

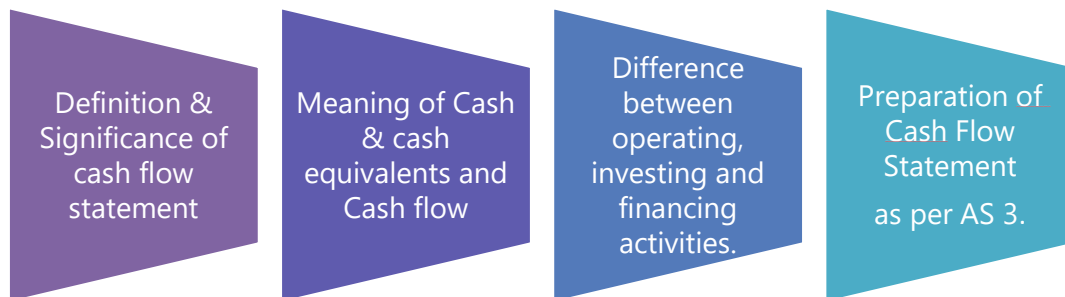
UNIT 2: CASH FLOW STATEMENTS

LEARNING OUTCOMES

After studying this unit, you will be able to–

- ◆ Define cash flow statement as per AS 3 “Cash Flow Statements”.
- ◆ Differentiate operating, investing and financing activities.
- ◆ Learn the various elements of cash and cash equivalents.
- ◆ Prepare cash flow statement both by direct method and indirect method.

UNIT OVERVIEW

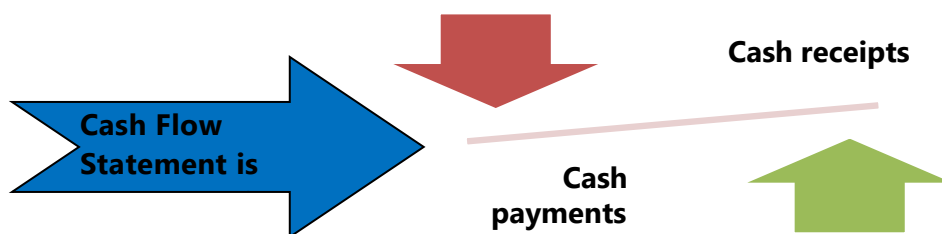


2.1 INTRODUCTION

Information about the cash flows of an enterprise is useful in providing users of financial statements with a basis to assess the ability of the enterprise to generate cash and cash equivalents and the needs of the enterprise to utilise those cash flows. The economic decisions that are taken by users require an evaluation of the ability of an enterprise to generate cash and cash equivalents and the timing and certainty of their generation.

The Standard deals with the provision of information about the historical changes in cash and cash equivalents of an enterprise by means of a cash flow statement which classifies cash flows during the period from operating, investing and financing activities.

This statement provides relevant information in assessing a company's liquidity, quality of earnings and solvency.



Benefits:

- Cash flow statement provides information about the changes in cash and cash equivalents of an enterprise.
- Identifies cash generated from trading operations.
- The operating cash surplus which can be applied for investment in fixed assets.
- Portion of cash from operations is used to pay dividend and tax and the other portion is ploughed back.
- Very useful tool of planning.

Purpose:

Cash flow statements are prepared to explain the cash movements between two points of time.

Sources of Cash:

- Issue of shares and debentures and raising long-term loan.
- Sale of investments and other fixed assets.
- Cash from operations (Net Operating Profit).

Applications of Cash

- Redemption of preference shares and debentures and repayment of long-term loan.

2. Purchase of investments and other fixed assets.
3. Payment of tax.
4. Payment of dividend.
5. Loss on Operation (Net Operating Loss)

Note: Cash includes Bank Account also. Increase in cash or decrease in cash is put in the applications and the sources respectively just to balance the cash flow statement. At this juncture, you may note that changes in all balance sheet items are to be taken into consideration separately in cash flow statement for explaining movement of cash.

2.2 ELEMENTS OF CASH

As per AS 3, issued by the Council of the ICAI,

'Cash' include:

- (a) Cash in hand,
- (b) Demand deposits with banks, and

Cash equivalents include:

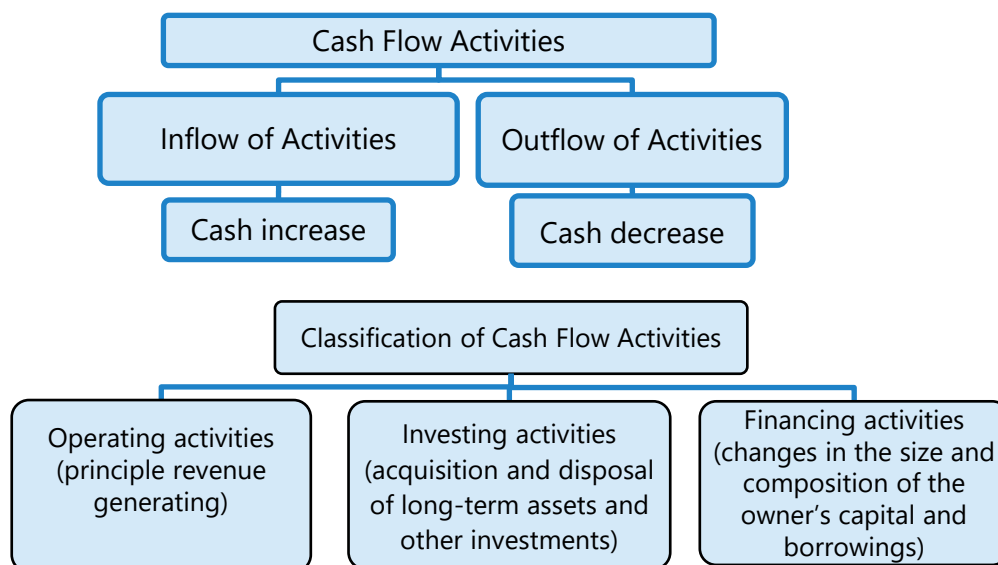
- (a) Components
 - Short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value
 - Securities with short maturity period of, say, three months or less from the date of acquisition
- (b) Objective
 - Deploy, for a short period, idle cash required to meet short-term cash-commitments.
- (c) Examples
 - Acquisition of preference shares, shortly before their specified redemption date, bank deposits with short maturity period, etc.

Conclusion: Thus, cash flow statement deals with flow of cash funds but does not consider the movements among cash, bank balance payable on demand and

investment of excess cash in cash equivalents. Examples are cash withdrawn from current account, cash deposited in bank for 60 days, etc.

2.3 CLASSIFICATION OF CASH FLOW ACTIVITIES

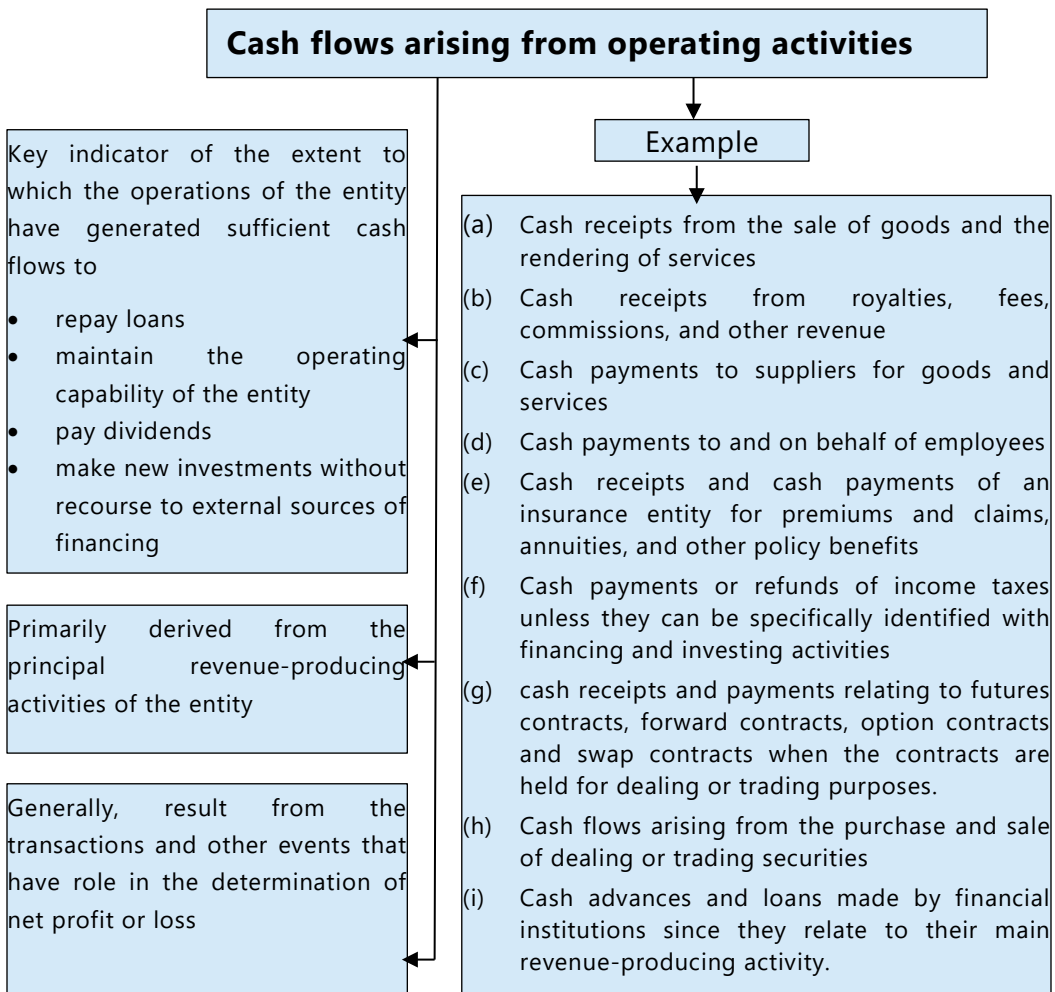
AS 3 provides explanation for changes in cash position of the business entity. As per Accounting Standard 3, cash flows during the period are classified as Operating; Investing and Financing activities.



2.3.1 Operating Activities

1. *Definition:* These are the principal revenue generating activities of the enterprise.
2. *Net Impact:* Net impact of operating activities on flow of cash is reported as 'Cash flows from operating activities' or 'cash from operations'.
3. *Key Indicator:* The amount of cash flows from operating activities is a key indicator of the extent to which the operations of the enterprises have generated sufficient cash flows to:
 - (a) Maintain the operating capability of the enterprise;
 - (b) Pay dividends, repay loans; and

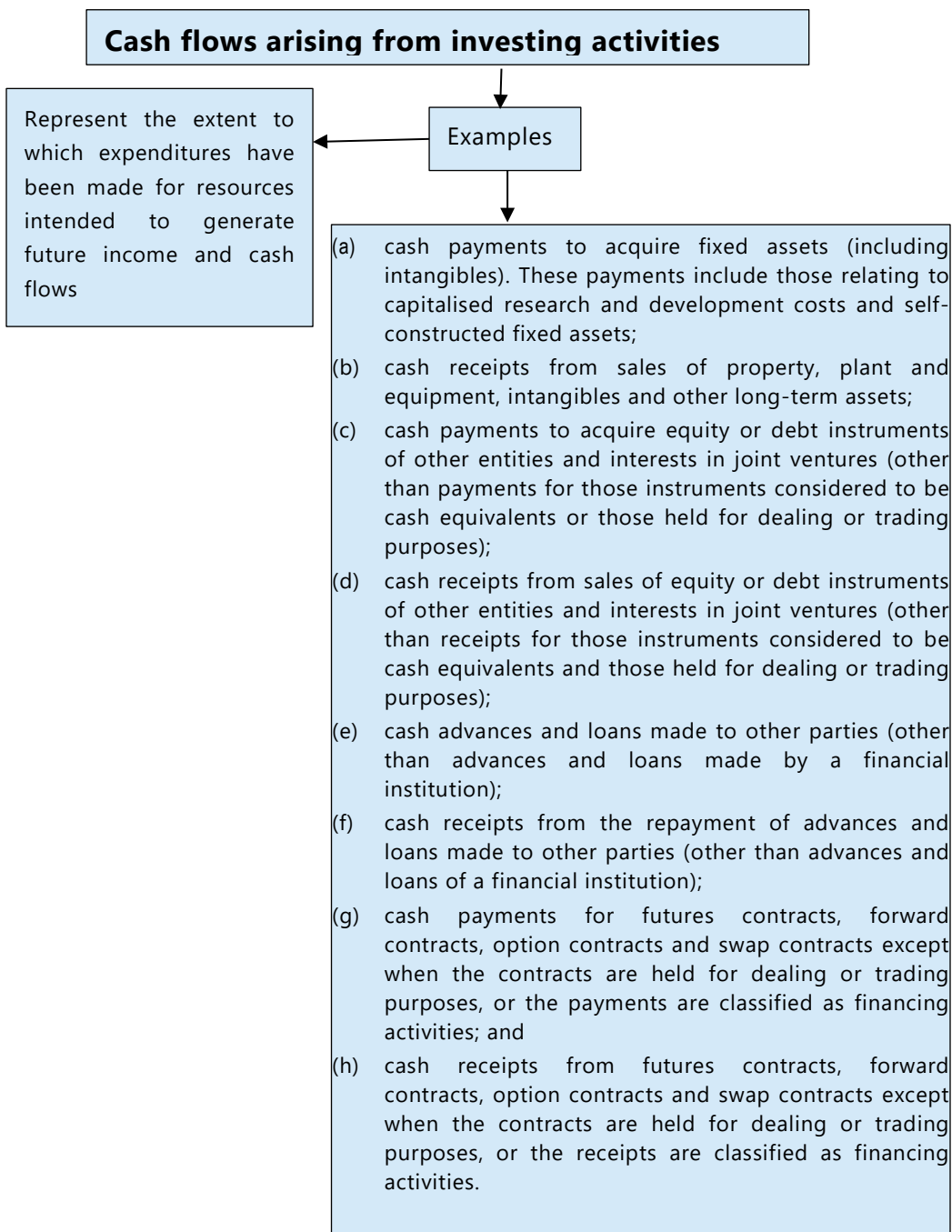
- (c) Make new investments without recourse to external sources of financing.
- 4. *Information Provided:* It provides useful information about financing through working capital.
- 5. *Benefits:* Information about the specific components of historical operating cash flows is useful, in conjunction with other information, in forecasting future operating cash flows.



