

# Cash Flow Statement

## AAT Level III FAR - Financial Reporting

Sandeepa Jayasekera

ACA, B.Sc. (Accounting) Sp. Hons., ACMA (SL), SAT, CIMA Passed Finalist,  
Reading for MBA (PIM), CA and CIMA Prize Winner



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# Cash Flow Statement

**Sandeepa Jayasekera**

B.Sc. (Accounting) Sp. Hons., ACA, ACMA (SL), SAT, CIMA Passed Finalist, MBA PIM-USJP, Gold Medal Winner for the Most Outstanding Student in University of Sri Jayewardenepura Accounting Batch 2014. Chief Executive Officer and Lecturer of JMC

1

## LKAS 07 Statement of Cash Flows



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2

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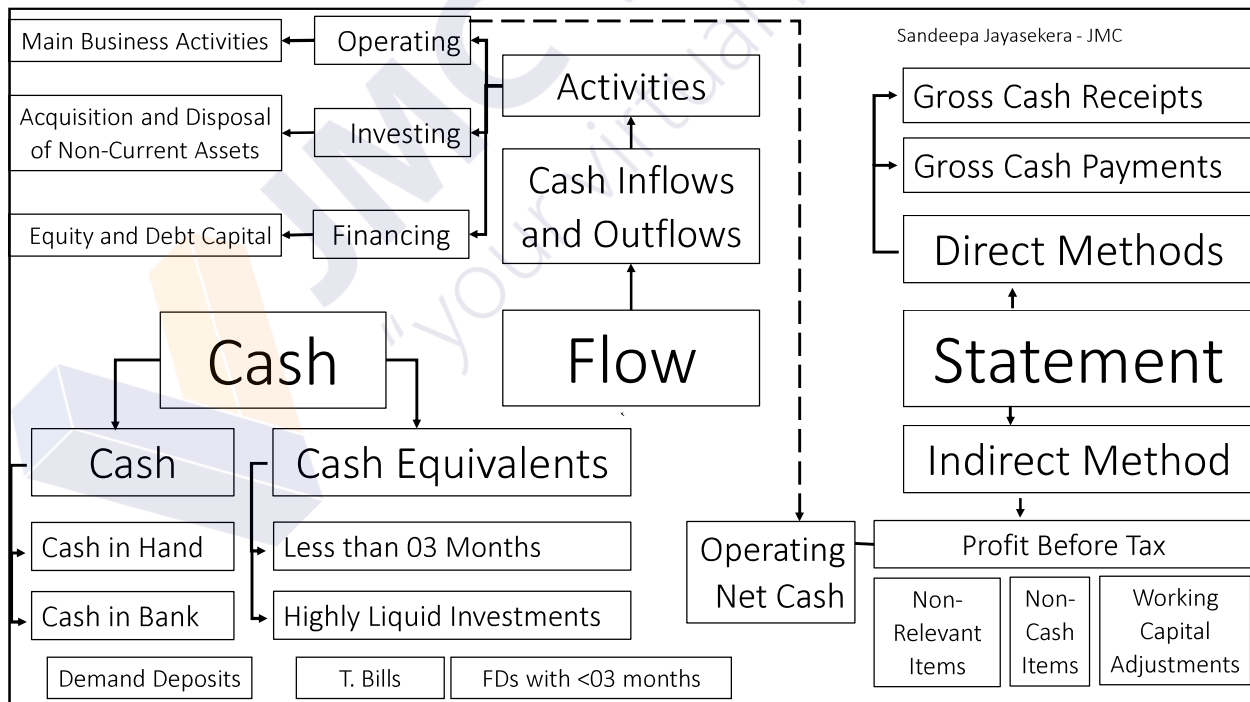
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# Cash Flow Statement Mind Map

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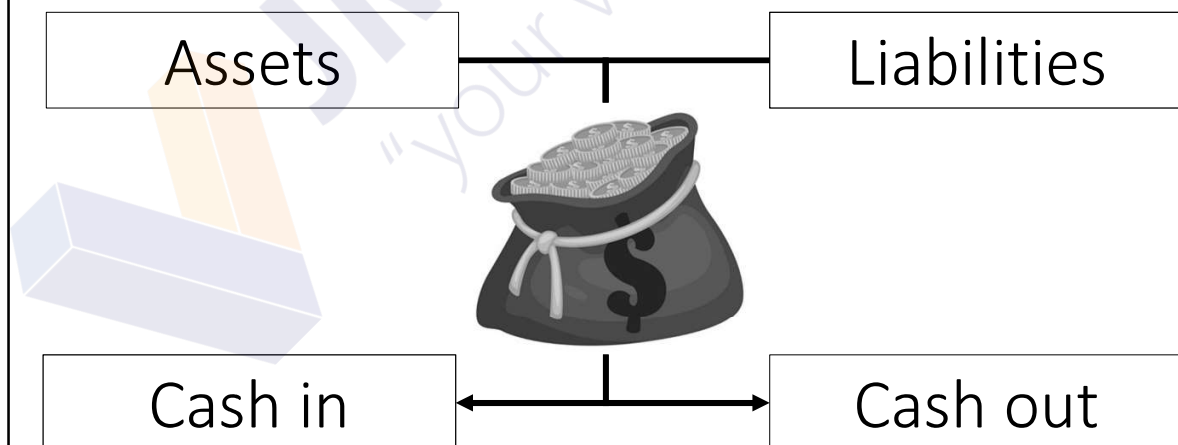


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Cash

A business actually exists due to Cash



A Statement of Cash Flows is prepared  
for Decision Makers  
to know about the ways Cash was  
brought in and taken out!

