | (-) 12000 |
| Add:- Increase in C.L (14500 - 7000) | 7500 |

~~24500~~
245000

B. Fund Flow from Investing Activities.

| | |
|-----------------------------|-----------|
| a) Sale of fixed Assets | 2500 |
| b) Purchase of fixed Assets | (-) 22000 |
| c) Purchase of Investment | (-) 5000 |

(-) 24500

C. Fund Flow from Financing Activities.

| | |
|------------------------------|-----------|
| (a) Issue of Eq. St. | 5000 |
| (b) Issue of preference | 10000 |
| (c) Redemption of Pref. St. | (-) 10500 |
| (d) Dividend on Eq. St. Paid | (-) 14500 |

~~(-24500)~~

Add:- op. Cash Balance

cl. Cash Bal

mL

NIL

x x

B. Com 2004

Statement showing Change in W.C.

| C.A | | |
|------------------|-------|-------|
| Stock | 12000 | 14000 |
| De. | 8000 | 9500 |
| Cr | 3500 | 4400 |
| | 23500 | 27900 |
| W.C.:- Cr. | 8000 | 9800 |
| Increase in W.C. | 15200 | 18100 |

Fund Flow Statement

| | | | |
|----------------|--------|--------------------|--------|
| 1. P/M Sale | 12000 | 1. Increase in W.C | 29000 |
| 2. Issued Deb. | 45000 | 2. Purchase | 12000 |
| 3. Loan | 20000 | 3. P/M | 14000 |
| 4. Sp. & A. | 110000 | 4. Invest | 7000 |
| FFO | 232000 | 5. Tax Paid | 6000 |
| | 419000 | 6. Div. Paid | 4000 |
| | | 7. Interim Div | 2000 |
| | | 4/B A/c. | 419000 |

Adj. P/L A/c.

| | | | |
|---------------------------|--------------|----------------|--------------|
| To dep. on 4/B | 2000 | By Bond Wd | 11000 |
| To dep. y P/M | 5000 | y P/M (Profit) | 200 |
| To Tax | 5500 | y FFO | 23200 |
| To Div | 5000 | | |
| To Interim Div | 2000 | | |
| To Bond Crd | 10800 | | |
| To write off disc on deb. | 1000 | | |
| To G-R | 4000 | | |
| | <u>34400</u> | | |
| | | By Bond Wd | 11000 |
| | | y P/M (Profit) | 200 |
| | | y FFO | 23200 |
| | | | <u>34400</u> |

| | | | |
|------------|--------------|--------|--------------|
| By Bond Wd | 11000 | By P/L | 2000 |
| By P/M | 12000 | | |
| | <u>52000</u> | | |
| | | By P/L | 2000 |
| | | | <u>52000</u> |

P/M A/c

| | | | |
|------------|--------------|-------------|--------------|
| By Bond Wd | 11000 | By Bond Crd | 70000 |
| By P/M | 12000 | | |
| | <u>23000</u> | | |
| | | By Bond Crd | 70000 |
| | | | <u>74200</u> |
| | | By Bond Wd | 15000 |
| | | y P/L | 5000 |
| | | | <u>20000</u> |

Accumulated dep. A/c

| | |
|------------|--------------|
| By Bond Wd | 15000 |
| y P/L | 5000 |
| | <u>20000</u> |

Discount on Deb. A/c

| | |
|--------|--------------|
| By P/L | 1000 |
| Cr | 12000 |
| | <u>13000</u> |

To Deb.

| | |
|------------|-------------|
| By Account | 1000 |
| y Bond | 4500 |
| | <u>5500</u> |
| By Account | 1000 |
| y Bond | 4500 |
| | <u>5500</u> |

To

Sh. Cap. A/c

4 d 6000

6000

19 d
By G. R (Bran)
(4 x 4000)
4 Bank

4000

10000

10000

6000

To Bonus issue

To Bond 4 d

G. R A/c
10000

12000

22000

19 d
By Bond
4 1/2

18000

4000

Cash Flow Statement.

