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B.Com Honours | Semester III | Calicut University

CORPORATE FINANCIAL STATEMENTS

Course Code: COM3MN203 • Module 4 Notes

Module IV: Cash Flow Statement (AS-3 / Ind AS 7)

A Cash Flow Statement summarizes cash inflows and outflows categorized into Operating, Investing, and Financing activities to assess cash generation capacity and solvency.

Unit 9: Objectives, Scope, & Benefits of Cash Flow Statement (AS-3 / Ind AS 7)

1. Meaning of Cash & Cash Equivalents: Cash on hand, demand deposits, and short-term highly liquid investments readily convertible to known cash amounts (maturity ≤ 3 months).
2. Key Benefits: Evaluates enterprise liquidity, liquidity risk, ability to service debt and pay dividends, and reconciles operating profit with net cash flow.

Unit 10: Presentation of Cash Flow Statement – Operating, Investing, & Financing Classification

1. Operating Activities: Main revenue-generating activities (Cash receipts from customers, Cash paid to suppliers & employees).
2. Investing Activities: Acquisition and disposal of long-term assets and other investments (Purchase/Sale of Machinery, Land, Shares).
3. Financing Activities: Activities altering equity capital and borrowings structure (Issue of Shares, Redemption of Debentures, Interest & Dividend Paid).

Unit 11: Reporting Cash Flow from Operating, Investing, & Financing Activities

Indirect Method (Operating Cash Flow):

> **Net Operating Cash Flow = Net Profit Before Tax + Non-Cash Charges (Depreciation) ± Working Capital Changes - Taxes Paid**

Practical Problem 2 (Comprehensive Solved Cash Flow Statement under Ind AS 7): From the following details of Zenith Enterprises Ltd. for the year ended 31st March 2024, prepare a Cash Flow Statement:
Net Profit Before Tax = Rs. 10,00,000; Depreciation on Machinery = Rs. 2,00,000; Gain on Sale of Investments = Rs. 50,000. Increase in Trade Receivables = Rs. 1,00,000; Decrease in Inventory = Rs. 80,000; Increase in Trade Payables = Rs. 40,000. Tax paid = Rs. 2,00,000. Purchase of Plant & Machinery = Rs. 5,00,000; Sale of Investments = Rs. 1,50,000. Issue of Equity Share Capital = Rs. 4,00,000; Dividend Paid = Rs. 1,00,000. Opening Cash Balance = Rs. 2,00,000.

Cash Flow Statement of Zenith Enterprises Ltd. for the year ended 31st March 2024:

Particulars	Amount (Rs.)	Net Cash Flow (Rs.)
(A) Cash Flow from Operating Activities:		
Net Profit Before Tax	10,00,000	
Adjustments for Non-Cash / Non-Operating Items:		
Add: Depreciation on Machinery	+2,00,000	
Less: Gain on Sale of Investments	-50,000	
Operating Profit before Working Capital Changes	**11,50,000**	
Less: Increase in Trade Receivables	-1,00,000	
Add: Decrease in Inventory	+80,000	
Add: Increase in Trade Payables	+40,000	
Cash Generated from Operations	**11,70,000**	
Less: Direct Taxes Paid	-2,00,000	
Net Cash Flow from Operating Activities (A)		**+9,70,000**
(B) Cash Flow from Investing Activities:		
Purchase of Plant & Machinery	-5,00,000	
Proceeds from Sale of Investments	+1,50,000	
Net Cash Used in Investing Activities (B)		**-3,50,000**
(C) Cash Flow from Financing Activities:		
Proceeds from Issue of Equity Shares	+4,00,000	
Dividend Paid	-1,00,000	
Net Cash Flow from Financing Activities (C)		**+3,00,000**
Net Increase in Cash & Cash Equivalents (A + B + C)		**+9,20,000**
Add: Opening Cash & Cash Equivalents Balance		+2,00,000
Closing Cash & Cash Equivalents Balance		**11,20,000**