

CASH FLOW STATEMENT

CASH FLOW

A cash flow is the **inflow (receipt) and the outflow (payment) of Cash and Cash equivalents**, where cash and cash equivalents include **Cash, Bank Balance, Marketable Securities**.

CASH INFLOWS

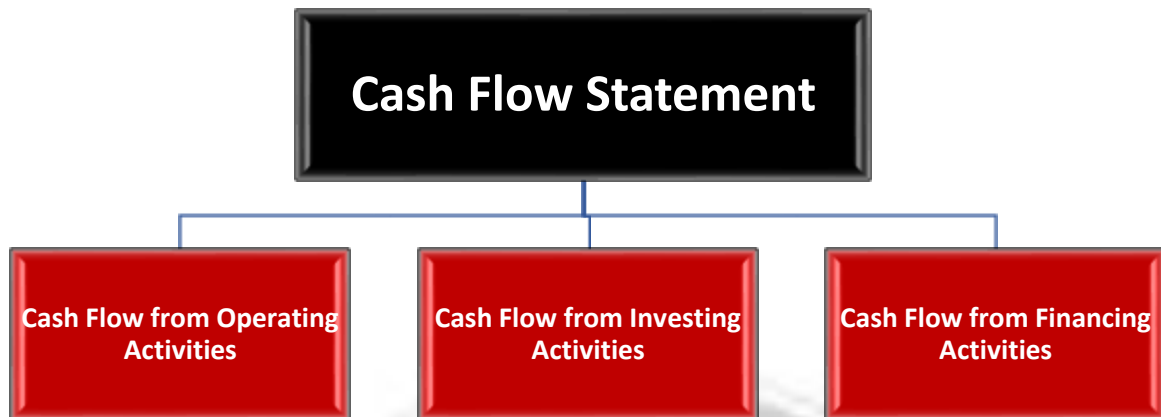
Cash Inflows are those transactions **that increase the Cash and Cash Equivalents**. cash inflows come from **operating, investing, and financial activities**.

CASH OUTFLOWS

Cash outflows are those transactions that **decrease the Cash and Cash Equivalents**. cash outflows are the **expenses paid for business activities and investments**.

CASH FLOW STATEMENT

- It is a statement that **shows the inflows and the outflows of Cash and Cash Equivalents** during the period.
- A cash flow statement, prepared for a period, tells us the **position of cash at the beginning and end of that period**



OPERATING ACTIVITIES

These are the principal **revenue-producing activities** of the **entity**. This section shows the cash flows from the **company's primary business operations**.



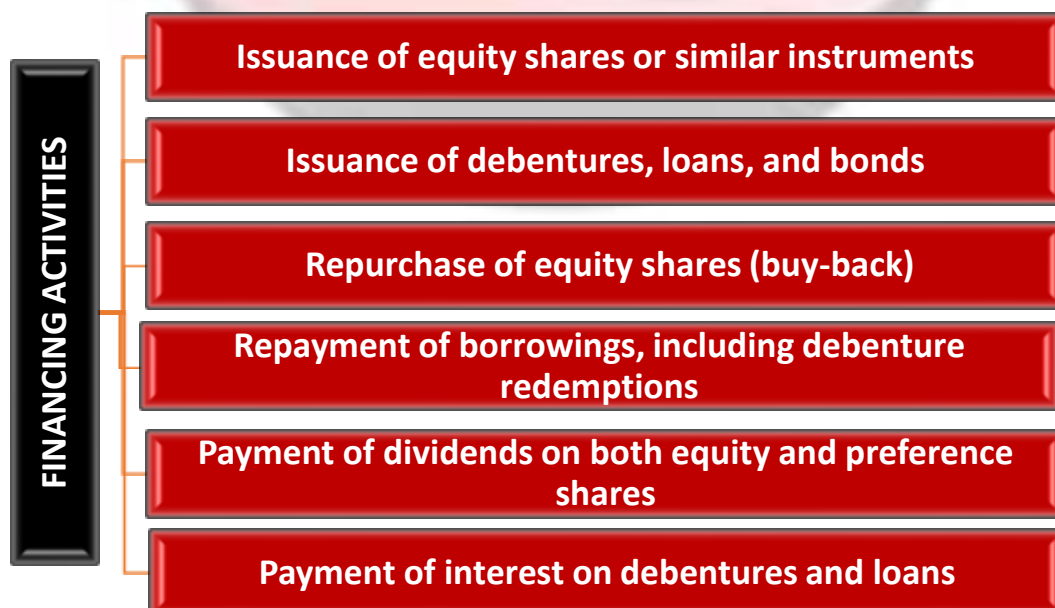
INVESTING ACTIVITIES

- This section shows the **cash flows related to the company's investments in long-term assets.**
- These activities include **acquisition and disposal of long-term assets** and other long-term investments.