2.3.2 Investing activities

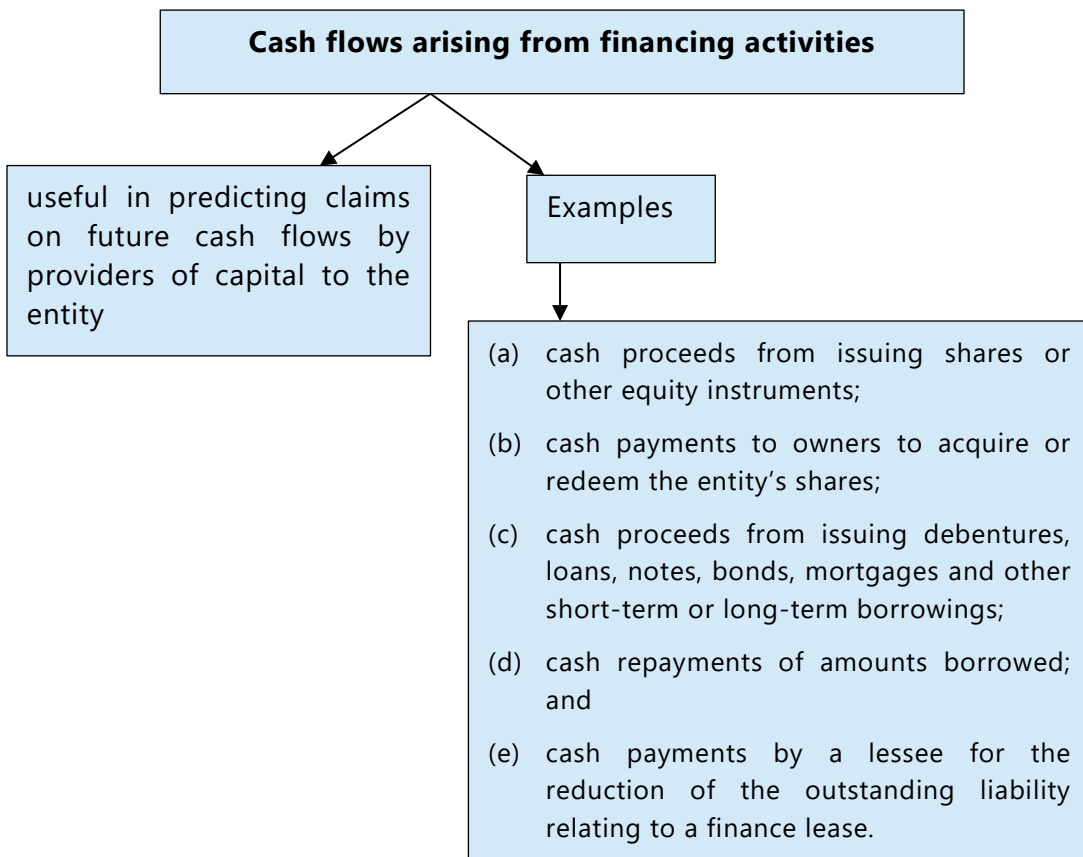
1. *Definition:* These are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

2. *Separate Disclosure*: Separate disclosure of cash flows arising from investing activities is important because the cash flows represent the extent to which the expenditures have been made for resources intended to generate future incomes and cash flows.



2.3.3 Financing activities

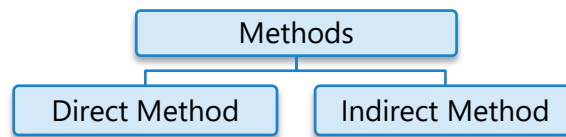
1. *Definition:* These are the activities that result in changes in the size and composition of the owner's capital (including preference share capital) and borrowings of the enterprise.
2. *Separate Disclosure:* The separate disclosure of cash flows arising from financing activities is important because it is useful in predicting claims on future cash flows by providers of funds (both capital and borrowings) to the enterprise.





2.4 CALCULATION OF CASH FLOWS FROM OPERATING ACTIVITIES

1. *Components:* Cash flows from operating activities result from the transactions and other events that enter into the determination of net profit or loss.
2. *Methods:* An enterprise can determine cash flows from operating activities using either:



- (a) **Direct Method:** The direct method, whereby major classes of gross cash receipts and gross cash payments are considered; or
- (b) **Indirect Method:** The indirect method, whereby net profit or loss is adjusted for the effects of transactions of a non-cash nature, deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing activities.

2.4.1 Direct Method

1. Information Required

- (a) Gross receipts and gross cash payments may be obtained from the accounting records to ascertain cash flows from operating activities.
- (b) For example,
 - (i) information about cash received from trade receivables,
 - (ii) payment to trade payables, cash expenses etc., which may be obtained by an analysis of cash book.
- (c) In actual practice, the relevant information is obtained by adjusting sales, cost of sales and other items in the profit and loss accounts for:
 - Changes during the period in inventories and operating receivables and payables;
 - Other non-cash items such as depreciation on fixed assets,

goodwill written off, preliminary expenses written off, loss or gain on sale of fixed assets etc.; and

- Other items for which the cash effects are investing or financing cash flows. Examples are interest received and paid, dividend received and paid etc., which are related to financing or investing activities and are shown separately in the cash flow statement.
2. The direct method provides information which may be useful in estimating future cash flows and which is not available under the indirect method and is, therefore, considered more appropriate than the indirect method.
 3. However, indirect method of determining the cash from operating activities is more popular in actual practice.

2.4.2 Indirect Method

Under the indirect method, the net cash from operating activities is determined by adjusting net profit or loss instead of individual items appearing in the profit and loss account. Net profit or loss is also adjusted for the effect of:

- (a) changes during the period in inventories and operating receivables and payables;
- (b) non-cash items such as depreciation; and
- (c) all other items for which the cash effects are financing or investing cash flows.

2.4.3 Conclusion

1. It is worth noting that both direct and indirect methods adjust current assets and current liabilities related to operating activities to determine cash from operating activities.
2. But direct method adjust individual items of profit and loss account and indirect method adjusts overall net profit (or loss) to determine cash from operation.
3. Therefore, indirect method fails to provide break-up of cash from operations.

Proforma of 'Cash Flow from Operating Activities' by indirect method

			₹
Net Profit for the year			-
<i>Add:</i> Non-Cash and Non-Operating Expenses:		-	
	Depreciation	-	
	Loss on Sale of Assets	-	
	Provision for taxation, etc.	-	
<i>Less:</i> Non-Cash and Non-Operating Incomes:			
	Profit on Sale of Assets	-	
Net Profit after Adjustment for Non-Cash Items			(-)
Cash from operation	=	Net Profit (after adjustment for Non-cash Items)	
	-	Increase in Current Assets	
	+	Decrease in Current Assets	
	+	Increase in Current Liabilities	
	-	Decrease in Current Liabilities	



2.5 CALCULATION OF CASH FLOWS FROM INVESTING ACTIVITIES

1. These activities are related to the acquisition and disposal of long-term assets, non-operating current assets and investments which results in outflow of cash.
2. Disposal of the aforesaid assets results in inflow of cash.
3. Thus, inflows and outflows related to acquisition and disposal of assets, other than those related to operating activities, are shown under this category.



2.6 CALCULATION OF CASH FLOWS FROM FINANCING ACTIVITIES

1. These activities are basically related to the changes in capital and borrowing of the enterprise which affect flow of cash.

2. Redemption of shares and repayment of borrowings results in outflow of cash.
3. Thus inflows and outflows related to the amount of capital and borrowings of the enterprise are shown under this head.

Note: Students are advised to refer full text of Accounting Standard on Cash Flow Statements (AS 3) for the better understanding of the chapter.

2.7 ILLUSTRATIONS

Illustration 1

Intelligent Ltd., a non-financial company has the following entries in its Bank Account. It has sought your advice on the treatment of the same for preparing Cash Flow Statement.

(i) *Loans and Advances given to the following and interest earned on them:*

- (1) *to suppliers*
- (2) *to employees*
- (3) *to its subsidiaries companies*

(ii) *Investment made in subsidiary Smart Ltd. and dividend received*

(iii) *Dividend paid for the year*

(iv) *TDS on interest income earned on investments made*

(v) *TDS on interest earned on advance given to suppliers*

(vi) *Insurance claim received against loss of fixed asset by fire*

Discuss in the context of AS 3 Cash Flow Statement.

Solution

(i) **Loans and advances given and interest earned**

- | | |
|---------------------------------|---------------------|
| (1) to suppliers | Operating Cash flow |
| (2) to employees | Operating Cash flow |
| (3) to its subsidiary companies | Investing Cash flow |

(ii) **Investment made in subsidiary company and dividend received**

Investing Cash flow

(iii) **Dividend paid for the year**

Financing Cash Outflow

(iv) **TDS on interest income earned on investments made**

Investing Cash Outflow

(v) **TDS on interest earned on advance given to suppliers**

Operating Cash Outflow

(vi) **Insurance claim received of amount loss of fixed asset by fire**

Extraordinary item to be shown under a separate heading as 'Cash inflow from investing activities'.

Illustration 2

Following are extracts of the Balance Sheets of Ajay Ltd.:

	Particulars	Notes	31.3.20X1 ₹	31.3.20X2 ₹
	Equity and Liabilities			
	Shareholder's funds			
(a)	Share capital	1	5,00,000	5,00,000
(b)	Reserve & surplus	2	50,000	90,000
	Non-current liabilities			
(a)	Long-term borrowings	3	5,00,000	7,50,000
	Current liabilities			
(a)	Other current liabilities	4	---	5,000
	Assets			
	Non-current assets			
(a)	Intangible assets	5	2,05,000	1,80,000

Notes to accounts

		31.3.20X1	31.3.20X2
		₹	₹
1	Share Capital 50,000 Equity Shares of ₹10 each	5,00,000	5,00,000
2	Reserve & surplus Profit & Loss A/c	50,000	90,000
3	Long-term borrowings 10% Debentures	5,00,000	7,50,000
4	Other current liabilities Unpaid interest	---	5,000
5	Intangible assets Goodwill	2,05,000	1,80,000

You are required to show the related items in Cash Flow Statement.

Solution**An Extract of Cash Flow Statement for the year ending 31.3.20X2**

	₹
Cash flows from operating activities:	
Closing balance as per Profit & Loss A/c	90,000
Less: Opening balance as per Profit & Loss Alc	(50,000)
Add: Goodwill amortisation	25,000
Add: Interest on Debentures (Refer Note 1)	75,000
Net Cash from Operating Activities	1,40,000

Note 1 : Interest has been computed on the closing balance of debentures as on 31.3.20X2 assuming that all the additions/ deletions were made, if any, at the beginning of the year.

Cash flows from financing activities:

Proceeds from debentures (Refer Working Note)	2,50,000
Interest paid on Debentures [less unpaid]	(70,000)
Net Cash from Financing Activities	1,80,000

Working Note:

10% Debentures Account

<i>Particulars</i>	₹	<i>Particular</i>	₹
To Balance c/d	7,50,000	By Balance b/d	5,00,000
		By Bank A/c (Bal. fig.)	2,50,000
	7,50,000		7,50,000

Illustration 3

From the following information, calculate cash flow from operating activities:

Summary of Cash Account for the year ended March 31, 20X1

<i>Particulars</i>	₹	<i>Particulars</i>	₹
To Balance b/d	1,00,000	By Cash Purchases	1,20,000
To Cash sales	1,40,000	By Trade payables	1,57,000
To Trade receivables	1,75,000	By Office & Selling Expenses	75,000
To Trade Commission	50,000	By Income Tax	30,000
To Sale of Investment	30,000	By Investment	25,000
To Loan from Bank	1,00,000	By Repayment of Loan	75,000
To Interest & Dividend	1,000	By Interest on loan	10,000
		By Balance c/d	1,04,000
	5,96,000		5,96,000

Solution

Cash Flow Statement of
for the year ended March 31, 20X1(Direct Method)

Particulars	₹	₹
Operating Activities:		
Cash received from sale of goods	1,40,000	
Cash received from Trade receivables	1,75,000	
Trade Commission received	50,000	3,65,000
Less: Payment for Cash Purchases	1,20,000	
Payment to Trade payables	1,57,000	
Office and Selling Expenses	75,000	
Payment for Income Tax	30,000	(3,82,000)
Net Cash Flow used in Operating Activities		(17,000)

Illustration 4

The following summary cash account has been extracted from the company's accounting records:

Summary Cash Account

		(₹'000)
<i>Balance at 1.3.20X1</i>		35
<i>Receipts from customers</i>		2,783
<i>Issue of shares</i>		300
<i>Sale of fixed assets</i>		128
		3,246
<i>Payments to suppliers</i>	2,047	
<i>Payments for property, plant & equipment</i>	230	
<i>Payments for overheads</i>	115	

<i>Wages and salaries</i>	69	
<i>Taxation</i>	243	
<i>Dividends</i>	80	
<i>Repayments of bank loan</i>	250	(3,034)
<i>Balance at 31.3.20X2</i>		212

Prepare Cash Flow Statement of this company Hills Ltd. for the year ended 31st March, 20X2 in accordance with AS-3 (Revised).

The company does not have any cash equivalents.

Solution

Hills Ltd.

Cash Flow Statement for the year ended 31st March, 20X2 (Using direct method)

		(₹'000)
Cash flows from operating activities		
Cash receipts from customers	2,783	
Cash payments to suppliers	(2,047)	
Cash paid to employees	(69)	
Other cash payments (for overheads)	(115)	
Cash generated from operations	552	
Income taxes paid	(243)	
<i>Net cash from operating activities</i>		309
Cash flows from investing activities		
Payments for purchase of fixed assets	(230)	
Proceeds from sale of fixed assets	128	
<i>Net cash used in investing activities</i>		(102)

Cash flows from financing activities		
Proceeds from issuance of share capital	300	
Bank loan repaid	(250)	
Dividend paid	(80)	
<i>Net cash used in financing activities</i>		(30)
Net increase in cash and cash equivalents		177
Cash and cash equivalents at beginning of period		35
Cash and cash equivalents at end of period		212

Illustration 5

Prepare cash flow statement of M/s MNT Ltd. for the year ended 31st March, 20X1 with the help of the following information:

- (1) Company sold goods for cash only.
- (2) Gross Profit Ratio was 30% for the year, gross profit amounts to ₹ 3,82,500.
- (3) Opening inventory was lesser than closing inventory by ₹ 35,000.
- (4) Wages paid during the year ₹ 4,92,500.
- (5) Office and selling expenses paid during the year ₹ 75,000.
- (6) Dividend paid during the year ₹ 30,000.
- (7) Bank loan repaid during the year ₹ 2,15,000 (included interest ₹ 15,000).
- (8) Trade payables on 31st March, 20X0 exceed the balance on 31st March, 20X1 by ₹ 25,000.
- (9) Amount paid to trade payables during the year ₹ 4,60,000.
- (10) Tax paid during the year amounts to ₹ 65,000 (Provision for taxation as on 31.03.20X1 ₹ 45,000).
- (11) Investments of ₹ 7,00,000 sold during the year at a profit of ₹ 20,000.
- (12) Depreciation on fixed assets amounts to ₹ 85,000.
- (13) Plant and machinery purchased on 15th November, 20X0 for ₹ 2,50,000.
- (14) Cash and Cash Equivalents on 31st March, 20X0 ₹ 2,00,000.
- (15) Cash and Cash Equivalents on 31st March, 20X1 ₹ 6,07,500.