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7

7

## Statement of Cash Flows

Statement  
that  
presents

Cash Flows  
generated  
from  
activities  
categorized  
into

Operating

Investing

Financing

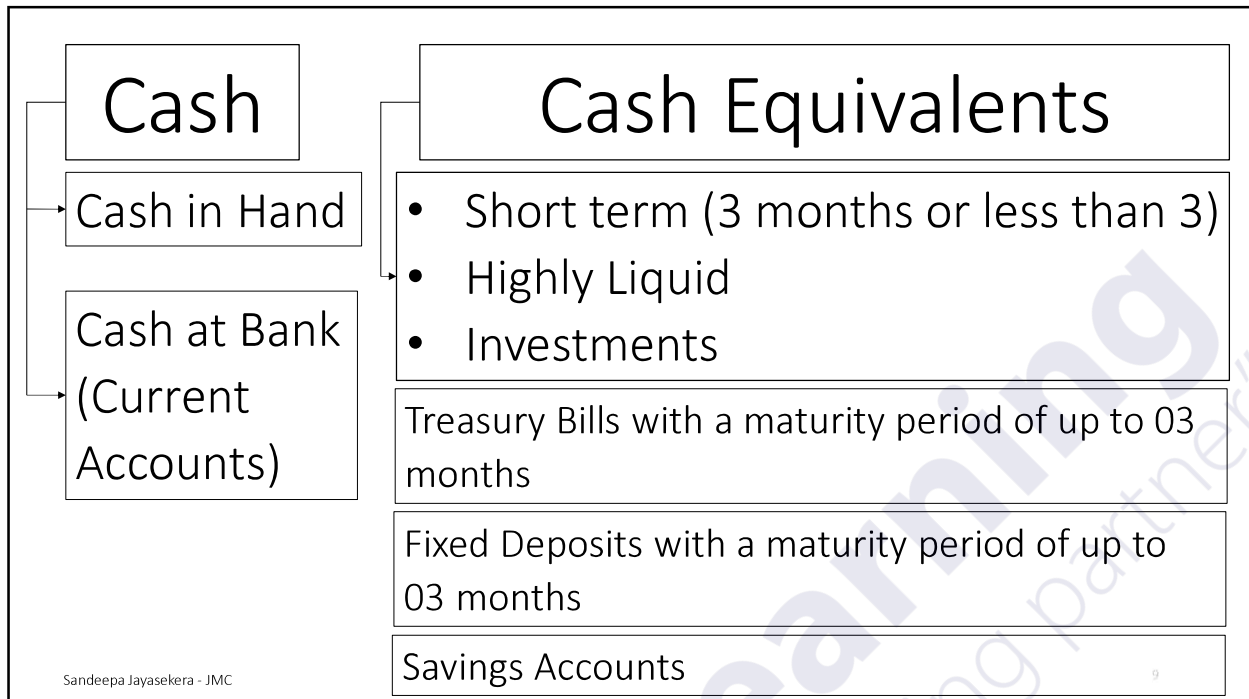
during the  
period under  
consideration

