

COMPILATION OF PROBLEMS

- Q. 1.** Company has provided the following information regarding the various assets held by company on 31st March 20X1. Find out, which of the following items will be part of cash and cash equivalents for the purpose of preparation of cash flow statement as per the guidance provided in Ind AS 7:

| Sr. No. | Name of the Security | Additional Information |
|----------------|--|--|
| 1. | Fixed deposit with SBI | 12%, 3 years maturity on 1st January 20X4 |
| 2. | Fixed deposit with HDFC | 10%, original term was for 2 years, but due for maturity on 30th June 20X1 |
| 3. | Redeemable Preference shares in ABC Ltd. | Acquired on 31st January 20X1 and the redemption is due on 30th April 20X1 |
| 4. | Cash balances at various banks | All branches of all banks in India |
| 5. | Cash balances at various banks | All international branches of Indian banks |
| 6. | Cash balances at various banks | Branches of foreign banks outside India |
| 7. | Bank overdraft of SBI Fort branch | Temporary overdraft, which is payable on demand |
| 8. | Treasury Bills | 90 days maturity |

[Illustration 1: Page 2.106 to 2.107]

- Q. 2.** From the following transactions, identify which transactions will be qualified for the calculation of operating cash flows, if company is into the business of trading of mobile phones.

| Sr. No. | Nature of Transaction |
|----------------|---|
| 1. | Receipt from sale of mobile phones |
| 2. | Purchases of mobile phones from various companies |

| Sr. No. | Nature of Transaction |
|----------------|---|
| 3. | Employees expenses paid |
| 4. | Advertisement expenses paid |
| 5. | Credit sales of mobile |
| 6. | Miscellaneous charges received from customers for repairs of mobiles |
| 7. | Loss due to decrease in market value of the closing stock of old mobile phones |
| 8. | Payment to suppliers of mobile phones |
| 9. | Depreciation on furniture of sales showrooms |
| 10. | Interest paid on cash credit facility of the bank |
| 11. | Profit on sale of old computers and printers, in exchange of new laptop and printer |
| 12. | Advance received from customers |
| 13. | Sales Tax and excise duty paid |

[Illustration 2: Page 2.108 to 2.109]

- Q. 3.** From the following transactions taken from a private sector bank operating in India, identify which transactions will be classified as operating and which would be classified as Investing activity.

| Sr. No. | Nature of Transaction |
|----------------|---|
| 1. | Interest received on loans |
| 2. | Interest paid on Deposits |
| 3. | Deposits accepted |
| 4. | Loans given to customers |
| 5. | Loans repaid by the customers |
| 6. | Deposits repaid |
| 7. | Commission received |
| 8. | Lease rentals paid for various branches |
| 9. | Service tax paid |
| 10. | Furniture purchased for new branches |

| Sr. No. | Nature of Transaction |
|----------------|---|
| 11. | Implementation of upgraded banking software |
| 12. | Purchase of shares in 100% subsidiary for opening a branch in Abu Dhabi |
| 13. | New cars purchased from Honda dealer, in exchange of old cars and remaining amount paid in cash |
| 14. | Provident fund paid for the employees |
| 15. | Issued employee stock options |

[Illustration 3: Page 2.111 to 2.112]

- Q. 4.** From the following transactions taken from a parent company having multiple businesses and multiple segments, identify which transactions will be classified as Operating, Investing and Financing:

| Sr. No. | Nature of Transaction |
|----------------|---|
| 1. | Issued preference shares |
| 2. | Purchased the shares of 100% subsidiary company |
| 3. | Dividend received from shares of subsidiaries |
| 4. | Dividend received from other companies |
| 5. | Bonus shares issued |
| 6. | Purchased license for manufacturing of special drugs |
| 7. | Royalty received from the goods patented by the company |
| 8. | Rent received from the let-out building (letting out is not main business) |
| 9. | Interest received from loans and advances given |
| 10. | Dividend paid |
| 11. | Interest paid on security deposits |
| 12. | Purchased goodwill |
| 13. | Acquired the assets of a company by issue of equity shares (not parting any cash) |
| 14. | Interim dividends paid |

| Sr. No. | Nature of Transaction |
|---------|---|
| 15. | Dissolved the 100% subsidiary and received the amount in final settlement |

[Illustration 4: Page 2.113 to 2.114]

- Q. 5.** An entity has entered into a factoring arrangement and received money from the factor. Examine the said transaction and state how should it be presented in the statement of cash flows?