Solution

M/s MNT Ltd.
Cash Flow Statement for the year ended 31st March, 20X1
(Using direct method)

<i>Particulars</i>	₹	₹
<i>Cash flows from Operating Activities</i>		
Cash sales (₹ 3,82,500/.30)		12,75,000
Less: Cash payments for trade payables	(4,60,000)	
Wages Paid	(4,92,500)	
Office and selling expenses	(75,000)	(10,27,500)
Cash generated from operations before taxes		2,47,500
Income tax paid		(65,000)
Net cash generated from operating activities (A)		1,82,500
<i>Cash flows from investing activities</i>		
Sale of investments (7,00,000 + 20,000)	7,20,000	
Payments for purchase of Plant & machinery	(2,50,000)	
Net cash used in investing activities (B)		4,70,000
<i>Cash flows from financing activities</i>		
Bank loan repayment (including interest)	(2,15,000)	
Dividend paid	(30,000)	
Net cash used in financing activities (C)		(2,45,000)
Net increase in cash (A+B+C)		4,07,500
Cash and cash equivalents at beginning of the period		2,00,000
Cash and cash equivalents at end of the period		6,07,500

Illustration 6

Ryan Ltd provides you the following information at the year-end, March 31, 20X1:

	₹	₹
Sales		6,98,000
Cost of Goods Sold		(5,20,000)
		1,78,000
Operating Expenses (including Depreciation Expense of ₹ 37,000)		(1,47,000)
		31,000
Other Income / (Expenses):		
Interest Expense paid	(23,000)	
Interest Income received	6,000	
Gain on Sale of Investments	12,000	
Loss on Sale of Plant	(3,000)	
		(8,000)
		23,000
Income tax		(7,000)
		16,000

Information available:

	31st March 20X1	31st March 20X0
	₹	₹
Plant	7,15,000	5,05,000
Less: Accumulated Depreciation	(1,03,000)	(68,000)
	6,12,000	4,37,000

<i>Investments (Long term)</i>	1,15,000	1,27,000
<i>Inventory</i>	1,44,000	1,10,000
<i>Trade receivables</i>	47,000	55,000
<i>Cash</i>	46,000	15,000
<i>Prepaid expenses</i>	1,000	5,000
<i>Share Capital</i>	4,65,000	3,15,000
<i>Reserves and surplus</i>	1,40,000	1,32,000
<i>Bonds</i>	2,95,000	2,45,000
<i>Trade payables</i>	50,000	43,000
<i>Outstanding liabilities</i>	12,000	9,000
<i>Income taxes payable</i>	3,000	5,000

Analysis of selected accounts and transactions during 20X0-X1

1. *Purchased investments for ₹ 78,000.*
2. *Sold investments for ₹ 1,02,000. These investments cost ₹ 90,000.*
3. *Purchased plant assets for ₹ 1,20,000.*
4. *Sold plant assets that cost ₹10,000 with accumulated depreciation of ₹ 2,000 for ₹ 5,000.*
5. *Issued ₹ 1,00,000 of bonds at face value in an exchange for plant assets on 31st March, 20X1.*
6. *Repaid ₹ 50,000 of bonds at face value at maturity.*
7. *Issued 15,000 shares of ₹ 10 each.*
8. *Paid cash dividends ₹ 8,000.*

Prepare Cash Flow Statement as per AS-3 (Revised), using indirect method.

Solution

Ryan Ltd.
Cash Flow Statement
for the year ending 31st March, 20X1

	₹	₹
Cash flows from operating activities		
Net profit before taxation	23,000	
Adjustments for:		
Depreciation	37,000	
Gain on sale of investments	(12,000)	
Loss on sale of plant assets	3,000	
Interest expense	23,000	
Interest income	(6,000)	
Operating profit before working capital changes	68,000	
Decrease in trade receivables	8,000	
Increase in inventory	(34,000)	
Decrease in prepaid expenses	4,000	
Increase in trade payables	7,000	
Increase in outstanding liabilities	3,000	
Cash generated from operations	56,000	
Income taxes paid*	(9,000)	
<i>Net cash generated from operating activities</i>		47,000
Cash flows from investing activities		
Purchase of plant	(1,20,000)	
Sale of plant	5,000	
Purchase of investments	(78,000)	

Sale of investments	1,02,000	
Interest received	6,000	
<i>Net cash used in investing activities</i>		(85,000)
Cash flows from financing activities		
Proceeds from issuance of share capital	1,50,000	
Repayment of bonds	(50,000)	
Interest paid	(23,000)	
Dividends paid	(8,000)	
<i>Net cash from financing activities</i>		<u>69,000</u>
Net increase in cash and cash equivalents		31,000
Cash and cash equivalents at the beginning of the period		15,000
Cash and cash equivalents at the end of the period		<u>46,000</u>

Note: Significant non-cash adjustments: Issued ₹ 1,00,000 of bonds at face value for acquisition of plant on 31st March, 20X1.

***Working Note:**

	₹
Income taxes paid:	
Income tax expense for the year	7,000
<i>Add:</i> Income tax liability at the beginning of the year	<u>5,000</u>
	12,000
<i>Less:</i> Income tax liability at the end of the year	<u>(3,000)</u>
	<u>9,000</u>

Illustration 7

The balance sheets of Sun Ltd. as at 31st March 20X1 and 20X0 were as:

Particulars	Notes	20X1 ₹	20X0 ₹
Equity and Liabilities			
1 Shareholder's funds			
(a) Share capital	1	60,000	50,000
(b) Reserve & surplus	2	5,000	4,000
2 Current liabilities			
(a) Trade Payables		4,000	2,500
(b) Other current liabilities	3	-	1,000
(c) Short term provision (provision for tax)		1,500	1,000
Total		70,500	58,500
Assets			
1 Non-current assets			
(a) Property, Plant & Equipment	4	39,500	29,000
2 Current assets			
(a) Current investments		2,000	1,000
(b) Inventories		17,000	14,000
(c) Trade receivables		8,000	6,000
(d) Cash & cash equivalents	5	4,000	8,500
		70,500	58,500

Notes to accounts

		20X1	20X0
		₹	₹
1	Share Capital		
	Equity Shares of ₹10 each	<u>60,000</u>	<u>50,000</u>
2	Reserve & surplus		
	Profit and Loss Account	<u>5,000</u>	<u>4,000</u>
3	Other current liabilities		
	Dividend Payable	<u>-</u>	<u>1,000</u>
4	Property, plant and equipment (at WDV)		
	Building	10,000	10,000
	Fixtures	17,000	11,000
	Vehicles	<u>12,500</u>	<u>8,000</u>
	Total	<u>39,500</u>	<u>29,000</u>
5	Cash and cash equivalents		
	Cash and Bank	<u>4,000</u>	<u>8,500</u>

The profit and loss statement for the year ended 31st March, 20X1 disclosed:

Particulars	₹
Profit before tax	4,500
Tax expense: Current tax	<u>(1,500)</u>
Profit for the year	3,000
Declared dividend	<u>(2,000)</u>
Retained Profit	1,000

Further information is available:

	Fixtures	Vehicles
	₹	₹
<i>Depreciation for the year</i>	1,000	2,500
<i>Disposals:</i>		
<i>Proceeds on disposal of vehicles</i>	—	1,700
<i>Written down value</i>	—	<u>(1,000)</u>
<i>Profit on disposal</i>		<u>700</u>

Prepare a Cash Flow Statement for the year ended 31st March, 20X1.

Solution

Sun Ltd.
Cash Flow Statement
for the year ended 31st March, 20X1

	₹	₹
Cash flows from operating activities		
Net Profit before taxation	4,500	
Adjustments for:		
Depreciation	3,500	
Profit on sale of vehicles (1,700 – 1,000)	(700)	
Operating profit before working capital changes	7,300	
Increase in Trade receivables	(2,000)	
Increase in inventories	(3,000)	
Increase in Trade payables	1,500	
Cash generated from operations	3,800	
Income taxes paid (W.N.1)	(1,000)	
<i>Net cash generated from operating activities</i>		2,800

Cash flows from investing activities		
Sale of vehicles	1,700	
Purchase of current investments	(1,000)	
Purchase of vehicles (W.N.3)	(8,000)	
Purchase of fixtures (W.N.3)	(7,000)	
<i>Net cash used in investing activities</i>		(14,300)
Cash flows from financing activities		
Issue of shares for cash	10,000	
Dividends paid (W.N.2)	(3,000)	
<i>Net cash generated from financing activities</i>		<u>7,000</u>
Net decrease in cash and cash equivalents		(4,500)
Cash and cash equivalents at beginning of period (See Note)		8,500
Cash and cash equivalents at end of period (See Note)		4,000
Note to the Cash Flow Statement		
<i>Cash and Cash Equivalents</i>		
	31.3.20X1	31.3.20X0
Bank and Cash	4,000	8,500
Cash and cash equivalents	4,000	8,500

Working Notes:

		₹	
1.	Income taxes paid		
	Income tax expense for the year		1,500
	<i>Add:</i> Income tax liability at the beginning of the year		1,000
			2,500
	<i>Less:</i> Income tax liability at the end of the year		(1,500)
			1,000
2.	Dividend paid		
	Declared dividend for the year		2,000
	<i>Add:</i> Amount payable at the beginning of the year		1,000
			3,000
	<i>Less:</i> Amount payable at the end of the year		-
			3,000
3.	Property, plant and equipment acquisitions		
		<i>Fixtures</i>	<i>Vehicles</i>
		₹	₹
	W.D.V. at 31.3.20X1	17,000	12,500
	<i>Add back:</i>		
	Depreciation for the year	1,000	2,500
	Disposals	—	1,000
		18,000	16,000
	<i>Less:</i> W.D.V. at 31.12.20X0	(11,000	(8,000)
)	
	Acquisitions during 20X0-20X1	7,000	8,000

Note: Current investments may not be readily convertible to a known amount of cash and may not be subject to an insignificant risk of changes in value as per the requirements of AS 3 and hence those have been considered as investing activities.

Illustration 8

Ms. Jyoti of Star Oils Limited has collected the following information for the preparation of cash flow statement for the year ended 31st March, 20X1:

	(₹ in lakhs)
Net Profit	25,000
Dividend paid	8,535
Provision for Income tax	5,000
Income tax paid during the year	4,248
Loss on sale of assets (net)	40
Book value of the assets sold	185
Depreciation charged to the Statement of Profit and Loss	20,000
Profit on sale of Investments	100
Carrying amount of Investment sold	27,765
Interest income received on investments	2,506
Interest expenses of the year	10,000
Interest paid during the year	10,520
Increase in Working Capital (excluding Cash & Bank Balance)	56,081
Purchase of Fixed assets	14,560
Investment in joint venture	3,850
Expenditure on construction work in progress	34,740
Proceeds from calls in arrear	2
Receipt of grant for capital projects	12
Proceeds from long-term borrowings	25,980
Proceeds from short-term borrowings	20,575
Opening cash and bank balance	5,003
Closing cash and bank balance	6,988

Prepare the Cash Flow Statement for the year ended 31 March 20X1 in accordance with AS 3. (Make necessary assumptions)

Solution

Star Oils Limited
Cash Flow Statement
for the year ended 31st March, 20X1

		(₹ in lakhs)
Cash flows from operating activities		
Net profit before taxation (25,000 + 5,000)	30,000	
Adjustments for :		
Depreciation	20,000	
Loss on sale of assets (Net)	40	
Profit on sale of investments	(100)	
Interest income on investments	(2,506)	
Interest expenses	10,000	
Operating profit before working capital changes	57,434	
Changes in working capital (Excluding cash and bank balance)	(56,081)	
Cash generated from operations	1,353	
Income taxes paid	(4,248)	
Net cash used in operating activities		(2,895)
Cash flows from investing activities		
Sale of assets (W.N.1)	145	
Sale of investments (27,765 + 100)	27,865	
Receipt of grant for capital projects	12	
Interest income on investments	2,506	
Purchase of fixed assets	(14,560)	
Investment in joint venture	(3,850)	
Expenditure on construction work-in progress	(34,740)	
Net cash used in investing activities		(22,622)

Cash flows from financing activities		
Proceeds from calls in arrear	2	
Proceeds from long-term borrowings	25,980	
Proceed from short-term borrowings	20,575	
Interest paid	(10,520)	
Dividend (including dividend tax) paid	<u>(8,535)</u>	27,502
Net increase in cash and cash equivalents		1,985
Cash and cash equivalents at the beginning of the period		5,003
Cash and cash equivalents at the end of the period		6,988

Working note:

1. Book value of the assets sold	185
Less : Loss on sale of assets	<u>(40)</u>
Proceeds on sale	<u>145</u>

Illustration 9

From the following Summary Cash Account of X Ltd. prepare Cash Flow Statement for the year ended 31st March, 20X1 in accordance with AS 3 (Revised) using the direct method. The company does not have any cash equivalents.

Summary Cash Account for the year ended 31.3.20X1

	₹000		₹000
Balance on 1.4.20X0	50	Payment to Suppliers	2,000
Issue of Equity Shares	300	Purchase of Fixed Asset	200
Receipts from Customers	2,800	Overhead expense	200
Sale of Fixed Assets	100	Wages and Salaries	100

		<i>Taxation</i>	250
		<i>Dividend</i>	50
		<i>Repayment of Bank Loan</i>	300
		<i>Balance on 31.3.20X1</i>	150
	3,250		3,250

Solution**X Ltd.**

Cash Flow Statement for the year ended 31st March, 20X1
(Using direct method)

	₹ '000	₹ '000
Cash flows from operating activities		
Cash receipts from customers	2,800	
Cash payments to suppliers	(2,000)	
Cash paid to employees	(100)	
Cash payments for overheads	(200)	
Cash generated from operations	500	
Income tax paid	(250)	
<i>Net cash generated from operating activities</i>		250
Cash flows from investing activities		
Payments for purchase of fixed assets	(200)	
Proceeds from sale of fixed assets	100	
<i>Net cash used in investing activities</i>		(100)
Cash flows from financing activities		
Proceeds from issuance of equity shares	300	
Bank loan repaid	(300)	
Dividend paid	(50)	
<i>Net cash used in financing activities</i>		(50)
Net increase in cash		100
Cash at the beginning of the year		50
Cash at the end of the year		150

Illustration 10

Given below are the relevant extracts of the Balance Sheet and the Statement of Profit and Loss of ABC Ltd. along with additional information:

Extract of Balance sheet

		Particulars	Notes	31.3.20X1 <i>(₹ in lakhs)</i>	31.3.20X0 <i>(₹ in lakhs)</i>
1		Equity and Liabilities			
		Current liabilities			
	(a)	Trade Payables		250	230
	(b)	Short term Provisions	1	200	180
	(c)	Other current liabilities	2	70	50
1		Assets			
		Current assets			
	(a)	Inventories		200	180
	(b)	Trade Receivables		400	250
	(c)	Other current assets	3	195	180

Statement of Profit and Loss of ABC Ltd.
for the year ended 31st March, 20X1

	Particulars	Notes	₹ in lakhs
I	Revenue from operations		4,150
II	Other income	4	<u>100</u>
III	Total income (I + II)		<u>4,250</u>
	Expenses:		
	Purchases of Stock-in-Trade		2,400
	Change in inventories of finished goods		(20)
	Employee benefits expense		800
	Depreciation expense		100
	Finance cost	5	60
	Other expenses		<u>200</u>
IV	Total expenses		<u>3,540</u>

V	Profit before tax (III – IV)		710
VI	Tax expense:		
	Current tax		200
VII	Profit for the year from continuing operations		510

Appropriations

Balance of Profit and Loss account brought forward	50
Transfer to general reserve	200
Dividend paid	330

Notes to accounts:

		20X1 (₹ in lakhs)	20X0 (₹ in lakhs)
1	Short term Provisions:		
	Provision for Tax	<u>200</u>	<u>180</u>
2	Other current liabilities:		
	Outstanding wages	50	40
	Outstanding expenses	<u>20</u>	<u>10</u>
	Total	<u>70</u>	<u>50</u>
3	Other current assets:		
	Advance tax	<u>195</u>	<u>180</u>
4	Other income:		
	Interest and dividend	<u>100</u>	
5	Finance cost:		
	Interest	<u>60</u>	

Compute cash flow from operating activities using both direct and indirect method.