A. Operating Activities.

FFO.

Len. St.

4 250

Add: - T. P.

Un. Tax Paid

B. Investing Activities.

- (a) P/M Sale
- (b) P/M Purchase
- (c) L/B
- (d) Inv

C. Financing Activities.

- (a) R. St.
- Deb.
- Loan.
- Div. Paid
- Interim Div
- Add: op. Cash.

23000

(-) 2000

(-) 1500

1500

21200

6000

15200

1200

(-) 1000

(-) 2000

(-) 1000

(-) 25800

11000

4500

2000

(-) 4000

(-) 2000

11500

9000

35000

Dr. Cr. - 2012

Statement showing changes in Working Capital.

| | | | |
|---------------------------------------|--------------------------------------|-------|--|
| Current Assets:- | 23000 + (10000-9000) under valuation | | |
| Trade Receivable of op. of st. | 24000 | 36000 | |
| Less:- Current Liabilities | 7000 | 14500 | |
| Working Capital | 17000 | 21500 | |
| Increase (Changes) in Working Capital | 4500 | - | |
| | 21500 | 21500 | |

Statement showing Sources & Application of Funds.

| Sources | | Applications. | |
|------------------------------------|--------------|----------------------------|--------------|
| 1. Sale of F.A. | 25000 | 1. Increase in W.C. | 45000 |
| 2. Issue of share share | 10000 | 2. Purchase of F.A. | 22000 |
| 3. Issue of st. st. | 5000 | 3. " of Investment | 5000 |
| 4. Fund from Operation | 29000 | 4. Redemption of Pref. St. | 10500 |
| | | 5. St. Div Paid | 4500 |
| | <u>46000</u> | | <u>46500</u> |

| Dr - | Adjusted P/c (Reserves & Surplus) | | Cr. |
|---------------------------------|-----------------------------------|------------------------|--------------|
| To Dep. on F.A. | 7000 | By Bond Wd. | 11000 |
| To loss on sale of F.A. | 15000 | " Undervaluation | |
| To write off dis. on sell. | 5000 | of op. st. | 10000 |
| To St. Div. (15% of 30000) | 4500 | By Fund from Operation | 29000 |
| To Premium on red. of Pref. St. | 5000 | | |
| | 27000 | | <u>49000</u> |
| To Bond Wd | <u>40000</u> | | |

| | | |
|-----------------------|-------------|-------------|
| discount on sell. P/c | | |
| To Bond Wd | <u>5000</u> | By P/c |
| | | <u>5000</u> |

Fixed Assets A/c.

| | | | Cr. |
|-------------------------------|--------------|-------------------------------|--------------|
| To Bal b/d (51000 + 15000) | 66000 | By Bank (Sale) | 25000 |
| To Bank (Purchase) | 22000 | By Accu. Dep (7000-4000) | 3000 |
| | | By P/L | 1500 |
| | | By Bal c/d (62000 + 19000) | 81000 |
| | <u>88000</u> | | <u>88000</u> |

Accumulated Depreciation A/c.

| | | | Cr. |
|------------|--------------|------------|--------------|
| To F.A. | 3000 | By Bal b/d | 15000 |
| To Bal c/d | 19000 | By P/L | 7000 |
| | <u>22000</u> | | <u>22000</u> |

Pref. Sh. Cap. A/c.

| | | | |
|------------|--------------|--------------------------------|--------------|
| To Bank | 10500 | By Bal c/d | 20000 |
| To Bal c/d | 10000 | By P/L (Premium on redemption) | 5000 |
| | <u>20500</u> | 5% of 10000 | <u>20500</u> |

Since nominal value of Pref. Shares redeemed Rs. 10000 and nominal value of Sh. issued Rs. 5000 so balance of Rs. 5000 should be transferred to C.R.R.