[Illustration 5: Page 2.114]

- Q. 6.** Find out the cash from operations by direct method and indirect method from the following information:

Operating statement of ABC Ltd. for the year ended 31.3.20X2

| Particulars | ₹ |
|------------------------------------|---------------|
| Sales | 5,00,000 |
| Less: Cost of Goods Sold | 3,50,000 |
| Administration & Selling Overheads | 55,000 |
| Depreciation | 7,000 |
| Interest Paid | 3,000 |
| Loss on Sale of Assets | 2,000 |
| Profit before Tax | 83,000 |
| Tax | 30,000 |
| Profit after Tax | 53,000 |

Balance Sheet as at 31st March

| | 20X2 | 20X1 |
|-------------------------------|--------|--------|
| Assets | | |
| Non-current Assets | | |
| Property, Plant and Equipment | 75,000 | 65,000 |
| Investment | 12,000 | 10,000 |
| Current Assets | | |
| Inventories | 12,000 | 13,000 |

| | 20X2 | 20X1 |
|-------------------------------|-----------------|-----------------|
| Trade Receivables | 10,000 | 7,000 |
| Cash and Cash Equivalents | 6,000 | 5,000 |
| Total | 1,15,000 | 1,00,000 |
| Equity and Liabilities | | |
| Shareholders' Funds | 60,000 | 50,000 |
| Non-current Liabilities | 33,000 | 35,000 |
| Current Liabilities | | |
| Trade Payables | 12,000 | 8,000 |
| Payables for Expenses | 10,000 | 7,000 |
| Total | 1,15,000 | 1,00,000 |

[Illustration 6: Page 2.116 to 2.118]

- Q. 7.** In the year 20X1-20X2, some land is purchased for ₹ 2.5 crores and another land is sold for ₹ 3.5 crores. Can a net inflow of ₹ 1 crore be presented under Cash Flow from Investing Activities?

[Example 1: Page 2.119]

- Q. 8.** Entity A (Indian Company) purchased goods for resale from France during January for EUR 10,000 (Exchange rate: 1 EUR = ₹ 70) on a credit period of 4 months. It accounted for the purchase of inventory at ₹ 7,00,000 (10,000 x 70). On 31st March, the exchange rate has changed to 1 EUR = ₹ 65. This would mean an unrealised gain due to exchange fluctuation of ₹ 50,000 (since the payables will be recorded at ₹ 6,50,000 (at closing exchange rate). Assuming the inventory to remain unsold at the reporting date, how would the movement in cash be reported?

[Example 3: Page 2.120 to 2.121]

- Q. 9.** A firm invests in a five-year bond of another company with a face value of ₹ 10,00,000 by paying ₹ 5,00,000. The effective rate is 15%. The firm recognises proportionate interest income in its income statement throughout the period of bond.

Based on the above information answer the following question:

- a) How the interest income will be treated in cash flow statement during the period of bond?
- b) On maturity, whether the receipt of ₹ 10,00,000 should be split between interest income and receipts from investment activity.

[Illustration 7: Page 2.123]

Q. 10. X Limited has paid an advance tax amounting to ₹ 5,30,000 during the current year. Out of the above paid tax, ₹ 30,000 is paid for tax on long term capital gains.

Under which activity the above said tax be classified in the cash flow statements of X Limited?

[Illustration 8: Page 2.124]

Q. 11. X Limited acquires fixed asset of ₹ 10,00,000 from Y Limited by accepting the liabilities of ₹ 8,00,000 of Y Limited and balance amount it paid in cash. How X Limited will treat all those items in its cash flow statements?

[Illustration 9: Page 2.127]

Q. 12. An entity has bank balance in foreign currency aggregating to USD 100 (equivalent to ₹ 4,500) at the beginning of the year. Presuming no other transaction taking place, the entity reported a profit before tax of ₹ 100 on account of exchange gain on the bank balance in foreign currency at the end of the year. What would be the closing cash and cash equivalents as per the balance sheet?