Solution**Cash Flows from Operating Activities**

	<i>₹ in lakhs</i>	<i>₹ in lakhs</i>
Using Direct Method		
Cash Receipts:		
Cash sales and collection from Trade receivables		
Sales + Opening Trade receivables – Closing Trade receivables (A)	4,150 + 250 – 400	<u>4,000</u>
Cash payments:		
Cash purchases & payment to Trade payables		
Purchases + Opening Trade payables – Closing Trade payables	2,400 + 230 – 250	2,380
Wages and salaries paid	800 + 40 – 50	790
Cash expenses	200 + 10 – 20	190
Taxes paid – Advance tax		195
(B)		3,555
Cash flow from operating activities (A – B)		445
Using Indirect Method		
Profit before tax		710
<i>Add:</i> Non-cash items : Depreciation		100
<i>Add:</i> Interest : Financing cash inflow		60
<i>Less:</i> Interest and Dividend : Investment cash outflow		(100)
<i>Less:</i> Tax paid		(195)
Working capital adjustments		

Trade receivables	250–400	(150)	
Inventories	180–200	(20)	
Trade payables	250–230	20	
Outstanding wages	50–40	10	
Outstanding expenses	20–10	10	(130)
Cash flow from operating activities			<u>445</u>

Illustration 11

Prepare Cash flow for Gamma Ltd., for the year ending 31.3.20X1 from the following information:

- (1) Sales for the year amounted to ₹ 135 crores out of which 60% was cash sales.
- (2) Purchases for the year amounted to ₹ 55 crores out of which credit purchase was 80%.
- (3) Administrative and selling expenses amounted to ₹ 18 crores and salary paid amounted to ₹ 22 crores.
- (4) The Company redeemed debentures of ₹ 20 crores at a premium of 10%. Debenture holders were issued equity shares of ₹ 15 crores towards redemption and the balance was paid in cash. Debenture interest paid during the year was ₹ 1.5 crores.
- (5) Dividend paid during the year amounted to ₹ 11.7 crores.
- (6) Investment costing ₹ 12 crores were sold at a profit of ₹ 2.4 crores.
- (7) ₹ 8 crores was paid towards income tax during the year.
- (8) A new plant costing ₹ 21 crores was purchased in part exchange of an old plant. The book value of the old plant was ₹ 12 crores but the vendor took over the old plant at a value of ₹ 10 crores only. The balance was paid in cash to the vendor.

(9) The following balances are also provided:

	₹ in crores 1.4.20X0	₹ in crores 31.3.20X1
Debtors	45	50
Creditors	21	23
Bank	6	18.2

Solution

Gamma Ltd.

Cash Flow Statement for the year ended 31st March, 20X1 (Using direct method)

Particulars	₹ in crores	₹ in crores
Cash flows from operating activities		
Cash sales (60% of 135)	81	
Cash receipts from Debtors [45+ (135x40%) - 50]	49	
Cash purchases (20% of 55)	(11)	
Cash payments to suppliers [21+ (55x80%) - 23]	(42)	
Cash paid to employees	(22)	
Cash payments for overheads (Adm. and selling)	(18)	
Cash generated from operations	37	
Income tax paid	(8)	
Net cash generated from operating activities		29
Cash flows from investing activities		
Sale of investments (12+ 2.40)	14.4	
Payments for purchase of fixed assets (21 - 10)	(11)	
Net cash generated from investing activities		3.4

Cash flows from financing activities		
Redemption of debentures (22-15)	(7)	
Interest paid	(1.5)	
Dividend paid	<u>(11.7)</u>	
Net cash used in financing activities		(20.2)
Net increase in cash		12.2
Cash at beginning of the period		6.0
Cash at end of the period		18.2

Significant non-cash items:

- Debenture-holders received equity shares of ₹ 15 crores on redemption of the debentures.
- Plant having book value of ₹ 12 crores was given in exchange of an asset costing ₹ 21 crores. The said plant was transferred at a value of ₹ 10 crores only, and ₹ 11 crores was paid for the balance dues towards the plant.

Illustration 12

From the following information of Mr. Zen, prepare a Cash flow statement as per AS-3 for the year ended 31.3.20X1:

Ledger balances of Mr. Zen as of 20X0 and 20X1

	As on 1.4.20X0	As on 1.4.20X1
	₹	₹
Zen's Capital A/c	10,00,000	12,24,000
Trade payables	3,20,000	3,52,000
Mrs. Zen's loan	2,00,000	--
Loan from Bank	3,20,000	4,00,000
Land	6,00,000	8,80,000
Plant and Machinery (net block)	6,40,000	4,40,000
Inventories	2,80,000	2,00,000
Trade receivables	2,40,000	4,00,000
Cash	80,000	56,000

Additional information:

A machine costing ₹ 80,000 (accumulated depreciation there on ₹24,000) was sold for ₹ 40,000. The provision for depreciation on 1.4.20X0 was ₹ 2,00,000 and 31.3.20X1 was ₹ 3,20,000. The net profit for the year ended on 31.3.20X1 was ₹ 3,60,000.

Solution

**Cash Flow Statement of Mr. Zen as per AS 3
for the year ended 31.3.20X1**

		₹
(i) Cash flow from operating activities		
Net Profit (given)		3,60,000
Adjustments for		
Depreciation on Plant & Machinery (W.N.2)	1,44,000	
Loss on Sale of Machinery (W.N.1)	16,000	1,60,000
Operating Profit before working capital changes		5,20,000
Decrease in inventories	80,000	
Increase in trade receivables	(1,60,000)	
Increase in trade payables	32,000	(48,000)
Net cash generated from operating activities		4,72,000
(ii) Cash flow from investing activities		
Sale of Machinery (W.N.1)	40,000	
Purchase of Land (8,80,000 – 6,00,000)	(2,80,000)	
Net cash used in investing activities		(2,40,000)

(iii) Cash flow from financing activities		
Repayment of Mrs. Zen's Loan	(2,00,000)	
Drawings (W.N.3)	(1,36,000)	
Loan from Bank	80,000	
Net cash used in financing activities		(2,56,000)
Net decrease in cash		(24,000)
Opening balance as on 1.4.20X0		80,000
Cash balance as on 31.3.20X1		56,000

Working Notes:
1. Plant & Machinery A/c

	₹		₹
To Balance b/d	8,40,000	By Cash – Sales	40,000
(6,40,000 + 2,00,000)		By Provision for Depreciation A/c	24,000
		By Profit & Loss A/c – Loss on Sale (80,000 – 64,000)	16,000
		By Balance c/d (4,40,000+3,20,000)	7,60,000
	8,40,000		8,40,000

2. Provision for depreciation on Plant and Machinery A/c

	₹		₹
To Plant and Machinery A/c	24,000	By Balance b/d	2,00,000
To Balance c/d	3,20,000	By Profit & Loss A/c (Bal. fig.)	1,44,000
	<u>3,44,000</u>		<u>3,44,000</u>

3. To find out Mr. Zen's drawings:

	₹
Opening Capital	10,00,000
Add: Net Profit	<u>3,60,000</u>
	13,60,000
Less: Closing Capital	<u>(12,24,000)</u>
Drawings	<u>1,36,000</u>

Note: Students may note that in case there is an increase in the amount of debentures/ loans during the year and the interest is required to be computed, then in such a case, students may choose either to compute interest on the closing balance of the debentures or may compute interest on opening balance for full year (in case of no repayment) and proportionate interest on additions. Suitable note for assumption may be given in the solution for this.

SUMMARY

- Cash flow statement dealt under AS 3.
- Benefits include providing information relating to changes in cash and cash equivalents of an enterprise.
- Cash include:
 - (a) Cash in hand and (b) Demand deposits with banks
- Cash equivalents are short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.
- Cash flow activities may be classified as inflow and outflow but as per AS-3 they are classified as Operating Activities, Investing activities, Financing activities.
- Operating activities are principal revenue generating activities.
- Investing Activities relate to acquisition and disposal of long-term assets and other investments.

- Financing Activities include the ones which result in changes in the size and composition of the owner's capital (including preference share capital) and borrowings of the enterprise.
- Methods to calculate cash flow from operating activities include:
 - (a) Direct Method
 - (b) Indirect Method
- In order to calculate cash flow from investing activities inflows and outflows related to acquisition and disposal of assets, other than those related to operating activities, are shown under this category.
- In order to calculate cash flow from financing activities inflows and outflows related to the amount of capital and borrowings of the enterprise are shown under this head.

TEST YOUR KNOWLEDGE

Multiple Choice Questions

1. *While preparing cash flow statement, conversion of debt to equity*
 - (a) *Should be shown as a financing activity.*
 - (b) *Should be shown as an investing activity.*
 - (c) *Should not be shown as it is a non-cash transaction*
 - (d) *Should not be shown as operating activity.*
2. *Which of the following would be considered a 'cash-flow item from an "investing" activity'?*
 - (a) *Cash outflow to the government for payment of taxes.*
 - (b) *Cash outflow to purchase bonds issued by another company.*
 - (c) *Cash outflow to shareholders as dividends*
 - (d) *Cash outflow to make payment to trade payables.*

3. *All of the following would be included in a company's operating activities except:*
 - (a) *Income tax payments*
 - (b) *Collections from customers or Cash payments to suppliers*
 - (c) *Dividend payments*
 - (d) *Office and selling expenses.*

4. *Hari Uttam, a stock broking firm, received ₹ 1,50,000 as premium for forward contracts entered for purchase of equity shares. How will you classify this amount in the cash flow statement of the firm?*
 - (a) *Operating Activities.*
 - (b) *Investing Activities.*
 - (c) *Financing Activities.*
 - (d) *Non-cash transaction*

5. *As per AS 3 on Cash Flow Statements, cash received by a manufacturing company from sale of shares of ABC Company Ltd. should be classified as*
 - (a) *Operating activity.*
 - (b) *Financing activity.*
 - (c) *Investing activity.*
 - (d) *Non-cash transaction*

Theoretical Questions

6. *What is the significance of cash flow statement? Explain in brief.*
7. *Explain the difference between direct and indirect methods of reporting cash flows from operating activities with reference to AS 3.*

Scenario based Questions

8. Classify the following activities as (a) Operating activities, (b) Investing activities (c) Financing activities (d) Cash equivalents with reference to AS 3 (Revised).

- (a) Brokerage paid on purchase of investments
- (b) Underwriting commission paid
- (c) Trading commission received
- (d) Proceeds from sale of investment
- (e) Purchase of goodwill
- (f) Redemption of preference shares
- (g) Rent received from property held as investment
- (h) Interest paid on long-term borrowings
- (i) Marketable securities (having risk of change in value)
- (j) Refund of income tax received

9. How will you disclose following items while preparing Cash Flow Statement of Gagan Ltd. as per AS-3 for the year ended 31st March, 20X2?

- (i) 10% Debentures issued:

As on 01-04-20X1	₹ 1,10,000
As on 31-03-20X2	₹ 77,000
- (ii) Debentures were redeemed at 5% premium at the end of the year. Premium was charged to the Profit & Loss Account for the year.
- (iii) Unpaid Interest on Debentures:

As on 01-04-20X1	₹ 275
As on 31-03-20X2	₹ 1,175
- (iv) Debtors of ₹ 36,000 were written off against the Provision for Doubtful Debts A/c during the year.
- (v) 10% Bonds (Investments):

As on 01-04-20X1	₹ 3,50,000
As on 31-03-20X2	₹ 3,50,000
- (vi) Accrued Interest on Investments:

As on 31-03-20X2	₹ 10,500
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10. From the following Balance sheet of Grow More Ltd., prepare Cash Flow Statement for the year ended 31st March, 20X1 :

Particulars		Notes	31 st March, 20X1	31 st March, 20X0
	Equity and Liabilities			
1	Shareholders' funds			
A	Share capital		10,00,000	8,00,000
B	Reserves and Surplus	1	3,00,000	2,10,000
2	Non-current liabilities			
	Long term borrowings	2	2,00,000	-
3	Current liabilities			
A	Trade Payables		7,00,000	8,20,000
B	Other current liabilities	3	-	1,00,000
C	Short term provision (provision for tax)		1,00,000	70,000
	Total		23,00,000	20,00,000
	Assets			
1	Non-current assets			
A	Property, plant and Equipment	4	13,00,000	9,00,000
B	Non-Current Investments		1,00,000	-
2	Current assets			
A	Inventories		4,00,000	2,00,000
B	Trade receivables		5,00,000	7,00,000
C	Cash and Cash equivalents		-	2,00,000
	Total		23,00,000	20,00,000

Notes to accounts

No.	Particulars	31 st March, 20X1	31 st March, 20X0
1	Reserves and Surplus		
	General reserve	2,00,000	1,50,000

	<i>Profit and Loss account</i>	<u>1,00,000</u>	<u>60,000</u>
	Total	<u>3,00,000</u>	<u>2,10,000</u>
2	Long term borrowings		
	<i>Debentures (issued at end of year)</i>	<u>2,00,000</u>	--
3.	Other current liabilities		
	<i>Dividend payable</i>	<u>-</u>	<u>1,00,000</u>
4	Property, plant and equipment		
	<i>Plant and machinery</i>	<u>7,00,000</u>	<u>5,00,000</u>
	<i>Land and building</i>	<u>6,00,000</u>	<u>4,00,000</u>
	Net carrying value	<u>13,00,000</u>	<u>9,00,000</u>

- (i) Depreciation @ 25% was charged on the opening value of Plant and Machinery.
- (ii) At the year end, one old machine costing ₹ 50,000 (WDV ₹ 20,000) was sold for ₹ 35,000. Purchase was also made at the year end.
- (iii) ₹ 50,000 was paid towards Income tax during the year.
- (iv) Construction of the building got completed on 31.03.20X1 and hence no depreciation may be charged on the same.

Prepare Cash flow Statement.

11. From the following Balance Sheets and information, prepare Cash Flow Statement of Ryan Ltd. by Indirect method for the year ended 31st March, 20X1:

Particulars		Notes	31st March 20X1 ₹	31st March 20X0 ₹
1	Equity and Liabilities			
	Shareholders' funds			

A	Share capital	1	6,00,000	7,00,000
B	Reserves and Surplus	2	4,20,000	3,00,000
2	Non-current liabilities			
	Long term borrowings	3	2,00,000	-
3	Current liabilities			
A	Trade Payables		1,15,000	1,10,000
B	Other current liabilities	4	30,000	80,000
C	Short term provision (provision for tax)		95,000	60,000
	Total		14,60,000	12,50,000
	Assets			
1	Non-current assets			
A	Property, plant and Equipment	5	9,15,000	7,00,000
B	Non-Current Investments		50,000	80,000
2	Current assets			
A	Inventories		95,000	90,000
B	Trade receivables		2,50,000	2,25,000
C	Cash and Cash equivalents		50,000	90,000
D	Other Current assets		1,00,000	65,000
	Total		14,60,000	12,50,000

Notes to accounts

No.		31 st March, 20X1	31 st March, 20X0
1.	Share capital		
	Equity share capital	6,00,000	5,00,000
	10% Redeemable Preference share capital	---	<u>2,00,000</u>
	Total	<u>6,00,000</u>	<u>7,00,000</u>

2	Reserves and Surplus		
	Capital redemption reserve	1,00,000	-
	Capital reserve	70,000	-
	General reserve	1,50,000	2,50,000
	Profit and Loss account	<u>1,00,000</u>	<u>50,000</u>
	Total	<u>4,20,000</u>	<u>3,00,000</u>
3	Long term borrowings		
	9% Debentures	<u>2,00,000</u>	--
4.	Other current liabilities		
	Dividend payable	-	60,000
	Liabilities for expenses	<u>30,000</u>	<u>20,000</u>
	Total	<u>30,000</u>	<u>80,000</u>
5	Property, plant and equipment		
	Plant and machinery	7,65,000	5,00,000
	Land and building	<u>1,50,000</u>	<u>2,00,000</u>
	Net carrying value	<u>9,15,000</u>	<u>7,00,000</u>

Additional Information:

- (i) A piece of land has been sold out for ₹1,50,000 (Cost – ₹1,20,000) and the balance land was revalued. Capital Reserve consisted of profit on revaluation of land.
- (ii) On 1st April, 20X0 a plant was sold for ₹90,000 (Original Cost – ₹70,000 and W.D.V. – ₹ 50,000) and Debentures worth ₹1 lakh were issued at par as part consideration for plant of ₹4.5 lakhs acquired.
- (iii) Part of the investments (Cost – ₹50,000) was sold for ₹70,000.