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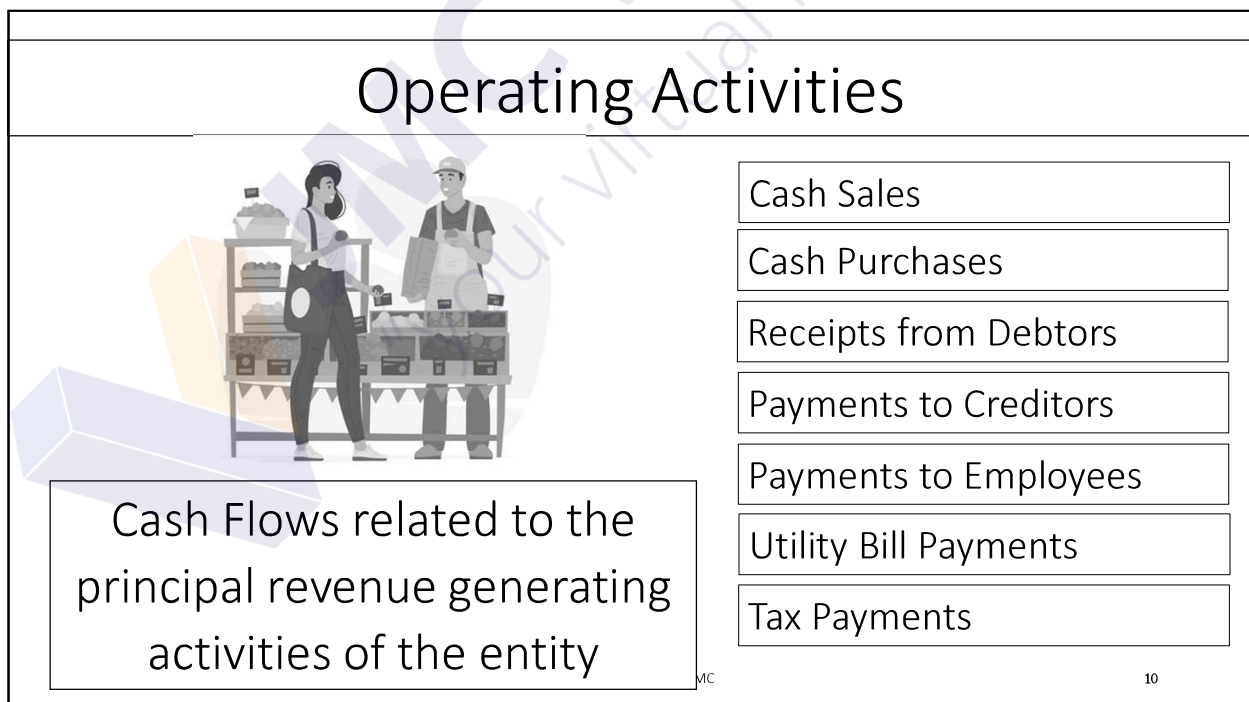
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## Investing Activities

Disposal proceeds from sale of Property, Plant and Equipment

Purchase of Property, Plant and Equipment

Sale of Investments

Investments in Shares

Dividend Income

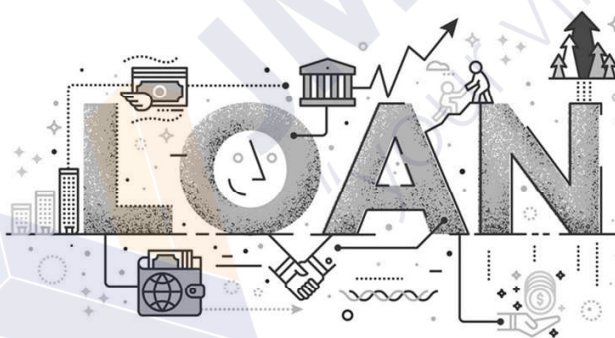
Purchase of Intangible Assets



Cash Flows related to acquisition and disposal of non-current assets

11

## Financing Activities



Cash Flows related to financing of Equity and Debt Capital

Ordinary Share Issue

Dividend Payments

Preference Share Issue

Loans Repaid

Loans Obtained

Rights Issue

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12

12

6

### Question 01

Match the following items in the Statement of Financial Position to the Activities in the Statement of Cash Flows

**Non-current Assets**

Property, Plant and Equipment

Intangible Assets

Investment in Subsidiaries

Other Financial Assets

**Current Assets**

Inventory

Trade Receivables

Cash and Cash Equivalents

Operating

Investing

Financing

**Equity**

Stated Capital

Retained Earnings

**Non-current Liabilities**

Interest bearing Borrowings

Preference Shares

**Current Liabilities**

Trade Payables

Accrued Expenses

Current portion of

Interest bearing Borrowings

To which activity do you classify Interest Paid?

Usually Financing Activities



If a loan is obtained for main business activities



Operating Activities



## To which activity do you classify Tax Payments?

If on the profit of main business activities



Operating

If on Investing Activities



Investing



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15

15

## Foreign Currency Cash Flows

Changes arising from applying the exchange rate as at the reporting date to foreign assets and liabilities are not cash flows.



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Changes that arise by settling a transaction using foreign currency are cash flows.

16

8

# Methods of Preparing Statement of Cash Flows

## Direct Method

- Gross Cash Receipts
- Gross Cash Payments separately disclosed
- The practical use of this is less
- Can be used if there are less transactions.