[Illustration 10: Page 2.129]

Q. 13. Following is the balance sheet of Kuber Ltd. for year ended 31 March, 20X2:

(₹ in lakhs)

| Particulars | 20X2 | 20X1 |
|-------------------------------|--------|--------|
| ASSETS | | |
| Non-current Assets | | |
| Property, Plant and Equipment | 13,000 | 12,500 |

IND AS 7 - STATEMENT OF CASH FLOWS

| Particulars | 20X2 | 20X1 |
|-------------------------------------|---------------|---------------|
| Intangible Assets | 50 | 30 |
| Other Financial Assets | 145 | 170 |
| Deferred Tax Asset (net) | 855 | 750 |
| Other non-current Assets | 800 | 770 |
| Total Non-current Assets | 14,850 | 14,220 |
| Current Assets | | |
| Financial Assets | | |
| Investments | 2,300 | 2,500 |
| Cash and Cash Equivalents | 220 | 460 |
| Other Current Assets | 195 | 85 |
| Total Current Assets | 2,715 | 3,045 |
| Total Assets | 17,565 | 17,265 |
| EQUITY AND LIABILITIES | | |
| Equity | | |
| Equity Share Capital | 300 | 300 |
| Other Equity | 12,000 | 8,000 |
| Total Equity | 12,300 | 8,300 |
| Liabilities | | |
| Non-current Liabilities | | |
| Financial Liabilities | | |
| Long-term Borrowings | 2,000 | 5,000 |
| Other non-current Liabilities | 2,740 | 3,615 |
| Total Non-current Liabilities | 4,740 | 8,615 |
| Current Liabilities | | |
| Financial Liabilities | | |
| Trade Payables | 150 | 90 |
| Bank Overdraft | 75 | 60 |
| Other Current Liabilities | 300 | 200 |
| Total Current Liabilities | 525 | 350 |
| Total Liabilities | 5,265 | 8,965 |
| Total Equity and Liabilities | 17,565 | 17,265 |

Additional Information:

- (1) Profit after tax for the year ended March 31, 20X2 - ₹ 4,450 lakhs
- (2) Interim dividend paid during the year - ₹ 450 lakhs
- (3) Depreciation and amortisation charged in the statement of profit and loss during the current year are as under
 - (a) Property, Plant and Equipment - ₹ 500 lakhs
 - (b) Intangible Assets - ₹ 20 lakhs
- (4) During the year ended March 31, 20X2 two machineries were sold for ₹ 70 lakhs. The carrying amount of these machineries as on March 31, 20X2 is ₹ 60 lakhs.
- (5) Income taxes paid during the year ₹ 105 lakhs
- (6) Other non-current / current assets and liabilities are related to operations of Kuber Ltd. and do not contain any element of financing and investing activities.

Using the above information of Kuber Limited, construct a statement of cash flows under indirect method.

[Illustration 11: Page 2.130 to 2.133 / November 2019 RTP Q. No. 16]

Q. 14. The relevant extracts of consolidated financial statements of A Ltd. are provided below:

Extracts from the Consolidated Balance Sheet

| | as at (₹ in lakhs) | |
|-------------------------------|--------------------|---------------|
| | 31 March 20X2 | 31 March 20X1 |
| Assets | | |
| Non-Current Assets | | |
| Property, Plant and Equipment | 4,750 | 4,650 |
| Investment in Associate | 800 | --- |
| Financial Assets | 2,150 | 1,800 |
| Current Assets | | |
| Inventories | 1,550 | 1,900 |
| Trade Receivables | 1,250 | 1,800 |
| Cash and Cash Equivalents | 4,650 | 3,550 |

| | | |
|---------------------|-------|-------|
| Liabilities | | |
| Current Liabilities | | |
| Trade Payables | 1,550 | 3,610 |

**Extracts from the Consolidated Statement of Profit and Loss
for the year ended 31 March 20X2**

| Particulars | ₹ in lakhs |
|------------------------------|-------------------|
| Revenue | 12,380 |
| Cost of Goods Sold | (9,860) |
| Gross Profit | 2,520 |
| Other Income | 300 |
| Operating Expenses | (450) |
| Other Expenses | (540) |
| Interest Expenses | (110) |
| Share of Profit of Associate | 120 |
| Profit before Tax | 1,840 |

The below information is relevant for A Ltd Group.