FINANCING ACTIVITIES

- It refers to the cash flows **related to the company's financing sources and activities.**
- These activities involve **raising capital and managing the company's financial structure.**





OTHER IMPORTANT POINTS MENTIONED IN IND AS-7

- **Movements within Cash and Cash Equivalents**, such as deposits, withdrawals, and transactions with marketable securities, **are not reported in the Cash Flow Statement.**

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- **Transactions** can have **different cash flow classifications**.
For example, **loan repayments may include both interest and principal**, which can be classified as operating and financing activities, respectively.
- Cash flows in **foreign currency are recorded using the exchange rate** between the functional currency and foreign currency at the time of the cash flow.
- **Taxes on income are disclosed separately** and categorized as **operating activities** unless they are specifically associated with financing or investing activities.
- Cash flows related to **acquiring or disposing of subsidiaries or other businesses** are presented separately and **classified as investing activities**.

IMPORTANCE OR USES OF CASH FLOW STATEMENT

Facilitate Short-term Planning : It helps in **planning investments and assessing the financial requirements** of the enterprise based on information provided in the statement.

Assess Liquidity and Solvency: It helps in identifying the ability of the **enterprise to meet its liabilities on time.**

To manage Cash Efficiently : It provides information **about the cash position** by reflecting either a **surplus of cash or a deficit of cash** in the statement.

Facilitate Comparative Study : It facilitates the **comparison of actual cash flows with the budgeted cash flows** to identify whether the inflows and outflows of cash are moving as per the plan.

FUND FLOW STATEMENT

- It is a statement which shows **the sources from which funds are obtained** and **uses to which fund are put.**
- It shows **inflow and outflow of funds or assets** for a company.
- It explains how the **financial position** of an enterprise **changes over a period of time.**

SOURCES OF FUNDS	USES OF FUNDS
1. LONG TERM SOURCES: a. Increase in equity b. Decrease in Reserves c. Increase in long term borrowings d. Decrease in Non-current assets	1. LONG TERM USES: a. Decrease in equity b. Increase in Reserves c. Decrease in long term borrowings d. Increase in Non-current assets
Sub-total	Sub-total
2. SHORT TERM SOURCES: a. Increase in Short term borrowings b. Decrease in current assets	2. SHORT TERM USES: a. Decrease in Short term borrowings b. Increase in current assets

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Sub-total	Sub-total
TOTAL	TOTAL



Basis Cash Flow Statement Fund Flow Statement

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Purpose	To show the movement of cash during the beginning and end of an accounting period	To show the changes in the financial position of business between previous and current accounting periods
Recording	The cash flow statement records changes in opening balance and closing balance of cash.	The fund flow statement records the source and application of funds.
Analysis	The analysis is for a short duration.	The analysis is for the long term
Useful	Cash flow is useful for cash budgeting.	Fund flow is useful for capital budgeting.

COMPANY ACCOUNTS-II

COMPANY

- A company is a legal entity or organization formed to carry out business activities.
- It is a distinct and separate entity from its owners or shareholders, with its own legal rights and obligations.