- (iv) Pre-acquisition dividend received ₹5,000 was adjusted against cost of investment.
- (v) Interim dividend was declared and paid @ 15% during the current year.
- (vi) Income-tax liability for the current year was estimated at ₹1,35,000.
- (vii) Depreciation @ 15% has been charged on Plant and Machinery but no depreciation has been charged on Building.
12. The Balance Sheet of New Light Ltd. as at 31st March, 20X1 and 20X0 (for the years ended) are as follows:

		Notes	₹ 31 st March 20X0	₹ 31 st March 20X1	
	Equity and Liabilities				
1	Shareholders' funds				
	A	Share capital	1	16,00,000	18,80,000
	B	Reserves and Surplus	2	8,40,000	11,00,000
2	Non-current liabilities				
		Long term borrowings	3	4,00,000	2,80,000
3	Current liabilities				
	A	Other current liabilities	4	6,00,000	5,20,000
	B	Short term provision (provision for tax)		3,60,000	3,40,000
		Total		38,00,000	41,20,000
	Assets				
1	Non-current assets				
	A	Property, plant and Equipment	5	22,80,000	26,40,000
	B	Non-Current Investments		4,00,000	3,20,000
2	Current assets				
	A	Cash and Cash equivalents		10,000	10,000

	B	Other Current assets		11,10,000	11,50,000
		Total		38,00,000	41,20,000

Notes to accounts

No.	Particulars	31 st March, 20X0	31 st March, 20X1
1.	Share capital		
	Equity share capital	12,00,000	16,00,000
	10% Preference share capital	<u>4,00,000</u>	<u>2,80,000</u>
	Total	<u>16,00,000</u>	<u>18,80,000</u>
2	Reserves and Surplus		
	General reserve	6,00,000	7,60,000
	Profit and Loss account	<u>2,40,000</u>	<u>3,40,000</u>
	Total	<u>8,40,000</u>	<u>11,00,000</u>
3	Long term borrowings		
	9% Debentures	<u>4,00,000</u>	<u>2,80,000</u>
	Total	<u>4,00,000</u>	<u>2,80,000</u>
4.	Other current liabilities		
	Dividend payable	1,20,000	-
	Current Liabilities	<u>4,80,000</u>	<u>5,20,000</u>
	Total	<u>6,00,000</u>	<u>5,20,000</u>
5	Property, plant and equipment		
	Property, plant and equipment	32,00,000	38,00,000
	Less: Depreciation	<u>(9,20,000)</u>	<u>(11,60,000)</u>
	Net carrying value	<u>22,80,000</u>	<u>26,40,000</u>

Additional information:

- (i) The company sold one property, plant and equipment for ₹ 1,00,000, the

cost of which was ₹ 2,00,000 and the depreciation provided on it was ₹80,000.

- (ii) The company also decided to write off another item of property, plant and equipment costing ₹ 56,000 on which depreciation amounting to ₹ 40,000 has been provided.
- (iii) Depreciation on property, plant and equipment provided ₹ 3,60,000.
- (iv) Company sold some investment at a profit of ₹ 40,000.
- (v) Debentures and preference share capital redeemed at 5% premium. Debentures were redeemed at the year end.
- (vi) Company decided to value inventory at cost, whereas previously the practice was to value inventory at cost less 10%. The inventory according to books on 31.3.20X0 was ₹ 2,16,000. The inventory on 31.3.20X1 was correctly valued at ₹ 3,00,000.

Prepare Cash Flow Statement as per revised Accounting Standard 3 by indirect method.

13. ABC Ltd. gives you the Balance sheets as at 31st March 20X0 and 31st March 20X1. You are required to prepare Cash Flow Statement by using indirect method as per AS 3 for the year ended 31st March 20X1:

Particulars		Notes	₹	₹
			31 st March 20X0	31 st March 20X1
1	Equity and Liabilities			
	Shareholders' funds			
	A Share capital		50,00,000	50,00,000
	B Reserves and Surplus		26,50,000	36,90,000
2	Non-current liabilities			
	Long term borrowings	1	-	9,00,000

3	Current liabilities			
A	Short-term borrowings (Bank loan)		1,50,000	3,00,000
B	Trade payables		8,80,000	8,20,000
C	Other current liabilities	2	4,80,000	2,70,000
	Total		91,60,000	1,09,80,000
	Assets			
1	Non-current assets			
A	Property, plant and Equipment	3	21,20,000	32,80,000
2	Current assets			
A	Current Investments		11,80,000	15,00,000
B	Inventory		20,10,000	19,20,000
C	Trade receivables	4	22,40,000	26,40,000
D	Cash and Cash equivalents		15,20,000	15,20,000
E	Other Current assets (Prepaid expenses)		90,000	1,20,000
	Total		91,60,000	1,09,80,000

Notes to accounts

No.	Particulars		₹20X0	20X1
1	Long term borrowings			
	9% Debentures (issued at the end of year)		-	<u>9,00,000</u>
	Total		-	<u>9,00,000</u>
2.	Other current liabilities			
	Dividend payable		1,50,000	-
	Liabilities for expenses		<u>3,30,000</u>	<u>2,70,000</u>
	Total		<u>4,80,000</u>	<u>2,70,000</u>

3	Property, plant and equipment		
	Plant and machinery	27,30,000	40,70,000
	Less: Depreciation	(6,10,000)	(7,90,000)
	Net carrying value	21,20,000	32,80,000
4	Trade receivables		
	Gross amount	23,90,000	28,30,000
	Less: Provision for doubtful debts	(1,50,000)	(1,90,000)
	Total	22,40,000	26,40,000

Additional Information:

- (i) Net profit for the year ended 31st March, 20X1, after charging depreciation ₹ 1,80,000 is ₹ 10,40,000.
- (ii) Trade receivables of ₹ 2,30,000 were determined to be worthless and were written off against the provisions for doubtful debts account during the year.
14. Following is the Balance Sheet of Fox Ltd. You are required to prepare cash flow statement using Indirect Method.

Particulars	Note No.	31 st March, 20X2 (₹)	31 st March, 20X1 (₹)
(I) Equity and Liabilities			
1. Shareholders' Funds			
(a) Share capital	1	5,60,000	3,00,000
(b) Reserve and Surplus	2	35,000	25,000
2. Current Liabilities			
(a) Trade payables		1,50,000	60,000
(b) Short-term provisions (Provision for taxation)		8,000	5,000
Total		7,53,000	3,90,000

(II) Assets			
1. Non-current assets			
(a) Property, Plant and Equipment		3,50,000	1,80,000
2. Current assets			
(a) Inventories		1,20,000	50,000
(b) Trade receivables		1,00,000	25,000
(c) Cash and cash equivalents		1,05,000	90,000
(d) Other current assets		78,000	45,000
Total		7,53,000	3,90,000

Notes to Accounts

Particulars	31 st	31 st
	March,20X2 (₹)	March,20X1 (₹)
1. Share capital		
(a) Equity share capital	4,10,000	2,00,000
(b) Preference share capital	<u>1,50,000</u>	<u>1,00,000</u>
	<u>5,60,000</u>	<u>3,00,000</u>
2. Reserve and surplus		
Surplus in statement of profit and loss at the beginning of the year	25,000	
Add: Profit of the year	20,000	
Less: Dividend	<u>(10,000)</u>	
Surplus in statement of profit and loss at the end of the year	35,000	25,000

Additional Information:

1. Dividend paid during the year ₹ 10,000
2. Depreciation charges during the year ₹ 40,000.

ANSWERS/ HINTS

Answer to the Multiple Choice Questions

1.	(c)	2.	(b)	3.	(c)	4.	(a)	5.	(c)		
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Answer to the Theoretical Questions

6. Cash flow statement provides information about the changes in cash and cash equivalents of an enterprise. It identifies cash generated from trading operations and is very useful tool of planning.
7. As per Para 18 of AS 3 (Revised) on Cash Flow Statements, an enterprise should report cash flows from operating activities using either:
- The direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed; or
 - the indirect method, whereby net profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

Answer to the Scenario based Questions

8. **Classification of activities with reference to AS 3**

a.	Brokerage paid on purchased of investments	Investing Activities
b.	Underwriting Commission paid	Financing Activities
c.	Trading Commission received	Operating Activities
d.	Proceeds from sale of investment	Investing Activities
e.	Purchase of goodwill	Investing Activities
f.	Redemption of Preference shares	Financing Activities
g.	Rent received from property held as investment	Investing Activities

h.	Interest paid on long term borrowings	Financing Activities
i.	Marketable securities	Not a Cash equivalent
j.	Refund of Income tax received	Operating activities

9.

**Cash Flow Statement of M/s Gagan Ltd.
for the year ended March 31, 20X2**

A	Cash Flow from Operating Activities	
	Net Profit as per Profit & Loss A/c	xxxxx
	Add: Premium on Redemption of Debentures	1,650
	Add: Interest on 10% Debentures	11,000
	Less: Interest on 10% Investments	(35,000)
B	Cash Flow from Investing Activities	
	Interest on Investments [35,000-10,500]	24,500
C	Cash Flow from Financing Activities	
	Interest on Debentures paid [11,000 - (1,175 - 275)] - outflow	(10,100)
	Redemption of Debentures [(1,10,000 - 77,000) at 5% premium] - outflow	(34,650)

Note: Debtors written off against provision for doubtful debts does not require any further adjustment in Cash Flow Statement.

10.

**Cash Flow Statement of Grow More Ltd.
for the year ended 31st March, 20X1
Cash Flow from Operating Activities**

		₹
Increase in balance of Profit and Loss Account (1,00,000 – 60,000)	40,000	
Provision for taxation (W.N.1)	80,000	
Transfer to General Reserve (2,00,000 – 1,50,000)	50,000	
Depreciation (W.N.2)	1,25,000	

Profit on sale of Plant and Machinery	(15,000)	
Operating Profit before Working Capital changes	2,80,000	
Increase in Inventories	(2,00,000)	
Decrease in Trade receivables	2,00,000	
Decrease in Trade payables	(1,20,000)	
Cash generated from operations	1,60,000	
Income tax paid	(50,000)	
Net Cash generated from operating activities		1,10,000

Cash Flow from Investing Activities

Purchase of fixed assets	(3,45,000)	
Expenses on building (6,00,000 – 4,00,000)	(2,00,000)	
Increase in investments	(1,00,000)	
Sale of old machine	35,000	
Net Cash used in investing activities		(6,10,000)

Cash Flow from Financing activities

Proceeds from issue of shares (10,00,000 – 8,00,000)	2,00,000	
Proceeds from issue of debentures	2,00,000	
Dividend paid	<u>(1,00,000)</u>	
Net cash generated from financing activities		<u>3,00,000</u>
Net decrease in cash and cash equivalents		(2,00,000)
Cash and Cash equivalents at the beginning of the year		<u>2,00,000</u>
Cash and Cash equivalents at the end of the year		<u>Nil</u>

Working Notes:**1. Provision for taxation account**

	₹		₹
To Cash (Paid)	50,000	By Balance b/d	70,000
To Balance c/d	1,00,000	By Profit and Loss A/c	80,000
	_____	(Balancing figure)	_____
	<u>1,50,000</u>		<u>1,50,000</u>

2. Plant and Machinery account

	₹		₹
To Balance b/d	5,00,000	By Depreciation	1,25,000
To Profit and Loss A/c (profit on sale of machine)	15,000		
To Cash (Balancing figure)	3,45,000	By Cash (sale of machine)	35,000
	_____	By Balance c/d	<u>7,00,000</u>
	<u>8,60,000</u>		<u>8,60,000</u>

11.

**Cash Flow Statement of Ryan Limited
For the year ended 31st March, 20X1**

	₹	₹
Cash flow from operating activities		
Net Profit before taxation (W.N.1)	2,75,000	
Adjustment for		
Depreciation (W.N.3)	1,35,000	
Profit on sale of land	(30,000)	

Profit on sale of plant (W.N.3)	(40,000)	
Profit on sale of investments (W.N.4)	(20,000)	
Interest on debentures (2,00,000 X 9%)	18,000	
Operating profit before working capital changes	3,38,000	
Increase in inventory	(5,000)	
Increase in trade receivables	(25,000)	
Increase in Other current assets (W.N.9)	(35,000)	
Increase in Trade payables	5,000	
Increase in liabilities for expenses	10,000	
Cash generated from operations	2,88,000	
Income taxes paid (W.N.8)	(1,00,000)	
Net cash generated from operating activities		1,88,000
Cash flow from investing activities		
Proceeds from sale of land (W.N.2)	1,50,000	
Proceeds from sale of plant (W.N.3)	90,000	
Proceeds from sale of investments (W.N.4)	70,000	
Purchase of plant (W.N.3)	(3,50,000)	
Purchase of investments (W.N.4)	(25,000)	
Pre-acquisition dividend received (W.N.4)	5,000	
Net cash used in investing activities		(60,000)
Cash flow from financing activities		
Proceeds from issue of equity shares (6,00,000 – 5,00,000)	1,00,000	
Proceeds from issue of debentures (2,00,000 – 1,00,000)	1,00,000	
Redemption of preference shares	(2,00,000)	
Dividends paid	(1,50,000)	

Interest paid on debentures	(18,000)	
Net cash used in financing activities		(1,68,000)
Net decrease in cash and cash equivalents		(40,000)
Cash and cash equivalents at the beginning of the year		90,000
Cash and Cash equivalents at the end of the year		50,000

Significant Non-cash Items:

Debentures amounting to ₹ 1,00,000 have been issued as part consideration for acquisition of plant of ₹ 4,50,000.

Working Notes:

1.		₹
	Net profit before taxation	
	Retained profit	1,00,000
	Less: Balance as on 31.3.20X0	(50,000)
		50,000
	Provision for taxation	1,35,000
	Dividend	90,000
		2,75,000

2. **Land and Building Account**

	₹		₹
To Balance b/d	2,00,000	By Cash (Sale)	1,50,000
To Profit and Loss A/c (Profit on sale)	30,000	By Balance c/d	1,50,000
To Capital reserve (Revaluation profit)	70,000		
	3,00,000		3,00,000

3. **Plant and Machinery Account**

	₹		₹
To Balance b/d	5,00,000	By Cash (Sale)	90,000
To Profit and loss account	40,000	By Depreciation	1,35,000
To Debentures	1,00,000	By Balance c/d	7,65,000
To Bank	3,50,000		
	<u>9,90,000</u>		<u>9,90,000</u>

4. **Investments Account**

	₹		₹
To Balance b/d	80,000	By Cash (Sale)	70,000
To Profit and loss account	20,000	By Dividend (Pre-acquisition)	5,000
To Bank (Balancing figure)	25,000	By Balance c/d	50,000
	<u>1,25,000</u>		<u>1,25,000</u>

5. **Capital Reserve Account**

	₹		₹
To Balance c/d	70,000	By Profit on revaluation of land	70,000
	<u>70,000</u>		<u>70,000</u>

6. **General Reserve Account**

	₹		₹
To Capital redemption reserve	1,00,000	By Balance b/d	2,50,000
To Balance c/d	1,50,000		
	<u>2,50,000</u>		<u>2,50,000</u>

7. **Dividend payable Account**

	₹		₹
To Bank (Balancing figure)	1,50,000	By Balance b/d	60,000
To Balance c/d	-	By Profit and loss account	90,000
	1,50,000		1,50,000

8. **Provision for Taxation Account**

	₹		₹
To Bank (Balancing figure)	1,00,000	By Balance b/d	60,000
To Balance c/d	95,000	By Profit and loss account	1,35,000
	1,95,000		1,95,000

9. **Other Current Assets Account**

	₹		₹
To Balance b/d	65,000	By Balance c/d	1,00,000
To Bank (Balancing figure)	35,000		
	1,00,000		1,00,000

12. **New Light Ltd.****Cash Flow Statement for the year ended 31st March, 20X1**

A.	Cash Flow from operating activities	₹	₹
	Profit after appropriation		
	Increase in profit and loss A/c after inventory adjustment [₹3,40,000 – (₹2,40,000 + ₹24,000)]	76,000	

Transfer to general reserve	1,60,000	
Provision for tax	3,40,000	
Net profit before taxation and extraordinary item	5,76,000	
Adjustments for:		
Depreciation	3,60,000	
Loss on sale of property, plant and equipment	20,000	
Decrease in value of property, plant and equipment	16,000	
Profit on sale of investment	(40,000)	
Premium on redemption of preference share capital	6,000	
Interest on debentures	36,000	
Premium on redemption of debentures	6,000	
Operating profit before working capital changes	9,80,000	
Increase in current liabilities (₹5,20,000 – ₹4,80,000)	40,000	
Increase in other current assets [₹11,50,000 – (₹ 11,10,000 + ₹24,000)]	(16,000)	
Cash generated from operations	10,04,000	
Income taxes paid	(3,60,000)	
Net Cash generated from operating activities		6,44,000
B. Cash Flow from investing activities		
Purchase of property, plant and equipment (W.N.3)	(8,56,000)	
Proceeds from sale of property, plant and equipment (W.N.3)	1,00,000	

	Proceeds from sale of investments (W.N.2)	1,20,000	
	Net Cash used in investing activities		(6,36,000)
C.	Cash Flow from financing activities		
	Proceeds from issuance of share capital	4,00,000	
	Redemption of preference share capital (₹1,20,000 + ₹6,000)	(1,26,000)	
	Redemption of debentures (₹ 1,20,000 + ₹ 6,000)	(1,26,000)	
	Dividend paid	(1,20,000)	
	Interest on debentures	(36,000)	
	Net Cash generated from financing activities		(8,000)
	Net increase/decrease in cash and cash equivalent during the year		Nil
	Cash and cash equivalent at the beginning of the year		10,000
	Cash and cash equivalent at the end of the year		10,000

Working Notes:

1. Revaluation of inventory will increase opening inventory by ₹ 24,000.

$$2,16,000/90 \times 10 = ₹ 24,000$$

Therefore, opening balance of other current assets would be as follows:

$$₹ 11,10,000 + ₹ 24,000 = ₹ 11,34,000$$

Due to under valuation of inventory, the opening balance of profit and loss account be increased by ₹ 24,000.