1. A Ltd. had spent ₹ 30 lakhs on renovation of a building. A Ltd. charged the entire renovation cost to profit and loss account.
2. On 1st April 20X1, A Ltd. acquired 100% shares in S Ltd., for cash of ₹ 300 lakhs. Fair value of the assets acquired and liabilities assumed under the acquisition are as under:

| | ₹ in lakhs |
|-------------------------------|-------------------|
| Property, Plant and Equipment | 140 |
| Inventories | 60 |
| Trade Receivables | 30 |
| Cash and Cash Equivalents | 20 |
| Total Assets | 250 |
| Less: Trade Payables | (50) |
| Net Assets on Acquisition | 200 |

3. A Ltd.'s property, plant and equipment comprise the following:

| | ₹ in lakhs |
|---|-------------------|
| Carrying amount on 1st April 20X1 | 4,650 |
| Addition (at cost) including assets in S Ltd. | 800 |
| Revaluation Surplus | 80 |
| Disposal (Sale) of Assets | (490) |
| Depreciation for the year | (290) |
| Carrying Amount on 31st March 20X2 | 4,750 |

A Ltd constructed a machine that is a qualifying asset and incurred construction costs of ₹ 40 lakhs that has been charged to other expenses. Of the interest cost of ₹ 110 lakhs charged to profit or loss statement, ₹ 10 lakhs includes interest cost on specific borrowings that need to be capitalized.

4. A Ltd. purchased 30% interest in an Associate (G Ltd) for cash on 1st April 20X1. The associate reported profit after tax of ₹ 400 lakhs and paid a dividend of ₹ 100 lakhs for the year.
5. Impairment test was conducted on 31st March 20X2. The following were impaired as under:

| | |
|-----------------------------------|-------------|
| Goodwill impairment loss: | ₹ 265 lakhs |
| Intangible Assets impairment loss | ₹ 900 lakhs |

The goodwill impairment relates to 100% subsidiaries.

Assume that interest cost is all paid in cash.

You are required to determine cash generated from operations for group reporting purposes for the year ended 31st March 20X2.

[Illustration 12: Page 2.133 to 2.136 / November 2020 RTP Q. No. 19]

- Q. 15.** Z Ltd. has no foreign currency cash flow for the year 20X1. It holds some deposit in a bank in the USA. The balances as on 31.12.20X1 and 31.12.20X2 were US\$ 100,000 and US\$ 102,000 respectively. The exchange rate on December 31, 20X1 was US\$1 = ₹ 45. The same on 31.12.20X2 was US\$1 = ₹ 50. The increase in the balance was on account of interest credited on 31.12.20X2. Thus, the deposit was reported at ₹ 45,00,000 in the balance sheet as on December 31, 20X1. It was reported at ₹ 51,00,000 in the balance

sheet as on 31.12.20X2. How these transactions should be presented in cash flow for the year ended 31.12.20X2 as per Ind AS 7?

[Test Your Knowledge Q. No. 3: Page 2.140/ May 2019 RTP Q. No. 17]

Q. 16. During the financial year 2019-2020, Akola Limited have paid various taxes & reproduced the below mentioned records for your perusal:

- Capital gain tax of ₹ 20 crores on sale of office premises at a sale consideration of ₹ 100 crores
- Income Tax of ₹ 3 crores on Business profits amounting ₹ 30 crore (assume entire business profit as cash profit).
- Dividend Distribution Tax of ₹ 2 crores on payment of dividend amounting ₹ 20 crores to its shareholders.
- Income tax Refund of ₹ 1.5 crores (Refund on taxes paid in earlier periods for business profits).

You need to determine the net cash flow from operating activities, investing activities and financing activities of Akola Limited as per relevant Ind AS.

[TYK Q. No. 6: Page 2.142 / November 2020 RTP Q. No. 18]

Q. 17. From the following summary cash account of XYZ Ltd, prepare cash flow statement for the year ended March 31, 20X1 in accordance with Ind AS 7 using direct method.

