

Indirect Method.

According to AS-3, Cash Flow Statement should be prepared in the following format:

Cash Flow Statement
for the year ended _____

Particulars	₹
I Cash Flow from Operating Activities	
Net Profit as per Profit and Loss A/c	—
Add: Transfer to reserve	—
Proposed dividend for c.y. (current year)	—
Interim dividend paid during the year	—
Provision for tax made during the c.y.	—
Extraordinary item, if any, debited to P&L A/c	—
Less: Extraordinary item, if any, credited to P&L A/c	(-)
Refund of tax credited to P&L A/c	(-)
(A) Net Profit before Taxation and Extraordinary items	(-)
Adjustments for Non-Cash and Non-Operating items	—
(B) Add:	—
• Depreciation	—
• Preliminary Expenses / Discount on issue of Shares and debentures written off	—
• Goodwill, Patents and Trade Marks Amortised	—
• Interest on Loans and Debentures	—
• Loss on Sale of Fixed Assets	—
(C) Less:	—
• Interest & Dividend received	—
• Rent received	—
• Profit on Sale of Fixed Assets	—
(D) Operating Profit before change in Working Capital	(-)
(A + B - C)	—
(E) Add: Decrease in C.A. and Increase in C.L.	—
(F) Less: Increase in C.A. and Decrease in C.L.	—
(G) Cash Generated from Operations (D + E - F)	(-)

(H) Less: Income Tax paid		(-)
(I) Cash Flow before Extraordinary Items		-
Extraordinary Items (+/-)		
(J) Net cash from (or used in) Operating Activities		-
II Cash Flow from Investing Activities		
• Proceeds from sale of Fixed Assets / Investments / Intangible Assets		-
• Interest and Dividend received		-
• Rent received		-
• Purchase of Fixed Assets / Investments / Intangible Assets		(-)
Net cash from (or used in) Investing Activities		-
III Cash Flow from Financing Activities		
• Proceeds from Issue of Shares and Debentures		-
• Proceeds from other Long-term Borrowings		-
• Final Dividend paid / Interim Div. paid		(-)
• Interest on Debentures and Loans paid		(-)
• Repayment of Loans		(-)
• Redemption of Debentures / Preference Shares		(-)
Net cash from (or used in) Financing Activities		-
IV Net Increase / Decrease in Cash and Cash Equivalents (I + II + III)		-
V Add: Opening Cash and Cash Equivalents		
• Cash in hand / Bank		-
• Short-term Deposits		-
• Marketable Securities		-
VI Less		-
I Closing Cash and Cash Equivalents		
• Cash in hand / Bank		-
• Short-term Deposits		-
• Marketable Securities		-

Notes: Amounts in brackets indicate negative amounts, i.e., amounts that are to be deducted.

HOTS:

- Q) In a tsunami hit, X Ltd. lost its stock of ₹ 5 lakhs. It received insurance claim of ₹ 2.5 lakhs only. How will you depict it in the CFS and why?
- Q) A Ltd., a company engaged in providing loans and investing into shares has received dividend on shares. How will you depict it in CFS? Give reasons.
- Q) Give an example of a single transactions which includes cash flows that are classified under more than one activity.