The opening balance of profit and loss account after revaluation of inventory will be ₹ 2,40,000 + ₹ 24,000 = ₹ 2,64,000

2.

Investment Account

	₹		₹
To Balance b/d	4,00,000	By Bank A/c	1,20,000
To Profit and Loss A/c (Profit on sale of investment)	40,000	By (balancing figure being investment sold)	
		By Balance c/d	3,20,000
	<u>4,40,000</u>		<u>4,40,000</u>

3.

Property, Plant and Equipment Account

	₹		₹	₹
To Balance b/d	32,00,000	By Bank A/c (sale of assets)	1,00,000	
To Bank A/c (balancing figure being assets purchased)	8,56,000	By Accumulated depreciation A/c	80,000	
		By Profit and loss A/c (loss on sale of assets)	20,000	2,00,000
		By Accumulated depreciation A/c	40,000	
		By Profit and loss A/c (assets written off)	<u>16,000</u>	56,000
		By Balance c/d		<u>38,00,000</u>
	<u>40,56,000</u>			<u>40,56,000</u>

4. **Accumulated Depreciation Account**

	₹		₹
To Property, plant and equipment A/c	80,000	By Balance b/d	9,20,000
To Property, plant and equipment A/c	40,000	By Profit and loss A/c (depreciation for the year)	3,60,000
To Balance c/d	11,60,000		
	12,80,000		12,80,000

13. **Cash Flow Statement of ABC Ltd. for the year ended 31.3.20X1**

Cash flows from Operating Activities	₹	₹
Net Profit	10,40,000	
<i>Add:</i> Adjustment For Depreciation (₹7,90,000 – ₹6,10,000)	1,80,000	
<i>Add:</i> Adjustment for Provision for Doubtful Debts (₹ 4,20,000 – ₹1,50,000)	2,70,000	
Operating Profit Before Working Capital Changes	14,90,000	
<i>Add:</i> Decrease in Inventories (₹ 20,10,000 – ₹ 19,20,000)	90,000	
	15,80,000	
<i>Less:</i> Increase in Current Assets		
Trade Receivables (₹ 30,60,000 – ₹23,90,000)	6,70,000	
Prepaid Expenses (₹ 1,20,000 – ₹90,000)	30,000	

Decrease in Current Liabilities:		
Trade Payables (₹ 8,80,000 – ₹ 8,20,000)	60,000	
Expenses Outstanding (₹ 3,30,000 – ₹ 2,70,000)	<u>60,000</u>	(8,20,000)
<i>Net Cash generated from Operating Activities</i>		7,60,000
Cash Flows from Investing Activities		
Investment in Current Investments		(3,20,000)
Purchase of Plant & Machinery (₹ 40,70,000 – ₹ 27,30,000)		<u>(13,40,000)</u>
<i>Net Cash Used in Investing Activities</i>		(16,60,000)
Cash Flows from Financing Activities		
Bank Loan Raised (₹ 3,00,000 – ₹ 1,50,000)		1,50,000
Issue of Debentures		9,00,000
Payment of Dividend		<u>(1,50,000)</u>
Net Cash Used in Financing Activities		9,00,000
Net Increase in Cash During the Year		-
<i>Add: Cash and Cash Equivalents as on 1.4.20X0</i>		15,20,000
Cash and Cash Equivalents as on 31.3.20X1		15,20,000

Note:

- Bad debts amounting ₹ 2,30,000 were written off against provision for doubtful debts account during the year. In the above solution, Bad debts have been added back in the balances of provision for doubtful debts and trade receivables as on 31.3.20X1. Alternatively, the adjustment of writing off bad debts may be ignored and the solution can be given on the basis of figures of trade receivables and provision for doubtful debts as appearing in the balance sheet on 31.3.20X1.

2. Current investments (i.e. Marketable securities) may not be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value as per the requirements of AS 3 and hence those have been considered as investing activities.

14.

Fox Ltd.**Cash Flow Statement for the year ended 31st March, 20X2**

	₹	₹
<u>Cash flows from operating activities</u>		
Net Profit (35,000 less 25,000)	10,000	
Add: Dividend	10,000	
Provision for tax	<u>8,000</u>	
Net profit before taxation and extraordinary items	28,000	
Adjustments for:		
Depreciation	40,000	
Operating profit before working capital changes		68,000
Increase in trade receivables	(75,000)	
Increase in inventories	(70,000)	
Increase in other current assets	(33,000)	
Increase in trade payables	90,000	(88,000)
<i>Cash used in operating activities</i>		(20,000)
Less: Tax paid*		(5,000)
<i>Net cash used in operating activities</i>		(25,000)
<u>Cash flows from investing activities</u>		
Purchase of PPE	(2,10,000)	
<i>Net cash used in investing activities</i>		(2,10,000)

<u>Cash flows from financing activities</u>		
Issue of equity shares for cash	2,10,000	
Issue of preference shares	50,000	
Dividends paid	(10,000)	
<i>Net cash generated from financing activities</i>		2,50,000
Net increase in cash and cash equivalents		15,000
Cash and cash equivalents at beginning of period		90,000
Cash and cash equivalents at end of period		1,05,000

*Provision for tax of last year considered to be paid in the current year.

Working Note:

	₹
Property, plant and equipment acquisitions	
W.D.V. at 31.3.20X2	3,50,000
<i>Add back:</i>	
Depreciation for the year	40,000
	3,90,000
<i>Less: W.D.V. at 31.12.20X1</i>	1,80,000
Acquisitions during 20X1-20X2	2,10,000

ANNEXURE**Schedule III to the Companies Act, 2013****(See section 129)****Division I*****Financial Statements for a company whose Financial Statements are required to comply with the Companies (Accounting Standards) Rules, 2021.****GENERAL INSTRUCTIONS FOR PREPARATION OF BALANCE SHEET AND STATEMENT OF PROFIT AND LOSS OF A COMPANY**

1. Where compliance with the requirements of the Act including Accounting Standards as applicable to the companies require any change in treatment or disclosure including addition, amendment, substitution or deletion in the head/sub-head or any changes *inter se*, in the financial statements or statements forming part thereof, the same shall be made and the requirements of this Schedule shall stand modified accordingly.
2. The disclosure requirements specified in this Schedule are in addition to and not in substitution of the disclosure requirements specified in the Accounting Standards prescribed under the Companies Act, 2013. Additional disclosures specified in the Accounting Standards shall be made in the notes to accounts or by way of additional statement unless required to be disclosed on the face of the Financial Statements. Similarly, all other disclosures as required by the Companies Act shall be made in the notes to accounts in addition to the requirements set out in this Schedule.
3. (i) Notes to accounts shall contain information in addition to that presented in the Financial Statements and shall provide where required (a) narrative descriptions or dis-aggregations of items

** As per syllabus, only Division I of Schedule III (excluding general instructions for the preparation of consolidated financial statements) has been reproduced here. In exercise of the powers conferred by sub-section (1) of section 467 of the Companies Act, 2013, the Central Government made certain amendments in Schedule III to the said Act with effect from 1st day of April, 2021 vide MCA notification dated 24th March, 2021. This Annexure incorporates these amendments.*

recognized in those statements and (b) information about items that do not qualify for recognition in those statements.

- (ii) Each item on the face of the Balance Sheet and Statement of Profit and Loss shall be cross-referenced to any related information in the notes to accounts. In preparing the Financial Statements including the notes to accounts, a balance shall be maintained between providing excessive detail that may not assist users of financial statements and not providing important information as a result of too much aggregation.
4. (i) Depending upon the total income of the company, the figures appearing in the Financial Statements shall be rounded off as given below:

Total income	Rounding off
(a) less than one hundred crore rupees	to the nearest hundreds, thousands, lakhs or millions, or decimals thereof
(b) one hundred crore rupees or more	to the nearest, lakhs, millions or crores, or decimals thereof.

- (ii) Once a unit of measurement is used, it should be used uniformly in the Financial Statements.
5. Except in the case of the first Financial Statements laid before the Company (after its incorporation) the corresponding amounts (comparatives) for the immediately preceding reporting period for all items shown in the Financial Statements including notes shall also be given.
6. For the purpose of this Schedule, the terms used herein shall be as per the applicable Accounting Standards.

Note: This part of Schedule sets out the minimum requirements for disclosure on the face of the Balance Sheet, and the Statement of Profit and Loss (hereinafter referred to as "Financial Statements" for the purpose of this Schedule) and Notes. Line items, sub-line items and sub-totals shall be presented as an addition or substitution on the face of the Financial Statements when such presentation is relevant to an understanding of the company's financial position or performance or to cater to industry/sector-specific disclosure requirements or when required for compliance with the amendments to the Companies Act or under the Accounting Standards.

PART I –BALANCE SHEET

Name of the Company.....

Balance Sheet as at.....

(Rupees in.....)

		Particulars	Note No.	Figures as at the end of current reporting period	Figures as at the end of previous reporting period
		1	2	3	4
		EQUITY AND LIABILITIES			
1.		Shareholders' funds			
	a	Share capital			
	b	Reserves and Surplus			
	c	Money received against share warrants			
2.		Share application money pending allotment			
3.		Non-current liabilities			
	a	Long-term borrowings			
	b	Deferred tax liabilities (Net)			
	c	Other long term liabilities			
	d	Long-term provisions			
4.		Current liabilities			
	a	Short-term borrowings			
	b	Trade Payables			

		(A) total outstanding dues of micro enterprises and small enterprises; and (B) total outstanding dues of creditors other than micro enterprises and small enterprises.			
	c	Other current liabilities			
	d	Short-term provisions			
		Total			
		ASSETS			
1		Non-current assets			
	a	i Property, plant and Equipment			
		ii Intangible assets			
		iii Capital Work-in-progress			
		iv Intangible assets under development			
	b	Non-current investments			
	c	Deferred tax assets (Net)			
	d	Long-term loans and advances			
	e	Other non-current assets			
2		Current assets			
	a	Current investments			
	b	Inventories			
	c	Trade receivables			
	d	Cash and cash equivalents			
	e	Short-term loans and advances			
	f	Other current assets			
		Total			

See accompanying notes to Financial Statements.

Notes

GENERAL INSTRUCTIONS FOR PREPARATION OF BALANCE SHEET

1. An asset shall be classified as current when it satisfies any of the following criteria:
 - (a) it is expected to be realized in, or is intended for sale or consumption in, the company's normal operating cycle;
 - (b) it is held primarily for the purpose of being traded;
 - (c) it is expected to be realized within twelve months after the reporting date; or
 - (d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets shall be classified as non-current.

2. An operating cycle is the time between the acquisition of assets for processing and their realization in cash or cash equivalents. Where the normal operating cycle cannot be identified, it is assumed to have a duration of 12 months.
3. A liability shall be classified as current when it satisfies any of the following criteria:
 - (a) it is expected to be settled in the company's normal operating cycle;
 - (b) it is held primarily for the purpose of being traded;
 - (c) it is due to be settled within twelve months after the reporting date; or
 - (d) the company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities shall be classified as non-current.

4. A receivable shall be classified as a 'trade receivable' if it is in respect of the amount due on account of goods sold or services rendered in the normal course of business.
5. A payable shall be classified as a 'trade payable' if it is in respect of the amount due on account of goods purchased or services received in the normal course of business.
6. A company shall disclose the following in the notes to accounts:

A. SHARE CAPITAL

For each class of share capital (different classes of preference shares to be treated separately):

- (a) the number and amount of shares authorized;
- (b) the number of shares issued, subscribed and fully paid, and subscribed but not fully paid;
- (c) par value per share;
- (d) a reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period;
- (e) the rights, preferences and restrictions attaching to each class of shares including restrictions on the distribution of dividends and the repayment of capital;
- (f) shares in respect of each class in the company held by its holding company or its ultimate holding company including shares held by or by subsidiaries or associates of the holding company or the ultimate holding company in aggregate;
- (g) shares in the company held by each shareholder holding more than 5 percent shares specifying the number of shares held;
- (h) shares reserved for issue under options and contracts/commitments for the sale of shares/disinvestment, including the terms and amounts;
- (i) for the period of five years immediately preceding the date as at which the Balance Sheet is prepared:

- (A) Aggregate number and class of shares allotted as fully paid up pursuant to contract(s) without payment being received in cash.
- (B) Aggregate number and class of shares allotted as fully paid up by way of bonus shares.
- (C) Aggregate number and class of shares bought back.
- (j) terms of any securities convertible into equity/preference shares issued along with the earliest date of conversion in descending order starting from the farthest such date.
- (k) calls unpaid (showing aggregate value of calls unpaid by directors and officers)
- (l) forfeited shares (amount originally paid up)
- (m) A company shall disclose Shareholding of Promoters* as below:

Shares held by promoters at the end of the year				% Change during the year***
S. No	Promoter name	No. of Shares**	% of total shares**	
Total				

*Promoter here means promoter as defined in the Companies Act, 2013.

** Details shall be given separately for each class of shares

*** percentage change shall be computed with respect to the number at the beginning of the year or if issued during the year for the first time then with respect to the date of issue.

B. RESERVES AND SURPLUS

- (i) Reserves and Surplus shall be classified as:
 - (a) Capital Reserves;
 - (b) Capital Redemption Reserve;
 - (c) Securities Premium;
 - (d) Debenture Redemption Reserve;

- (e) Revaluation Reserve;
- (f) Share Options Outstanding Account;
- (g) Other Reserves – (specify the nature and purpose of each reserve and the amount in respect thereof);
- (h) Surplus i.e. balance in Statement of Profit & Loss disclosing allocations and appropriations such as dividend, bonus shares and transfer to/from reserves etc.