Summary of Bank Account for the year ended 31 March 20X1

| Receipts | ₹ '000s | Payments | ₹ '000s |
|-------------------------|--------------|--------------------------|--------------|
| Balance on 1.4.20X0 | 50 | Payment to Creditors | 2,000 |
| Issue of Equity Shares | 300 | Purchase of Fixed Assets | 200 |
| Receipts from Customers | 2,800 | Overhead Expenses | 200 |
| Sale of Fixed Assets | 100 | Payroll | 100 |
| | | Tax Payment | 250 |
| | | Dividend | 50 |
| | | Repayment of Bank Loan | 300 |
| | | Balance on 31.3.20X1 | 150 |
| | 3,250 | | 3,250 |

[Test Your Knowledge Q. No. 2: Page 2.140]

Q. 18. Company A acquires 70% of the equity stake in Company B on July 20, 20X1.

The consideration paid for this transaction is as below:

- (a) Cash consideration of ₹ 15,00,000
- (b) 200,000 equity shares having face of ₹ 10 and fair value of ₹ 15 per share.

On the date of acquisition, Company B has cash and cash equivalent balance of ₹ 2,50,000 in its books of account.

On October 10, 20X2, Company A further acquires 10% stake in Company B for cash consideration of ₹ 8,00,000.

Advise how the above transactions will be disclosed/presented in the statement of cash flows as per Ind AS 7.

[Test Your Knowledge Q. No. 4: Page 2.140]

Q. 19. Entity A acquired a subsidiary, Entity B, during the year. Summarised information from the Consolidated Statement of Profit and Loss and Balance Sheet is provided, together with some supplementary information.

Consolidated Statement of Profit and Loss

| | Amount (₹) |
|--------------------------|-------------------|
| Revenue | 3,80,000 |
| Cost of Sales | (2,20,000) |
| Gross Profit | 1,60,000 |
| Depreciation | (30,000) |
| Other Operating Expenses | (56,000) |
| Interest Cost | (4,000) |
| Profit before Taxation | 70,000 |
| Taxation | (15,000) |
| Profit after Taxation | 55,000 |

Consolidated Balance Sheet

| | 20X2 (₹) | 20X1 (₹) |
|---------------------------|-----------------|-----------------|
| Assets | | |
| Cash and Cash Equivalents | 8,000 | 5,000 |
| Trade Receivables | 54,000 | 50,000 |
| Inventories | 30,000 | 35,000 |

IND AS 7 - STATEMENT OF CASH FLOWS

| | 20X2 (₹) | 20X1 (₹) |
|---|-----------------|-----------------|
| Property, Plant and Equipment | 1,60,000 | 80,000 |
| Goodwill | 18,000 | --- |
| Total Assets | 2,70,000 | 1,70,000 |
| Liabilities | | |
| Trade Payables | 68,000 | 60,000 |
| Income tax Payable | 12,000 | 11,000 |
| Long-term Debt | 1,00,000 | 64,000 |
| Total Liabilities | 1,80,000 | 1,35,000 |
| Shareholders' Equity | 90,000 | 35,000 |
| Total Liabilities and Shareholders' Equity | 2,70,000 | 1,70,000 |

Other information:

All of the shares of entity B were acquired for ₹ 74,000 in cash. The fair values of assets acquired, and liabilities assumed were:

| Particulars | Amount (₹) |
|--------------------------------|-------------------|
| Inventories | 4,000 |
| Trade Receivables | 8,000 |
| Cash | 2,000 |
| Property, Plant and Equipment | 1,10,000 |
| Trade Payables | (32,000) |
| Long-term Debt | (36,000) |
| Goodwill | 18,000 |
| Cash consideration paid | 74,000 |

Prepare the Consolidated Statement of Cash Flows for the year 20X2, as per Ind AS 7.