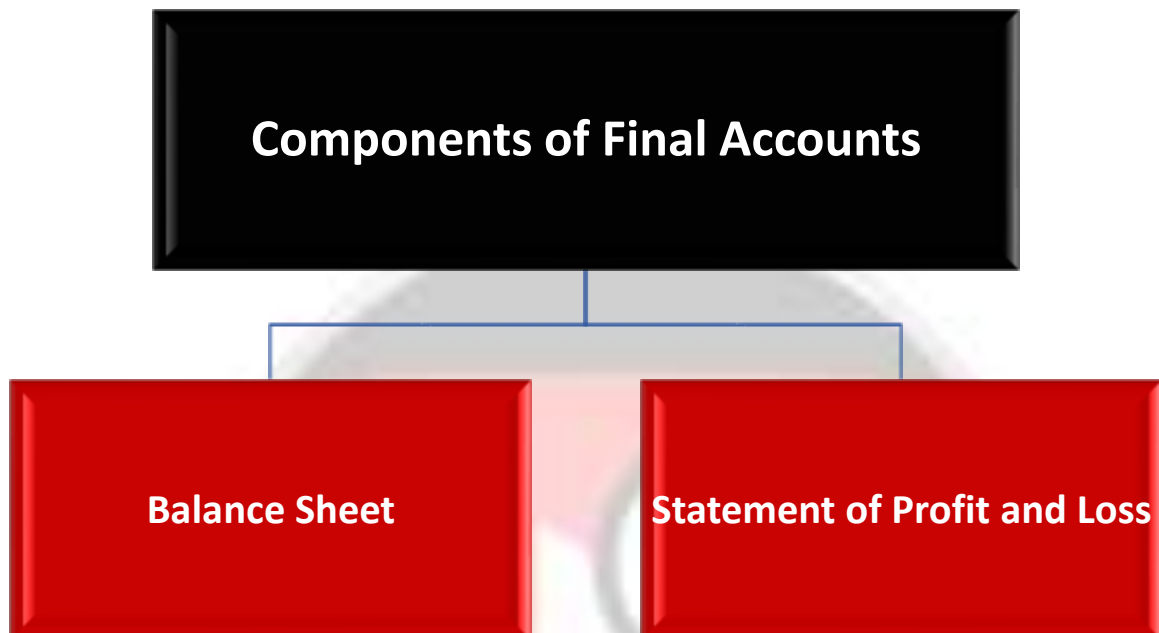
LEGAL REQUIREMENTS

Section 128 of Companies Act, 2013, makes it compulsory for a company to keep certain books of account. Section 129 of Companies Act, 2013 governs the preparation of the final accounts.

FINAL ACCOUNTS

- Final Accounts are the accounts which are prepared at the end of a fiscal year.

- It gives a precise idea of the **financial position and performance of the business/organization** to the owners, management, or other interested parties.



BALANCE SHEET

- This is a financial statement that shows the **company's financial position at a specific point in time.**

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- It presents the company's assets, liabilities, and shareholders' equity,

PART—I Form of Balance Sheet (Name of Company.... Balance Sheet as at....)			
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
I. EQUITY AND LIABILITIES			
(1) Share holder's 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			
(c) Other Current Liabilities			
(d) Short-term Provisions			
Total			
II. ASSETS			
(1) Non-current Assets			
(a) Fixed Assets			
(i) Tangible Assets			
(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 Loan 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			

EQUITY AND LIABILITIES

SHAREHOLDER FUNDS

- It represents the **portion of the company's value** that **belongs to the shareholders or owners.**
- It represents the ownership interest or the **net worth of the company.**

Components of Share Holder Fund

- **Share capital:** - Authorized Share Capital, Issued Share Capital, Subscribed Capital, Called-Up Capital, Paid-Up Capital
- **Reserves and Surplus:** - General reserve, Revaluation reserve, capital reserve.
- **Money received against share warrants.**

SHARE APPLICATION PENDING ALLOTMENT.

Share application pending allotment" refers to a situation where **individuals or entities have applied to purchase shares** of a company but have **not yet received an allotment of those shares.**

NONCURRENT LIABILITIES

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These liabilities can be defined as those **financial obligations that are generally expected to be paid after a year.**

Components of Non-current Liabilities

- **Long term borrowings:** -Debentures, Bank loan
- **Long term provisions:** - Gratuity, provident funds
- **Deferred tax liabilities:** -Depreciation method
- **Other long-term liabilities:** Machinery purchased on instalment.

CURRENT LIABILITIES

Current liabilities are obligations that are expected **to be settled within one year or the operating cycle.**

- **Short term borrowings:** - working capital loans, Bank overdraft.
- **Trade payables:** - Creditors and Bills payable
- **Short term provisions:** -Provision for tax and doubtful debts
- **Other current liabilities:** - Advance from customers,

NON-CURRENT ASSETS

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These are long-term assets that are expected to **provide economic benefits for more than one year.**

- **Fixed assets:** - Tangible Assets, Intangible assets, Capital work in progress, intangible assets under development
- **Non-Current investments:** - Investment in Bonds and Stocks,
- **Long term loans and advances:** - Loans and advances to employees, officers, and directors
- **Deferred tax assets**
- **Other non-current assets**

CURRENT ASSETS

Current assets are expected to be **converted into cash or used up within one year or the operating cycle**, whichever is longer.