## Indirect Method

- If there are large volume of transactions, using direct method for operating activities is difficult
- Therefore, we convert the profit before tax into cash from operations by doing few adjustments

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17

17

# Direct Method and Indirect Method

## Direct Method

Operating Activities

Investing Activities

Financing Activities

## Indirect Method

Operating Activities

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18

18

9

# Importance of Statement of Cash Flows

To determine the survival, growth, and direction of the entity

To manage operations

To understand the business growth

To evaluate the ability to generate cash flows

Can use for Business Valuation

To remove accounting adjustments such as depreciation, impairment

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19

19

# Direct Method

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20

10

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**Statement of Cash Flows (Direct Method)  
For the year ended 31<sup>st</sup> March 20X0**

	Rs.	Rs.
<b>Cash Flows from Operating Activities</b>		
Cash Sales	XX	
Cash Purchases	(XX)	
Receipts from Debtors	XX	
Salary Payments	(XX)	
Payments to Creditors	(XX)	
Utility Payments	(XX)	
Taxes Paid	(XX)	
<b>Net Cash Flows from Operating Activities</b>		<sup>21</sup> <b>XX</b>

21

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**Statement of Cash Flows (Direct Method)  
For the year ended 31<sup>st</sup> March 20X0**

	Rs.	Rs.
<b>Cash Flows from Investing Activities</b>		
Purchase of Property, Plant and Equipment	(XX)	
Proceeds from Disposal of Property, Plant and Equipment	XX	
New Investments	(XX)	
Interest Received	XX	
Dividend Received	XX	
<b>Net Cash Flows from Investing Activities</b>		<sup>22</sup> <b>XX</b>

22

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**Statement of Cash Flows (Direct Method)  
For the year ended 31<sup>st</sup> March 2021**

	Rs.	Rs.
<b>Cash Flows from Financing Activities</b>		
Proceeds from Issue of Shares	XX	
Proceeds from Long-term Loans	XX	
Loans Repaid	(XX)	
Dividends Paid	(XX)	
Interest Paid	(XX)	
<b>Net Cash Flows from Financing Activities</b>		<b>XX</b>

23

23

**Question 02**

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Extract of Statement of Comprehensive Income of **Tokyo Trading Ltd.** for the year ended 31<sup>st</sup> March 2018 is as follows:

	Rs.
Sales	760,000
Cost of Sales	(643,000)
<b>Gross Profit</b>	<b>117,000</b>
Other Income - Investment Income	850
Distribution Expenses	(30,000)
Administration Expenses	(32,000)
Finance Expenses	(6,500)
<b>Profit Before Tax</b>	<b>49,350</b>

24

24

12

Balances extracted from the statements of Financial Position of **Tokyo Trading Ltd.** as at 31<sup>st</sup> March 2018 and 31<sup>st</sup> March 2017 are as follows:

	As at 31 <sup>st</sup> March 2018 (Rs.)	As at 31 <sup>st</sup> March 2017 (Rs.)
Inventory	132,000	125,000
Trade Receivables	205,000	218,000
Trade Payables	142,000	135,000
Income Tax Payable	3,500	2,000

25

25

The following additional information is also provided:

- (1) Depreciation charges for the year ended 31<sup>st</sup> March 2018 was Rs.12,500/-.
- (2) Finance expenses represent the interest paid to Debenture holders.
- (3) Income tax expenses for the year ended 31<sup>st</sup> March 2018 was Rs.8,000/-.
- (4) All the purchases and sales were made on credit basis.

Using the above information,

**You are required to:**

**Prepare** Cash Flows from operating activities of **Tokyo Trading Ltd.** for the year ended 31<sup>st</sup> March 2018 using the Direct Method. (05 marks)

26

26

13

### Question 03

The following balances were extracted from the Statement of Comprehensive Income for the year ended 31<sup>st</sup> March 2017 and the Statements of Financial Position as at 31<sup>st</sup> March 2017 of **Lison Auto (Pvt) Ltd.**:

For the year ended	31 <sup>st</sup> March 2017 (Rs.'000)	
Profit on disposal of machinery		500
Depreciation for the year on machinery		1,250

	As at 31 <sup>st</sup> March 2017 (Rs. '000)	As at 31 <sup>st</sup> March 2016 (Rs. '000)
Cost of machinery	3,000	2,500
Accumulated depreciation of machinery	(2,000)	(1,500)

27

Cost of disposed machinery during the year ended 31<sup>st</sup> March 2017 was Rs.1,000,000/-. Depreciation for the current year includes the depreciation of disposed machinery up to date of disposal. New machinery has been purchased on 31<sup>st</sup> March 2017 and no depreciation has been provided on that machinery for the year ended 31<sup>st</sup> March 2017.

**You are required to:**

**Prepare** the Net Cash Flows generated from investing activities for the year ended 31<sup>st</sup> March 2017 showing separately cash received from the disposal of old machinery and cash paid to purchase of new machinery. (05 marks)

28

28

## Question 04

The following information was extracted from the books of **Jaz Ltd.**:

- (1) On 01<sup>st</sup> February 2018, Jaz Ltd. issued 100,000 ordinary shares at an issue price of Rs.10/- each. Of this total consideration, Rs.6/- per share is payable on application before 20<sup>th</sup> March 2018 and the balance of Rs.4/- per share is payable on allotment on 10<sup>th</sup> April 2018. The company has received applications for 120,000 shares and rejected the excess applications with money received by 30<sup>th</sup> March 2018.
- (1) The company has obtained a bank loan of Rs.5 million on 01<sup>st</sup> January 2018 from ABC Bank. As per the loan agreement, re-payments have been started from 31<sup>st</sup> January 2018 and the breakup of the installments paid was as follows:

29

	Total Installment paid (Rs.)	Interest portion (Rs.)
31.01.2018	77,955	68,700
28.02.2018	77,955	64,200
31.03.2018	77,955	61,380
<b>Total</b>	<b>233,865</b>	<b>194,280</b>

- (3) The company has obtained a bank overdraft facility of Rs.750,000/- on 31<sup>st</sup> March 2018.
- (4) The company has given a long term loan of Rs.1,000,000/- on 31<sup>st</sup> March 2018 to a founder employee of the company.