(Additions and deductions since last balance sheet to be shown under each of the specified heads)

- (ii) A reserve specifically represented by earmarked investments shall be termed as a 'fund'.
- (iii) Debit balance of statement of profit and loss shall be shown as a negative figure under the head 'Surplus'. Similarly, the balance of 'Reserves and Surplus', after adjusting negative balance of surplus, if any, shall be shown under the head 'Reserves and Surplus' even if the resulting figure is in the negative.

C. LONG-TERM BORROWINGS

- (i) Long-term borrowings shall be classified as:
 - (a) Bonds/debentures.
 - (b) Term loans
 - (A) From banks.
 - (B) From other parties
 - (c) Deferred payment liabilities.
 - (d) Deposits.
 - (e) Loans and advances from related parties.
 - (f) Long term maturities of finance lease obligations
 - (g) Other loans and advances (specify nature).
- (ii) Borrowings shall further be sub-classified as secured and unsecured. Nature of security shall be specified separately in each case.

- (iii) Where loans have been guaranteed by directors or others, the aggregate amount of such loans under each head shall be disclosed.
- (iv) Bonds/debentures (along with the rate of interest and particulars of redemption or conversion, as the case may be) shall be stated in descending order of maturity or conversion, starting from farthest redemption or conversion date, as the case may be. Where bonds/debentures are redeemable by instalments, the date of maturity for this purpose must be reckoned as the date on which the first instalment becomes due.
- (v) Particulars of any redeemed bonds/ debentures which the company has power to reissue shall be disclosed.
- (vi) Terms of repayment of term loans and other loans shall be stated.
- (vii) Period and amount of continuing default as on the balance sheet date in repayment of loans and interest, shall be specified separately in each case.

D. OTHER LONG TERM LIABILITIES

Other Long-term Liabilities shall be classified as:

- (a) Trade payables
- (b) Others

E. LONG-TERM PROVISIONS

The amounts shall be classified as:

- (a) Provision for employee benefits.
- (b) Others (specify nature).

F. SHORT-TERM BORROWINGS

- (i) Short-term borrowings shall be classified as:
 - (a) Loans repayable on demand
 - (A) From banks
 - (B) From other parties
 - (b) Loans and advances from related parties.

- (c) Deposits.
- (d) Other loans and advances (specify nature).
- (ii) Borrowings shall further be sub-classified as secured and unsecured. Nature of security shall be specified separately in each case.
- (iii) Where loans have been guaranteed by directors or others, the aggregate amount of such loans under each head shall be disclosed.
- (iv) Period and amount of default as on the balance sheet date in repayment of loans and interest shall be specified separately in each case.
- "(v) current maturities of Long term borrowings shall be disclosed separately.

FA. Trade Payables

The following details relating to Micro, Small and Medium Enterprises shall be disclosed in the notes:

- (a) the principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier at the end of each accounting year;
- (b) the amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year;
- (c) the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006;
- (d) the amount of interest accrued and remaining unpaid at the end of each accounting year; and
- (e) the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.

FB. Trade payables due for payment

The following ageing schedule shall be given for Trade payables due for payment:-

Trade Payables ageing schedule

(Amount in ₹)

Particulars	Outstanding for following periods from due date of payment#				Total
	Less than 1 year	1-2 years	2-3years	More than 3 years	
(i) MSME					
(ii) Others					
(iii) Disputed dues – MSME					
(iv) Disputed dues – Others					
(v) Others					

similar information shall be given where no due date of payment is specified in that case disclosure shall be from the date of the transaction.

Unbilled dues shall be disclosed separately;

Explanation: The terms 'appointed day', 'buyer', 'enterprise', 'micro enterprise', 'small enterprise' and 'supplier', shall have the same meaning assigned to those under clauses (b), (d), (e), (h), (m) and (n) respectively of section 2 of the Micro, Small and Medium Enterprises Development Act, 2006.

G. OTHER CURRENT LIABILITIES

The amounts shall be classified as:

- Current maturities of finance lease obligations;
- Interest accrued but not due on borrowings;
- Interest accrued and due on borrowings;

- (d) Income received in advance;
- (e) Unpaid dividends
- (f) Application money received for allotment of securities and due for refund and interest accrued thereon. Share application money includes advances towards allotment of share capital. The terms and conditions including the number of shares proposed to be issued, the amount of premium, if any, and the period before which shares shall be allotted shall be disclosed. It shall also be disclosed whether the company has sufficient authorized capital to cover the share capital amount resulting from allotment of shares out of such share application money. Further, the period for which the share application money has been pending beyond the period for allotment as mentioned in the document inviting application for shares along with the reason for such share application money being pending shall be disclosed. Share application money not exceeding the issued capital and to the extent not refundable shall be shown under the head Equity and share application money to the extent refundable i.e., the amount in excess of subscription or in case the requirements of minimum subscription are not met, shall be separately shown under 'Other current liabilities'
- (g) Unpaid matured deposits and interest accrued thereon
- (h) Unpaid matured debentures and interest accrued thereon
- (i) Other payables (specify nature);

H. SHORT-TERM PROVISIONS

The amounts shall be classified as:

- (a) Provision for employee benefits.
- (b) Others (specify nature).

I. Property, Plant and Equipment

- (i) Classification shall be given as:
 - (a) Land.
 - (b) Buildings.

- (c) Plant and Equipment.
 - (d) Furniture and Fixtures.
 - (e) Vehicles.
 - (f) Office equipment.
 - (g) Others (specify nature).
- (ii) Assets under lease shall be separately specified under each class of asset.
- (iii) A reconciliation of the gross and net carrying amounts of each class of assets at the beginning and end of the reporting period showing additions, disposals, acquisitions through business combinations, amount of change due to revaluation (if change is 10% or more in the aggregate of the net carrying value of each class of Property, Plant and Equipment) and other adjustments and the related depreciation and impairment losses/reversals shall be disclosed separately.
- (iv) Where sums have been written off on a reduction of capital or revaluation of assets or where sums have been added on revaluation of assets, every balance sheet subsequent to date of such write-off, or addition shall show the reduced or increased figures as applicable and shall by way of a note also show the amount of the reduction or increase as applicable together with the date thereof for the first five years subsequent to the date of such reduction or increase.

J. INTANGIBLE ASSETS

- (i) Classification shall be given as:
- (a) Goodwill.
 - (b) Brands /trademarks.
 - (c) Computer software.
 - (d) Mastheads and publishing titles.
 - (e) Mining rights.
 - (f) Copyrights, and patents and other intellectual property rights, services and operating rights.

- (g) Recipes, formulae, models, designs and prototypes.
 - (h) Licenses and franchise.
 - (i) Others (specify nature).
- (ii) A reconciliation of the gross and net carrying amounts of each class of assets at the beginning and end of the reporting period showing additions, disposals, acquisitions through business combinations, amount of change due to revaluation (if change is 10% or more in the aggregate of the net carrying value of each class of intangible assets) and other adjustments and the related depreciation and impairment losses or reversals shall be disclosed separately.
- (iii) Where sums have been written off on a reduction of capital or revaluation of assets or where sums have been added on revaluation of assets, every balance sheet subsequent to date of such write-off, or addition shall show the reduced or increased figures as applicable and shall by way of a note also show the amount of the reduction or increase as applicable together with the date thereof for the first five years subsequent to the date of such reduction or increase.

K. NON-CURRENT INVESTMENTS

- (i) Non-current investments shall be classified as trade investments and other investments and further classified as:
- (a) Investment property;
 - (b) Investments in Equity Instruments;
 - (c) Investments in preference shares
 - (d) Investments in Government or trust securities;
 - (e) Investments in debentures or bonds;
 - (f) Investments in Mutual Funds;
 - (g) Investments in partnership firms
 - (h) Other non-current investments (specify nature)

Under each classification, details shall be given of names of the bodies corporate [indicating separately whether such bodies are (i) subsidiaries, (ii) associates, (iii) joint ventures, or (iv) controlled special

purpose entities] in whom investments have been made and the nature and extent of the investment so made in each such body corporate (showing separately investments which are partly-paid).

In regard to investments in the capital of partnership firms, the names of the firms (with the names of all their partners, total capital and the shares of each partner) shall be given.

- (ii) Investments carried at other than at cost should be separately stated specifying the basis for valuation thereof.
- (iii) The following shall also be disclosed:
 - (a) Aggregate amount of quoted investments and market value thereof;
 - (b) Aggregate amount of unquoted investments;
 - (c) Aggregate provision for diminution in value of investments.

L. LONG-TERM LOANS AND ADVANCES

- (i) Long-term loans and advances shall be classified as:
 - (a) Capital Advances;
 - (b) Loans and advances to related parties (giving details thereof);
 - (c) Other loans and advances (specify nature).
- (ii) The above shall also be separately sub-classified as:
 - (a) Secured, considered good;
 - (b) Unsecured, considered good;
 - (c) Doubtful.
- (iii) Allowance for bad and doubtful loans and advances shall be disclosed under the relevant heads separately.
- (iv) Loans and advances due by directors or other officers of the company or any of them either severally or jointly with any other persons or amounts due by firms or private companies respectively in which any director is a partner or a director or a member should be separately stated.

M. OTHER NON-CURRENT ASSETS

Other non-current assets shall be classified as:

- (i) Long Term Trade Receivables (including trade receivables on deferred credit terms);
- (ia) Security Deposits;
- (ii) Others (specify nature);
- (iii) Long term Trade Receivables, shall be sub-classified as:
 - (a) (A) Secured, considered good;
 - (B) Unsecured considered good;
 - (C) Doubtful
 - (b) Allowance for bad and doubtful debts shall be disclosed under the relevant heads separately.
 - (c) Debts due by directors or other officers of the company or any of them either severally or jointly with any other person or debts due by firms or private companies respectively in which any director is a partner or a director or a member should be separately stated.
- (iv) For trade receivables outstanding, following ageing schedule shall be given:

Trade Receivables ageing schedule

(Amount in ₹)

Particulars	Outstanding for following periods from due date of payment#					Total
	Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
(i) Undisputed Trade receivables – considered good						

(ii) Undisputed Trade Receivables – considered doubtful							
(iii) Disputed Trade Receivables considered good							
(iv) Disputed Trade Receivables considered doubtful							

similar information shall be given where no due date of payment is specified, in that case disclosure shall be from the date of the transaction.

Unbilled dues shall be disclosed separately.

N. CURRENT INVESTMENTS

- (i) Current investments shall be classified as:
- (a) Investments in Equity Instruments;
 - (b) Investment in Preference Shares
 - (c) Investments in government or trust securities;
 - (d) Investments in debentures or bonds;
 - (e) Investments in Mutual Funds;
 - (f) Investments in partnership firms
 - (g) Other investments (specify nature).

Under each classification, details shall be given of names of the bodies corporate [indicating separately whether such bodies are (i) subsidiaries, (ii) associates, (iii) joint ventures, or (iv) controlled special purpose entities] in whom investments have been made and the nature and extent of the investment so made in each such body corporate (showing separately investments which are partly-paid). In

regard to investments in the capital of partnership firms, the names of the firms (with the names of all their partners, total capital and the shares of each partner) shall be given.

- (ii) The following shall also be disclosed:
 - (a) The basis of valuation of individual investments
 - (b) Aggregate amount of quoted investments and market value thereof;
 - (c) Aggregate amount of unquoted investments;
 - (d) Aggregate provision made for diminution in value of investments.

O. INVENTORIES

- (i) Inventories shall be classified as:
 - (a) Raw materials;
 - (b) Work-in-progress;
 - (c) Finished goods;
 - (d) Stock-in-trade (in respect of goods acquired for trading);
 - (e) Stores and spares;
 - (f) Loose tools;
 - (g) Others (specify nature).
- (ii) Goods-in-transit shall be disclosed under the relevant sub-head of inventories.
- (iii) Mode of valuation shall be stated.

P. TRADE RECEIVABLES

- (i) For trade receivables outstanding, the following ageing schedules shall be given:

Trade Receivables ageing schedule

(Amount in ₹)

Particulars	Outstanding for following periods from due date of payment#					Total
	Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
(i) Undisputed Trade receivables considered good						
(ii) Undisputed Trade Receivables considered doubtful						
(iii) Disputed Trade Receivables considered good						
(iv) Disputed Trade Receivables considered doubtful						

similar information shall be given where no due date of payment is specified in that case disclosure shall be from the date of the transaction.

Unbilled dues shall be disclosed separately.

- (ii) Trade receivables shall be sub-classified as:
- Secured, considered good;
 - Unsecured considered good;
 - Doubtful.
- (iii) Allowance for bad and doubtful debts shall be disclosed under the relevant heads separately.

- (iv) Debts due by directors or other officers of the company or any of them either severally or jointly with any other person or debts due by firms or private companies respectively in which any director is a partner or a director or a member should be separately stated.

Q. CASH AND CASH EQUIVALENTS

- (i) Cash and cash equivalents shall be classified as:
 - (a) Balances with banks;
 - (b) Cheques, drafts on hand;
 - (c) Cash on hand;
 - (d) Others (specify nature).
- (ii) Earmarked balances with banks (for example, for unpaid dividend) shall be separately stated.
- (iii) Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments shall be disclosed separately.
- (iv) Repatriation restrictions, if any, in respect of cash and bank balances shall be separately stated.
- (v) Bank deposits with more than 12 months maturity shall be disclosed separately.

R. SHORT-TERM LOANS AND ADVANCES

- (i) Short-term loans and advances shall be classified as:
 - (a) Loans and advances to related parties (giving details thereof);
 - (b) Others (specify nature).
- (ii) The above shall also be sub-classified as:
 - (a) Secured, considered good;
 - (b) Unsecured, considered good;
 - (c) Doubtful.

- (iii) Allowance for bad and doubtful loans and advances shall be disclosed under the relevant heads separately.
- (iv) Loans and advances due by directors or other officers of the company or any of them either severally or jointly with any other person or amounts due by firms or private companies respectively in which any director is a partner or a director or a member shall be separately stated.

S. OTHER CURRENT ASSETS (SPECIFY NATURE).

This is an all-inclusive heading, which incorporates current assets that do not fit into any other asset categories.

T. CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)

- (i) Contingent liabilities shall be classified as:
 - (a) Claims against the company not acknowledged as debt;
 - (b) Guarantees;
 - (c) Other money for which the company is contingently liable
- (ii) Commitments shall be classified as:
 - (a) Estimated amount of contracts remaining to be executed on capital account and not provided for;
 - (b) Uncalled liability on shares and other investments partly paid
 - (c) Other commitments (specify nature).

U. The amount of dividends proposed to be distributed to equity and preference shareholders for the period and the related amount per share shall be disclosed separately. Arrears of fixed cumulative dividends on preference shares shall also be disclosed separately.

V. Where in respect of an issue of securities made for a specific purpose, the whole or part of the amount has not been used for the specific purpose at the balance sheet date, there shall be indicated by way of note how such unutilized amounts have been used or invested.

- VA.** Where the company has not used the borrowings from banks and financial institutions for the specific purpose for which it was taken at the balance sheet date, the company shall disclose the details of where they have been used.
- W.** If, in the opinion of the Board, any of the assets other than Property, Plant Equipment, "Intangible assets and non-current investments do not have a value on realization in the ordinary course of business at least equal to the amount at which they are stated, the fact that the Board is of that opinion, shall be stated.
- Y.** Additional Regulatory Information

(i) Title deeds of Immovable Property not held in name of the Company

The company shall provide the details of all the immovable property (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee) whose title deeds are not held in the name of the company in format given below and where such immovable property is jointly held with others, details are required to be given to the extent of the company's share.