[Test Your Knowledge Q. No. 5: Page 2.140 / May 2020 RTP Q. No. 2]

Q. 20. From the following data of Galaxy Ltd., prepare statement of cash flows showing cash from Operating Activities using direct method as per Ind AS 7:

| | 31.3.20X2 (₹) | 31.3.20X1 (₹) |
|-----------------|----------------------|----------------------|
| Current Assets: | | |
| Inventory | 1,20,000 | 1,65,000 |

IND AS 7 - STATEMENT OF CASH FLOWS

| | 31.3.20X2 (₹) | 31.3.20X1 (₹) |
|---------------------------|----------------------|----------------------|
| Trade Receivables | 2,05,000 | 1,88,000 |
| Cash and Cash Equivalents | 35,000 | 20,500 |
| Current Liabilities: | | |
| Trade Payables | 1,95,000 | 2,15,000 |
| Provision for Tax | 48,000 | 65,000 |

Summary of Statement of Profit and Loss:

| | 31.3.20X2 (₹) | 31.3.20X1 (₹) |
|--|--------------------------|--------------------------|
| Sales | 85,50,000 | |
| Less: Cost of Sales | (56,00,000) | 29,50,000 |
| Other Income | | |
| Interest Income | 20,000 | |
| Fire Insurance Claim received | 1,10,000 | 1,30,000 |
| | | 30,80,000 |
| Depreciation | (24,000) | |
| Administrative and Selling Expenses | (15,40,000) | |
| Interest Expenses | (36,000) | |
| Foreign Exchange Loss | (18,000) | (16,18,000) |
| Net Profit before Tax and Extraordinary Income | | 14,62,000 |
| Income Tax | | (95,000) |
| Net Profit | | 13,67,000 |

Additional information:

- (i) Trade receivables and Trade payables include amounts relating to credit sale and credit purchase only.
- (ii) Foreign exchange loss represents increment in liability of a long-term borrowing due to exchange rate fluctuation between acquisition date and balance sheet date.

**[Test Your Knowledge Q. No. 7: Page 2.142 to 2.143 /
November 2021 RTP Q. No. 3]**

Q. 21. Use the following data of ABC Ltd. to construct a statement of cash flows using the direct and indirect methods:

| Balance Sheet as at | 20X2 | 20X1 |
|---|-----------------|-----------------|
| Cash | 4,000 | 14,000 |
| Accounts Receivable | 25,000 | 32,500 |
| Prepaid Insurance | 5,000 | 7,000 |
| Inventory | 37,000 | 34,000 |
| Fixed Assets | 3,16,000 | 2,70,000 |
| Accumulated Depreciation | (45,000) | (30,000) |
| Total Assets | 3,42,000 | 3,27,500 |
| Accounts Payable | 18,000 | 16,000 |
| Wages Payable | 4,000 | 7,000 |
| Debentures | 1,73,000 | 1,60,000 |
| Equity Shares | 88,000 | 84,000 |
| Retained Earnings | 59,000 | 60,500 |
| Total Liabilities and Equity | 3,42,000 | 3,27,500 |
| Statement of Profit & Loss for the year ending | 20X2 | |
| Sales | 2,00,000 | |
| Cost of Goods Sold | (1,23,000) | |
| Depreciation | (15,000) | |
| Insurance Expense | (11,000) | |
| Wages | (50,000) | |
| Net Profit | 1,000 | |

During the financial year 20X2 company ABC Ltd. declared and paid dividend of ₹ 2,500.

During 20X2, ABC Ltd. paid ₹ 46,000 in cash to acquire new fixed assets. The accounts payable was used only for inventory. No debt was retired in 20X2.

[Test Your Knowledge Q. No. 1: Page 2.139]

Q. 22. From the following data, identify the nature of activities as per Ind AS 7:

| Sr. No. | Nature of Transaction |
|----------------|------------------------------|
| 1. | Cash paid to employees |

IND AS 7 - STATEMENT OF CASH FLOWS

| Sr. No. | Nature of Transaction |
|----------------|---|
| 2. | Cash paid for development of property costs |
| 3. | Borrowings repaid |
| 4. | Cash paid to suppliers |
| 5. | Loan to Director |
| 6. | Bonus shares issued |
| 7. | Dividends paid |
| 8. | Cash received from trade receivables |
| 9. | Proceeds from sale of PPE |
| 10. | Depreciation of PPE |
| 11. | Advance received from customers |
| 12. | Purchased goodwill |
| 13. | Payment of promissory notes |

[May 2021 RTP Q. No. 8]