**You are required to:**

**Prepare** the Net Cash Flows generated from financing activities for the year ended 31<sup>st</sup> March 2018. (05 marks)

30



## Question 05

The Statements of Financial Position of Monica Ltd. are given below:

Rs.'000	31/3/X8	31/3/X7
<b><u>Non-current Assets</u></b>		
Property, Plant and Equipment	2900	2200
(-) Accumulated Depreciation	(575)	(400)
	<b>2325</b>	<b>1800</b>
<b><u>Current Assets</u></b>		
Inventory	420	385
Debtors	375	320
Prepaid Expenses	48	30
Cash	230	150
	<b>1073</b>	<b>885</b>
<b>Total Assets</b>	<b>3398</b>	<b>2685</b>

31

31

Rs.'000	31/3/X8	31/3/X7
<b><u>Equity</u></b>		
Capital	2418	1435
Retained Earnings	285	220
	<b>2703</b>	<b>1655</b>
<b><u>Non-current Liabilities</u></b>		
Bank Loan	250	300
<b><u>Current Liabilities</u></b>		
Creditors	185	315
Current Portion of Bank Loan	50	100
Accrued Expenses	35	15
Tax Provision	100	120
Dividend Payable	75	180
	<b>445</b>	<b>730</b>
<b>Total Equity and Liabilities</b>	<b>3398</b>	<b>2685</b>

32

32

Profit or Loss Account for the year ended 31/03/2018 (Rs.'000)

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Sales	4250
Cost of Sales	(2850)
<b>Gross Profit</b>	<b>1400</b>
Administration Expenses	(175)
Distribution Expenses	(480)
Other Expenses	(270)
Finance Expenses (Interest)	(200)
<b>Profit Before Tax</b>	<b>275</b>
Taxes	(110)
<b>Profit After Tax</b>	<b>165</b>
Dividends	(100)
<b>Retained Profit of the Year</b>	<b>65</b>

Prepare the Statement of Cash Flows using the Direct Method considering that all purchases and sales were made on credit

33

## Indirect Method

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34

34

17

## Indirect Method

Profit Before Tax	XX
Adjustments	
Non-cash transactions	X/(X)
Non-operating Income/Expenses	X/(X)
Changes in Working Capital	X/(X)
Cash generated from Operating Activities	XX
Tax Paid	(X)
Net Cash Flow from Operating Activities	XX

35

35

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Statement of Cash Flows (Indirect Method)			
For the year ended 31 <sup>st</sup> March 20X0			
	Rs.	Rs.	
<b>Cash Flows from Operating Activities</b>			
Profit Before Tax	XX		
<b>Adjustments</b>			
Depreciation	XX		
Unrealised Gain/Loss on Foreign Exchange	X/(X)		
Profit/Loss on Disposal of Assets	X/(X)		
Investment Income	(XX)		
Impairment Losses	XX		
Interest Expense			36 <b>XX</b>

36

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<b>Cash from Operations prior to Changes in Working Capital</b>		
<b>Changes in Working Capital</b>		
(Increase)/Decrease in Debtors	(X)/X	
(Increase)/Decrease in Inventory	(X)/X	
Increase/(Decrease) in Creditors	X/(X)	
Increase/(Decrease) in Accrued Expenses	X/(X)	
<b>Cash generated from Operating Activities</b>	<b>XX</b>	
Interest Paid	(X)	
Income Tax Paid	(X)	
Gratuity Paid	(X)	
<b>Net Cash Flows from Operating Activities</b>		<b>XX</b>

37

37

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**Statement of Cash Flows (Indirect Method)**  
**For the year ended 31<sup>st</sup> March 20X0**

	Rs.	Rs.
<b>Cash Flows from Investing Activities</b>		
Purchase of Property, Plant and Equipment	(XX)	
Disposal Proceeds of Property, Plant and Equipment	XX	
New Investments	(XX)	
Interest Received	XX	
Dividends Received	XX	
<b>Net Cash Flows from Investing Activities</b>		<b>XX</b>

38

38

19

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Statement of Cash Flows (Indirect Method)  
For the year ended 31<sup>st</sup> March 20X0