- **Current investments:** - Money market mutual funds, short term securities
- **Inventories:** - Raw material, Finished Goods, Work in progress
- **Trade receivable:** -Debtors and Bills receivable

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- **Cash and cash equivalents:** -Cash in hand and Bank balance
- **Other current assets**

STATEMENT OF PROFIT AND LOSS

- This is a financial statement that provides **an overview of a company's revenues, expenses, gains, and losses over a specific period of time.**
- It shows the **financial performance** of a company and **determines its profitability.**

COMPONENTS

Revenue/Sales

This represents the **income generated** from the **sale of goods or services** by the company.

Other income

This is **revenue or income** generated by a business **that is not directly related to its primary operations.** It typically includes non-operating income like **Interest income, Rental income, Dividend income, Gain on sale of assets.**

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Cost of material consumed.

It refers to the **expenses** incurred by a business **in relation to the raw materials and components** used in its **production or manufacturing process during a specific period.**

Purchases of stock in trade

It represents the **cost incurred** by the business to **acquire merchandise or products that will be resold to customers.**

Employee benefit expense

- It refers to the costs incurred **by a company in providing various benefits and perks to its employees** as part of their overall compensation package.
- These expenses are typically including **Salaries and wages, Health insurance, Retirement plans**

Exceptional Items

- These are significant **events or transactions that are outside the ordinary activities** of the business and are **considered non-recurring.**

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- They may include **gains or losses from the sale of assets**, restructuring costs, impairment charges, or other material events that are **not expected to happen frequently**.

Extraordinary Items

- Extraordinary items are **even more rare and unusual than exceptional items**. They are events or transactions that are **both infrequent and highly significant**.
- They may include damages from **natural disasters**, **expropriations**, or major legal settlements.

Q:1 A cash flow is the inflow (receipt) and the outflow (payment) of Cash and Cash equivalents, where cash and cash equivalents include_____.

- a) Cash
- b) Bank balances
- c) Marketable securities
- d) All of the above

Q:2 Cash Inflows are those transactions that increase the Cash and Cash Equivalents. Which of the following is an example of a cash inflow?

- a) Payment of salaries to employees
- b) Purchase of inventory on credit
- c) Collection of accounts receivable
- d) Payment of interest on a loan

Q:3 Cash outflows are those transactions that decrease the Cash and Cash Equivalents. Cash outflows are the expenses paid for business activities and investments. Which of these is not Cash outflows.

- a) Payment of dividends to shareholders
- b) Payment of salaries to employees
- c) Purchase of inventory on cash
- d) Collection of accounts receivable

Q:4 Operating Activities component includes cash flows from the company's core business operations, such as receipts from sales of goods or services and payments for operating expenses. Which of the following is considered a cash flow from operating activities?

- I. Cash received from customers

- II. Cash paid to suppliers
 - III. Cash paid for wages
 - IV. Cash received from the sale of long-term investments
- a) I, III, IV
 - b) II, III, IV
 - c) I, II, IV
 - d) I, II, III

Q:5 Investing activities section of the Cash Flow Statement includes cash flows from the purchase and sale of long-term assets, such as property, plant, and equipment. Cash inflows from investing activities can include_____.

- a) Acquisition of Fixed assets
- b) Sale or disposal of fixed assets
- c) Acquisition of securities
- d) all of the above

Q:6 Cash flows from financing activities includes_____.

- I. Issuance of equity shares or similar instruments
 - II. Issuance of debentures, loans, and bonds
 - III. Repurchase of equity shares (buy-back)
 - IV. Repayment of borrowings, including debenture redemptions
- a) I, III, IV
 - b) II, III, IV
 - c) I, II, IV
 - d) I, II, III, IV

Q:7 Which of the following movements is not reported in the Cash Flow Statement?

- a) Deposits made into a bank account
- b) Withdrawals from a bank account
- c) Cash invested in marketable securities
- d) All of the above**

Q:8 Which of the following is considered a source of funds in the Fund Flow Statement?

- I. Issue of shares and debentures
 - II. Redemption of debentures
 - III. Long-term loans taken from bank
 - IV. Sale of fixed assets
- a) I, III, IV
 - b) II, III, IV
 - c) I, II, IV
 - d) I, II, III,

Q:9 Application of funds refers to how a company utilizes or deploys the funds it acquires or generates. Which of the following is not considered an application of funds in the Fund Flow Statement?

- a) Decrease in equity
- b) Increase in Reserves
- c) Decrease in long term borrowings
- d) Decrease in non-current assets

Q:10 Working capital refers to the difference between a company's current assets and current liabilities. What does the decrease in working capital represent in the Fund Flow Statement?

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- a) Source of funds
- b) Application of funds
- c) Increase in cash balance
- d) Decrease in cash balance