Relevant line item in the Balance sheet	Description of item of pro-erty	Gross carrying value	Title deeds held in the name of	Whether title deed holder is a promoter, director or relative# of promoter* / director or employee of promoter/ director	Pro-erty held since which date	Reason for not being held in the name of the company* *
PPE -	Land Building	-	-	-	-	**also indicate if in dispute

Investment property						
-	Land					
PPE retired from active use and held for disposal	Building					
-	Land					
others	Building					

#Relative here means relative as defined in the Companies Act, 2013.

*Promoter here means promoter as defined in the Companies Act, 2013.

- (ii) Where the Company has revalued its Property, Plant and Equipment, the company shall disclose as to whether the revaluation is based on the valuation by a registered valuer as defined under rule 2 of the Companies (Registered Valuers and Valuation) Rules, 2017.
- (iii) Following disclosures shall be made where Loans or Advances in the nature of loans are granted to promoters, directors, KMPs and the related parties (as defined under Companies Act, 2013,) either severally or jointly with any other person, that are:
- repayable on demand or
 - without specifying any terms or period of repayment

Type of Borrower	Amount of loan or advance in the nature of loan outstanding	Percentage to the total Loans and Advances in the nature of loans
Promoters		
Directors		
KMPs		
Related Parties		

(iv) Capital-Work-in Progress (CWIP)

- (a) For Capital-work-in progress, following ageing schedule shall be given:

CWIP aging schedule

(Amount in ₹)

CWIP	Amount in CWIP for a period of				Total*
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress					
Projects temporarily suspended					

*Total shall tally with CWIP amount in the balance sheet.

- (b) For capital-work-in progress, whose completion is overdue or has exceeded its cost compared to its original plan, following **CWIP completion schedule** shall be given**:

(Amount in ₹)

CWIP	To be completed in			
	Less than 1 year	1-2 years	2-3 years	More than 3 years
Project 1 Project 2"				

**Details of projects where activity has been suspended shall be given separately.

(v) Intangible assets under development:

- (a) For Intangible assets under development, following ageing schedule shall be given:

Intangible assets under development ageing schedule

(Amount in ₹)

Intangible assets under development	Amount in CWIP for a period of				Total*
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress Projects temporarily suspended					

* Total shall tally with the amount of Intangible assets under development in the balance sheet.

For Intangible assets under development, whose completion is overdue or has exceeded its cost compared to its original plan, following **Intangible assets under development completion schedule** shall be given**:

(Amount in ₹)

Intangible assets under development	To be completed in			
	Less than 1 year	1-2 years	2-3 years	More than 3 years
Project 1 Project 2				

**Details of projects where activity has been suspended shall be given separately.

(vi) Details of Benami Property held

Where any proceedings have been initiated or pending against the company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and the rules made thereunder, the company shall disclose the following:-

- (a) Details of such property, including year of acquisition,
- (b) Amount thereof,
- (c) Details of Beneficiaries,
- (d) If property is in the books, then reference to the item in the Balance Sheet,
- (e) If property is not in the books, then the fact shall be stated with reasons,
- (f) Where there are proceedings against the company under this law as an abetter of the transaction or as the transferor then the details shall be provided,
- (g) Nature of proceedings, status of same and company's view on same.

(vii) Where the Company has borrowings from banks or financial institutions on the basis of security of current assets, it shall disclose the following:-

- (a) whether quarterly returns or statements of current assets filed by the Company with banks or financial institutions are in agreement with the books of accounts.
- (b) if not, summary of reconciliation and reasons of material discrepancies, if any to be adequately disclosed.

(viii) Wilful Defaulter*

Where a company is a declared wilful defaulter by any bank or financial Institution or other lender, following details shall be given:

- a. Date of declaration as wilful defaulter,
- b. Details of defaults (amount and nature of defaults),

* "wilful defaulter" here means a person or an issuer who or which is categorized as a wilful defaulter by any bank or financial institution (as defined under the Act) or consortium thereof, in accordance with the guidelines on wilful defaulters issued by the Reserve Bank of India.

(ix) Relationship with Struck off Companies

Where the company has any transactions with companies struck off under section 248 of the Companies Act, 2013 or section 560 of Companies Act, 1956, the Company shall disclose the following details:-

Name of struck off Company	Nature of transactions with struck-off Company	Balance outstanding	Relationship with the Struck off company, if any, to be disclosed
	Investments in securities		
	Receivables		
	Payables		
	Shares held by struck off company		
	Other outstanding balances (to be specified)		

(x) Registration of charges or satisfaction with Registrar of Companies

Where any charges or satisfaction yet to be registered with Registrar of Companies beyond the statutory period, details and reasons thereof shall be disclosed.

(xi) Compliance with number of layers of companies

Where the company has not complied with the number of layers prescribed under clause (87) of section 2 of the Act read with

Companies (Restriction on number of Layers) Rules, 2017, the name and CIN of the companies beyond the specified layers and the relationship/extent of holding of the company in such downstream companies shall be disclosed.

(xii) Following Ratios to be disclosed:-

Current Ratio,

- a. Debt-Equity Ratio,
- b. Debt Service Coverage Ratio,
- c. Return on Equity Ratio,
- d. Inventory turnover ratio,
- e. Trade Receivables turnover ratio,
- f. Trade payables turnover ratio,
- g. Net capital turnover ratio,
- h. Net profit ratio,
- i. Return on Capital employed,
- j. Return on investment.

The company shall explain the items included in numerator and denominator for computing the above ratios. Further explanation shall be provided for any change in the ratio by more than 25% as compared to the preceding year.

(xiii) Compliance with approved Scheme(s) of Arrangements

Where any Scheme of Arrangements has been approved by the Competent Authority in terms of sections 230 to 237 of the Companies Act, 2013, the Company shall disclose that the effect of such Scheme of Arrangements have been accounted for in the books of account of the Company 'in accordance with the Scheme' and 'in accordance with accounting standards' and deviation in this regard shall be explained.

(xiv) Utilisation of Borrowed funds and share premium:

- (A) Where company has advanced or loaned or invested funds (either borrowed funds or share premium or any other sources or kind of funds) to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding (whether recorded in writing or otherwise) that the Intermediary shall
- (i) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (Ultimate Beneficiaries) or
 - (ii) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries; the company shall disclose the following:-
 - (I) date and amount of fund advanced or loaned or invested in Intermediaries with complete details of each Intermediary.
 - (II) date and amount of fund further advanced or loaned or invested by such Intermediaries to other intermediaries or Ultimate Beneficiaries alongwith complete details of the ultimate beneficiaries.
 - (III) date and amount of guarantee, security or the like provided to or on behalf of the Ultimate Beneficiaries.
 - (IV) declaration that relevant provisions of the Foreign Exchange Management Act, 1999 (42 of 1999) and Companies Act has been complied with for such transactions and the transactions are not violative of the Prevention of Money-Laundering act, 2002 (15 of 2003).;
- (B) Where a company has received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the company shall
- (i) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or

- (ii) provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries, the company shall disclose the following:-
 - (I) date and amount of fund received from Funding parties with complete details of each Funding party.
 - (II) date and amount of fund further advanced or loaned or invested other intermediaries or Ultimate Beneficiaries alongwith complete details of the other intermediaries' or ultimate beneficiaries.
 - (III) date and amount of guarantee, security or the like provided to or on behalf of the Ultimate Beneficiaries declaration that relevant provisions of the Foreign Exchange Management Act, 1999 (42 of 1999) and Companies Act has been complied with for such transactions and the transactions are not violative of the Prevention of Money-Laundering act, 2002 (15 of 2003).;

PART II –STATEMENT OF PROFIT AND LOSS

Name of the Company.....

Profit and loss statement for the year ended

(Rupees in.....)

Particulars		Note No.	Figures for the current reporting period	Figures for the previous reporting period
1		2	3	4
I.	Revenue from operations		xxx	xxx
II.	Other income		xxx	xxx
III.	Total Income (I + II)		xxx	xxx
IV.	Expenses:		xxx	xxx
	Cost of materials consumed		xxx	xxx
	Purchases of Stock-in-Trade		xxx	xxx
	Changes in inventories of finished goods		xxx	xxx
	work-in-progress		xxx	xxx
	and Stock-in-Trade		xxx	xxx
	Employee benefits expense		xxx	xxx
	Finance costs		xxx	xxx
	Depreciation and amortization expense		xxx	xxx
	Other expenses			
	Total expenses		xxx	xxx

V.	Profit before exceptional and extraordinary items and tax (III-IV)	xxx		xxx	
VI.	Exceptional items	xxx		xxx	
VII.	Profit before extraordinary items and tax (V - VI)	xxx		xxx	
VIII.	Extraordinary Items	xxx		xxx	
IX.	Profit before tax (VII- VIII)	xxx		xxx	
X	Tax expense:				
	(1) Current tax	xxx		xxx	
	(2) Deferred tax	<u>xxx</u>	xxx	<u>xxx</u>	xxx
XI	Profit (Loss) for the period from continuing operations (VII-VIII)	xxx		Xxx	
XII	Profit/(loss) from discontinuing operations	xxx		Xxx	
XIII	Tax expense of discontinuing operations	xxx		Xxx	
XIV	Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)	xxx		Xxx	
XV	Profit (Loss) for the period (XI + XIV)	xxx		xxx	
XVI	Earnings per equity share:				
	(1) Basic	xxx		xxx	
	(2) Diluted	xxx		xxx	

See accompanying notes to the financial statements.

GENERAL INSTRUCTIONS FOR PREPARATION OF STATEMENT OF PROFIT AND LOSS

1. The provisions of this Part shall apply to the income and expenditure account referred to in sub-clause (ii) of Clause (40) of Section 2 in like manner as they apply to a statement of profit and loss.
2. (A) In respect of a company other than a finance company revenue from operations shall disclose separately in the notes revenue from
 - (a) Sale of products;
 - (b) Sale of services;
 - “(ba) Grants or donations received (relevant in case of section 8 companies only)”;
 - (c) Other operating revenues;Less:
 - (d) Excise duty.
- (B) In respect of a finance company, revenue from operations shall include revenue from
 - (a) Interest; and
 - (b) Other financial services

Revenue under each of the above heads shall be disclosed separately by way of notes to accounts to the extent applicable.

3. Finance Costs

Finance costs shall be classified as:

- (a) Interest expense;
- (b) Other borrowing costs;
- (c) Applicable net gain/loss on foreign currency transactions and translation.

4. Other income

Other income shall be classified as:

- (a) Interest Income (in case of a company other than a finance company);
- (b) Dividend Income;
- (c) Net gain/loss on sale of investments
- (d) Other non-operating income (net of expenses directly attributable to such income).

5. Additional Information

A Company shall disclose by way of notes additional information regarding aggregate expenditure and income on the following items:

- (i) (a) Employee Benefits Expense [showing separately (i) salaries and wages, (ii) contribution to provident and other funds, (iii) expense on Employee Stock Option Scheme (ESOP) and Employee Stock Purchase Plan (ESPP), (iv) staff welfare expenses].
 - (b) Depreciation and amortization expense;
 - (c) Any item of income or expenditure which exceeds one per cent of the revenue from operations or ₹ 1,00,000, whichever is higher;
 - (d) Interest Income;
 - (e) Interest Expense;
 - (f) Dividend Income;
 - (g) Net gain/ loss on sale of investments;
 - (h) Adjustments to the carrying amount of investments;
 - (i) Net gain or loss on foreign currency transaction and translation (other than considered as finance cost);
 - (j) Payments to the auditor as
 - (a) auditor,

- (b) for taxation matters,
- (c) for company law matters,
- (d) for management services,
- (e) for other services,
- (f) for reimbursement of expenses;
- (k) In case of companies covered u/s 135, amount of expenditure incurred on corporate social responsibility activities.
- (l) Details of items of exceptional and extraordinary nature;
- (m) Prior period items;
- (ii) (a) In the case of manufacturing companies,
 - (1) Raw materials under broad heads.
 - (2) goods purchased under broad heads.
- (b) In the case of trading companies, purchases in respect of goods traded in by the company under broad heads.
- (c) In the case of companies rendering or supplying services, gross income derived from services rendered or supplied under broad heads.
- (d) In the case of a company, which falls under more than one of the categories mentioned in (a), (b) and (c) above, it shall be sufficient compliance with the requirements herein if purchases, sales and consumption of raw material and the gross income from services rendered is shown under broad heads.
- (e) In the case of other companies, gross income derived under broad heads.
- (iii) In the case of all concerns having works in progress, works-in-progress under broad heads.
- (iv) (a) The aggregate, if material, of any amounts set aside or proposed to be set aside, to reserve, but not including provisions made to meet any specific liability, contingency or commitment known to exist at the date as to which the balance-sheet is made up.

- (b) The aggregate, if material, of any amounts withdrawn from such reserves.
- (v) (a) The aggregate, if material, of the amounts set aside to provisions made for meeting specific liabilities, contingencies or commitments.
(b) The aggregate, if material, of the amounts withdrawn from such provisions, as no longer required.
- (vi) Expenditure incurred on each of the following items, separately for each item:-
 - (a) Consumption of stores and spare parts.
 - (b) Power and fuel.
 - (c) Rent.
 - (d) Repairs to buildings.
 - (e) Repairs to machinery.
 - (f) Insurance.
 - (g) Rates and taxes, excluding, taxes on income.
 - (h) Miscellaneous expenses,
- (vii) (a) Dividends from subsidiary companies.
(b) Provisions for losses of subsidiary companies.
- (viii) The profit and loss account shall also contain by way of a note the following information, namely:
 - (a) Value of imports calculated on C.I.F basis by the company during the financial year in respect of –
 - I. Raw materials;
 - II. Components and spare parts;
 - III. Capital goods;

- (b) Expenditure in foreign currency during the financial year on account of royalty, know-how, professional and consultation fees, interest, and other matters;
- (c) Total value if all imported raw materials, spare parts and components consumed during the financial year and the total value of all indigenous raw materials, spare parts and components similarly consumed and the percentage of each to the total consumption;
- (d) The amount remitted during the year in foreign currencies on account of dividends with a specific mention of the total number of non-resident shareholders, the total number of shares held by them on which the dividends were due and the year to which the dividends related;
- (e) Earnings in foreign exchange classified under the following heads, namely:
 - I. Export of goods calculated on F.O.B. basis;
 - II. Royalty, know-how, professional and consultation fees;
 - III. Interest and dividend;
 - IV. Other income, indicating the nature thereof
- (ix) Undisclosed income: The Company shall give details of any transaction not recorded in the books of accounts that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961), unless there is immunity for disclosure under any scheme and also shall state whether the previously unrecorded income and related assets have been properly recorded in the books of account during the year.
- (x) Corporate Social Responsibility (CSR)

Where the company covered under section 135 of the companies act, the following shall be disclosed with regard to CSR activities:-

- (a) amount required to be spent by the company during the year,

- (b) amount of expenditure incurred,
 - (c) shortfall at the end of the year,
 - (d) total of previous years shortfall,
 - (e) reason for shortfall,
 - (f) nature of CSR activities,
 - (g) details of related party transactions, e.g., contribution to a trust controlled by the company in relation to CSR expenditure as per relevant Accounting Standard,
 - (h) where a provision is made with respect to a liability incurred by entering into a contractual obligation, the movements in the provision during the year should be shown separately.
- (xi) Details of Crypto Currency or Virtual Currency

Where the Company has traded or invested in Crypto currency or Virtual Currency during the financial year, the following shall be disclosed:-

- (a) profit or loss on transactions involving Crypto currency or Virtual Currency
- (b) amount of currency held as at the reporting date,
deposits or advances from any person for the purpose of trading or investing in Crypto Currency/ virtual currency.

Note: Broad heads shall be decided taking into account the concept of materiality and presentation of true and fair view of financial statements.