	Rs.	Rs.
<b>Cash Flows from Financing Activities</b>		
Proceeds from Issue of Shares	XX	
Long term Loans Obtained	XX	
Loans Repaid	(XX)	
Dividends Paid	(XX)	
Interest Paid	(XX)	
<b>Net Cash Flows from Financing Activities</b>		<b>XX</b>

39

39

Question 07

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1. The profit of ABC Ltd. is Rs. 1,000/-. Depreciation is Rs. 200/-. All other income and expenses are made in cash. Calculate the Profit received in Cash.
2. Total Profit of Sita Ltd. Was Rs. 5,000/-. The profit from the sale of land during the year is Rs. 1,000/-. Except this, all income and expenses are made in cash. Calculate the Profit received in Cash.
3. The Opening Debtor Balance of Rollo Ltd. is Rs. 500/- and the Closing Debtor Balance is Rs. 1,000/-. Profit for the year is Rs. 1,000/-. Sales is Rs. 5,000/-. If all income and expenses, other than sales, were made in cash, what is the Profit received in Cash?
4. The Opening Creditor Balance of Rita Ltd. is Rs. 4,000/-. Credit purchases during the year is Rs. 10,000/-. The Closing Creditor Balance is Rs. 2,000/-. Profit for the year is Rs. 7,000/-. If all income and expenses, other than credit purchases, were made in cash, what is the Profit received in Cash?

40

20

## Question 08

The Statements of Financial Position as at 31<sup>st</sup> March 2017 and 31<sup>st</sup> March 2016 of ABC Company Ltd. are given below:

Rs.'000	As at 31 <sup>st</sup> March 2017		As at 31 <sup>st</sup> March 2016	
<b>Assets</b>				
<b>Non-current Assets:</b>				
Property, Plant and Equipment (at cost)	10,000		10,000	
Accumulated Depreciation	(4,500)		(4,000)	
Carrying Value		5,500		6,000
<b>Current Assets:</b>				
Inventories	5,500		6,000	
Trade and Other Receivables	8,100		5,160	
Cash and Cash Equivalents	250	13,850	300	11,460
<b>Total Assets</b>		<b>19,350</b>		<b>17,460</b>

41

Rs.'000	As at 31 <sup>st</sup> March 2017		As at 31 <sup>st</sup> March 2016	
<b>Equity and Liabilities</b>				
<b>Equity:</b>				
Ordinary Share Capital		10,000		10,000
Irredeemable Preference Share Capital		4,000		2,500
Retained Earnings		2,300		400
<b>Total Equity</b>		<b>16,300</b>		<b>12,900</b>
<b>Non-current Liabilities:</b>				
Bank Loan		350		1,250
<b>Current Liabilities:</b>				
Bank Loan	750		750	
Trade and Other Payable	1,660		2,300	
Loan Interest Payable	40		60	
Income Tax Payable	250	2,700	200	3,310
<b>Total Equity and Liabilities</b>		<b>19,350</b>		<b>17,460</b>

42

21

The following additional information is also provided:

- (1) Income tax expense for the year ended 31<sup>st</sup> March 2017 was Rs.600,000/-.
- (2) Interest expense on bank loan for the year ended 31<sup>st</sup> March 2017 was Rs.380,000/-.
- (3) There were no disposals or purchases of Property, Plant and Equipment during the year.
- (4) No dividends are paid or declared during the year.

**You are required to:**

**Prepare** the statement of Cash Flows of **ABC Company Ltd.** for the year ended 31<sup>st</sup> March 2017 using indirect method.

43

43

### Question 09

The Statements of Financial Position of **Seven Roses Ltd.** as at 31<sup>st</sup> March 2017 and 31<sup>st</sup> March 2018 are given below:

Rs.'000	As at 31 <sup>st</sup> March 2018		As at 31 <sup>st</sup> March 2017	
<b>Assets:</b>				
<b>Non-current Assets:</b>				
Property, Plant and Equipment (at cost)	46,000		56,000	
Accumulated Depreciation	(24,000)		(20,000)	
Carrying value		22,000		36,000
<b>Current Assets:</b>				
Inventories	16,000		5,800	
Trade Receivables	33,500		29,400	
Cash and Cash Equivalents	3,500	53,000	5,000	40,200
<b>Total Assets</b>		<b>75,000</b>		<b>76,200</b>

44

22

Rs.'000	As at 31 <sup>st</sup> March 2018		As at 31 <sup>st</sup> March 2017	
<b>Equity and Liabilities</b>				
<b>Equity:</b>				
Ordinary Share Capital		50,000		50,000
Retained Earnings		7,200		6,000
		57,200		56,000
<b>Current Liabilities:</b>				
Trade and Other Payables	17,700		19,800	
Income Tax Payable	100	17,800	400	20,200
<b>Total Equity and Liabilities</b>		<b>75,000</b>		<b>76,200</b>

45

45

The following additional information is also provided:

- (1) During the year, the company paid interim dividend of Rs.2,000,000/- to its ordinary shareholders.
- (2) On 31<sup>st</sup> March 2018, the company sold a machinery for Rs.4 million which was purchased on 01<sup>st</sup> April 2015 at a cost of Rs.10 million. The useful life time of the machinery is 5 years.
- (3) There were no purchases of Property, Plant and Equipment during the year.
- (4) The income tax expense of the company for the year of assessment 2017/18 was estimated to be Rs.450,000/-.

Using the above information,

**You are required to:**

**Prepare** the Cash Flow Statement of **Seven Roses Ltd.** for the year ended 31<sup>st</sup> March 2018 using indirect method. (10 marks)

46

23



### Question 10

The statements of Financial Position as at 31<sup>st</sup> March 2017 and 31<sup>st</sup> March 2018 of **Siyasto Creations (Pvt) Ltd.** are as follows:

As at 31 <sup>st</sup> March	Rs.'000	2018	2017
<b>Assets:</b>			
<b>Non-current Assets:</b>			
Property, Plant and Equipment at cost		4,740	4,300
Accumulated Depreciation		(2,060)	(1,410)
<b>Carrying Value</b>		<b>2,680</b>	<b>2,890</b>
<b>Current Assets:</b>			
Inventories		2,370	1,415
Trade Receivables		4,450	2,536
Cash and Cash Equivalents		2,280	1,320
		<b>9,100</b>	<b>5,271</b>
<b>Total Assets</b>		<b>11,780</b>	<b>8,161</b>

47

As at 31 <sup>st</sup> March	Rs.'000	2018	2017
<b>Equity:</b>			
Stated Capital - Ordinary shares		2,000	2,000
Retained Earnings		3,660	1,460
		<b>5,660</b>	<b>3,460</b>
<b>Non-current Liabilities:</b>			
Long Term Loans		1,000	-
Employee benefits (Provision for gratuity)		590	500
Deferred Tax Liabilities		720	500
		<b>2,310</b>	<b>1,000</b>
<b>Current Liabilities:</b>			
Trade Payables		2,760	2,851
Income Tax Payables		1,050	850
		<b>3,810</b>	<b>3,701</b>
<b>Total Equity and Liabilities</b>		<b>11,780</b>	<b>8,161</b>

48

Extract of the Statement of Comprehensive Income for the year ended 31<sup>st</sup> March 2018

	Rs.'000
Profit before interest and income tax	2,900
Interest expenses	(250)
Profit Before Income Tax	<b>2,650</b>
Income tax	(450)
Profit for the year	<b>2,200</b>

The following additional information is also provided:

- (1) Income tax for the year includes the deferred tax expense for the year ended 31<sup>st</sup> March 2018.

49

49

- (2) An equipment costing Rs.550,000/- has been disposed during the year ended 31<sup>st</sup> March 2018 for Rs.400,000/-. The carrying value of the equipment as at the date of disposal was Rs.200,000/-.

- (3) There was no other comprehensive income for the year ended 31<sup>st</sup> March 2018. Further, there were no accrued interest expenses as at the year end.

- (4) No payments for gratuity was made during the year ended 31<sup>st</sup> March 2018.

**You are required to:**

**Prepare** the Statement of Cash Flows of **Siyasto Creations (Pvt) Ltd.** for the year ended 31<sup>st</sup> March 2018 under the indirect method. (10 marks)

50

25

## Question 11

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The statements of financial position of **Royal (Pvt) Ltd.** are given below:

As at 31 <sup>st</sup> March	Rs.'000	2020	2019
<b>Non-Current Assets:</b>			
Property, Plant and Equipment		4,205	3,838
Accumulated Depreciation		(2,090)	(1,810)
<b>Carrying value</b>		<b>2,115</b>	<b>2,028</b>
<b>Current Assets:</b>			
Inventories		1,320	920
Trade Receivables		1,723	1,905
Cash and Cash Equivalents		397	457
		<b>3,440</b>	<b>3,282</b>
<b>Total Assets:</b>		<b>5,555</b>	<b>5,310</b>

51

As at 31 <sup>st</sup> March	Rs.'000	2020	2019
<b>Equity:</b>			
Stated Capital		1,000	1,000
Retained Earnings		960	820
		<b>1,960</b>	<b>1,820</b>
<b>Non-Current Liabilities:</b>			
Long Term Loans		1,300	1,200
		<b>1,300</b>	<b>1,200</b>
<b>Current Liabilities:</b>			
Short Term Loans		200	150
Trade Payables		1,695	1,590
Interest Payable on loans		180	100
Income Tax Payable		220	450
		<b>2,295</b>	<b>2,290</b>
<b>Total Equity and Liabilities</b>		<b>5,555</b>	<b>5,310</b>

52

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The following additional information is also provided:

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- (1) Income tax expense for the year ended 31<sup>st</sup> March 2020 was Rs. 205,000/-.
- (2) A more vehicle has been disposed on 31<sup>st</sup> March 2020 for Rs. 1,800,000/- by the company. The cost of the motor vehicle and accumulated depreciation as at 31<sup>st</sup> March 2020 were Rs. 2,500,000/- and Rs. 1,250,000/- respectively. Further, on the same day, the company has purchased a motor lorry.
- (3) Interest expense on loans for the year ended 31<sup>st</sup> March 2020 was Rs. 295,000/-.
- (4) An interim dividend of Rs. 100,000/- had been paid during the year to its ordinary shareholders.
- (5) The company has obtained a bank loan of Rs. 800,000/- during the year.

**You are required to:**

**Prepare** the Statement of Cash Flows of **Royal (Pvt) Ltd.** for the year ended 31<sup>st</sup> March 2020 using indirect method. (10 marks)

53

### Question 12 (AAT 03 Jan 22)

Sandeeva Jayasekera - JMC

The Statements of Financial Position of **Arya (Pvt) Ltd.** as at 31st March 2021 and 31st March 2020 are given below:

<b>As at 31st March Rs.000</b>	<b>2021</b>	<b>2022</b>
<b>Non-Current Assets:</b>		
Property, Plant and Equipment	10,500	8,200
Accumulated Depreciation	(5,600)	(4,800)
<b>Carrying Value</b>	<b>4,900</b>	<b>3,400</b>
<b>Current Assets:</b>		
Inventory	6,080	5,580
Trade Receivables	1,920	2,330
Cash and Cash Equivalents	1,200	990
	9,200	8,900
<b>Total Assets</b>	<b>14,100</b>	<b>12,300</b>

54

54

27

As at 31st March Rs.000	2021	2022
Equity:		
Stated Capital	3,300	2,700
Employee Benefits (Provision for gratuity)	1,600	1,200
	<b>4,900</b>	<b>3,900</b>
Current Liabilities:		
Short Term Loans	150	50
Trade Payables	750	330
Loan Interest Payable	100	70
Income Tax Payable	150	763
	<b>1,150</b>	<b>1,213</b>
<b>Total Equity and Liabilities</b>	<b>14,100</b>	<b>12,300</b>

Sandeepa Jayasekera - JMC

55

55

The following additional information is also provided:
(1) Income tax expense was estimated as Rs.105,000/- for the year ended 31st March 2021.
(2) A machinery was disposed on 01st April 2020. Cost and accumulated depreciation as at 01st April 2020 of the machinery were Rs. 5.1 million and 2.5 million respectively. A loss of Rs.750,000/- was incurred on the disposal of this machinery. A new machinery was purchased during the year to replace the disposed machinery. Other than this, there were no other purchase or disposal of Property, Plant and Equipment during the year.
(3) Gratuity paid during the year was Rs.360,000/-.
(4) Interest on loans for the year was Rs.450,000/- and a loan of Rs.2,000,000/- was obtained during the year.

Sandeepa Jayasekera - JMC

56

56

(5) No dividends were paid during the year to the shareholders.

**You are required to:**

**Prepare** the Statement of Cash Flows of **Arya (Pvt) Ltd.** for the year ended 31st March 2021 using indirect method.

### Question 13 (AAT 03 July 22)

The Statements of Financial Position of Manel (Pvt) Ltd. as at 31st March 2022 and 31st March 2021 are given below:

As at 31st March Rs.000	2022	2021
Non-Current Assets		
Property Plant and Equipment	7,200	6,000
Accumulated Depreciation	(4,100)	(3,500)
Carrying Value	3,100	2,500
Current Assets:		
Inventories	3,120	4,360
Trade and Other Receivables	1,980	2,930
Cash and Cash Equivalents	2,400	860
	7,500	8,150
Total Assets	10,600	10,650

Stated Capital	2,000	2,000
Retained Earnings	2,690	2,790
	4,690	4,790
Non-Current Liabilities:		
Long Term Loans	2,200	2,050
Employee Benefits (Provision for Gratuity)	1,750	1,250
	3,950	3,300
Current Liabilities:		
Short-Term Loans	210	150
Trade Payables	1,390	2,140
Interest Payable	150	120
Income Tax Payable	210	150
	1,960	2,560
Total Equity and Liabilities	10,600	10,650

59

The following additional information is also provided:

- (1) Income tax expense for the year ended 31st March 2022 was Rs.145,000/-.
- (2) A machinery purchased at Rs.1.1 million was disposed on 01st April 2021 for Rs. 1.5 million. Accumulated depreciation of this machinery as at 01st April 2021 was Rs.500,000/-. A new machinery has been purchased on 31st March 2022 as a replacement.
- (3) Interest expense for the year was Rs.350,000/- and a new loan of Rs.900,000/- was obtained during the year.
- (4) Provision for gratuity for the year ended 31st March 2022 was Rs.600,000/-.
- (5) No dividends were paid to the ordinary shareholders during the year ended 31st March 2022.

**You are required to:**

Prepare the Statement of Cash Flows for Manel (Pvt) Ltd. for the year ended 31st March 2022 using indirect method.

60

60

30