

MANAGEMENT ACCOUNTING

CHAPTER 3: FUND FLOW STATEMENT

MEANING: IT DESCRIBES THE SOURCES FROM WHICH ADDITIONAL FUNDS WERE DERIVED AND THE USES OF THESE FUNDS

Advantages Of Fund Flow Statement:

1. Guides Proper Use Of Available Funds
2. Acts As A Basis For Financial Plan And Budgeting
3. It Gives Early Warning Of Coming Financial Dangers
4. It Reveals The Net Result Of Business Operations During The Year In Terms Of Cash
5. Helps In Borrowing Loans

Steps In Preparation Of Fund Flow Statement

Step 1: Statement Of Changes In Working Capital

Step 2: Preparation Of Ledger Accounts

Step 3: Preparation Of Adjusted Profits And Loss Account

Step 4: Fund Flow Statement(Sources Of Funds And Application Of Funds)

Fund Flow Statement

1. Calculate The Statement Of Changes In Working Capital

Liabilities	2013	2014	Assets	2013	2014
Share Capital	2,00,000	2,60,000	G/W	Nil	20,000
P/L A/C	39,690	41,220	L/B	1,12,450	1,16,200
Reserves And Surplus	50,000	50,000			
Sundry Crs	39,500	41,135	Plant And Machinery	1,48,000	1,44,250
B/P	33,780	11,525	Stock	1,11,040	97,370
Bank O/D	59,510	Nil	Sundry Drs	85,175	72,625
Provision For Tax	40,000	50,000	B/R	3,315	735
			Cash	2,500	2,700
Total	4,62,480	4,53,880	Total	4,62,480	4,53,880

2. Calculate Statement Of Changes In Working Capital

Liabilities	2013	2014	Assets	2013	2014
--------------------	-------------	-------------	---------------	-------------	-------------

Equity Share Capital	6,00,000	8,00,000	Land And Buildings	1,80,000	2,20,000
P And L	1,00,000	1,60,000	Plant And Machinery	5,00,000	8,00,000
General Reserves	50,000	70,000	Stock	1,00,000	85,000
Provision For Taxation	50,000	40,000	Bills Receivables	50,000	30,000
S. Creditors	1,10,000	1,30,000	Debtors	1,50,000	1,60,000
Bills Payable	80,000	90,000	Cash In Hand	20,000	20,000
Outstanding Rent	10,000	25,000			
Total	10,00,000	13,15,000	Total	10,00,000	13,15,000

3. Calculate Statement Of Changes In Working Capital

Liabilities	2013	2014	Assets	2013	2014
E. Share Capital	3,00,000	4,00,000	G/W	1,15,000	90,000
Preference Share Capital	1,50,000	1,00,000	L/B	2,00,000	1,70,000
G/R	40,000	70,000	Plant	80,000	2,00,000
P/L	30,000	48,000	Stock	77,000	1,09,000
Proposed Dividend	42,000	50,000	B/R	20,000	30,000
S. Crs	55,000	83,000	Cash In Hand	15,000	10,000
B/P	20,000	16,000	Cash At Bank	10,000	8,000
Provision For Tax	40,000	50,000	S.Drs	1,60,000	2,00,000
Total	6,77,000	8,17,000	Total	6,77,000	8,17,000

4. Prepare statement of changes in working capital

Liabilities	2004	2005	Assets	2004	2005
Equity Share Capital	6,00,000	8,00,000	Land And Buildings	8,00,000	9,00,000
General Reserves	2,00,000	3,00,000	Plant And Machinery	2,00,000	3,00,000
P/L A/C	50,000	60,000	Stock	1,70,000	3,00,000

Bank Loan	2,00,000	50,000	Cash At Bank	30,000	20,000
Sundry Crs	2,00,000	1,80,000			
B/P	50,000	30,000			
Total	13,00,000	14,20,000	Total	13,00,000	14,20,000

5. Prepare statement of changes in working capital

Liabilities	2010	2011	Assets	2010	2011
Equity Share Capital	2,00,000	2,50,000	Buildings	2,00,000	1,90,000
General Reserve	50,000	60,000	Machinery	1,50,000	1,69,000
P/L A/C	30,000	30,600	Stock	1,00,000	74,000
Long Term Loans	70,000	Nil	Debtors	80,000	64,000
Creditors	1,50,000	1,35,000	Cash	5,000	8,600
Provision For Tax	30,000	35,000	Goodwill	Nil	5,000
total	5,30,500	5,10,600	total	5,30,500	5,10,600

6. Prepare Fund Flow Statement

Liabilities	2013	2014	Assets	2013	2014
Equity Share Capital	3,00,000	4,00,000	Good Will	1,15,000	90,000
Preference Share Capital	1,50,000	1,00,000	Land And Buildings	2,00,000	1,70,000
General Reserves	40,000	70,000	Plant	80,000	2,00,000
P/L Account	30,000	48,000	Debtors	1,60,000	2,00,000
Proposed Dividend Crs	42,000	50,000	Stock	77,000	1,09,000
	55,000	83,000	Bills Receivables	20,000	30,000
Bills Payable	20,000	16,000	Cash In Hand	15,000	10,000
Provision For Taxation	40,000	50,000	Cash At Bank	10,000	8,000
Total	6,77,000	8,17,000	Total	6,77,000	8,17,000

It Is Also Given That:

- 1. Depreciation Of Rs 20,000 On Land And Buildings And Rs 10,000 On Plant Has Been Charged In 2014**
- 2. Interim Dividend Of Rs 20,000 Has Been Paid In 2014**
- 3. Income Tax Of Rs 35,000 Was Paid During The Year**

7. Prepare Fund Flow Statement From The Following Balance Sheet

Liabilities	2013	2014	Assets	2013	2014
Share Capital	12,00,000	15,00,000	Buildings	8,00,000	7,60,000
14% Debentures	6,00,000	4,00,000	Machinery	5,00,000	7,20,000
Profit And Loss A/C	1,00,000	1,50,000	Short Term Investments	3,00,000	4,50,000
General Reserves	3,00,000	3,50,000	Inventories	4,00,000	4,70,000
Creditors	4,90,000	5,60,000	Debtors	6,70,000	5,30,000
Proposed Dividends	1,20,000	1,80,000	Cash At Bank	2,20,000	3,30,000
Provision For Taxation	1,00,000	1,30,000	Prepaid Expenses	20,000	10,000
Total	29,10,000	32,70,000	Total	29,10,000	32,70,000

It Includes:

- 1. Debentures Were Redeemed At Premium Of 10%**
- 2. Taxes Paid During The Year Amounted To Rs 1,40,000**
- 3. A Machine Which Appeared At A Wdv Of 80,000 Was Sold For Rs 1,30,000 , And A New Machine Worth Rs 3,60,000 Were Acquired During The Year**

8. Prepare Fund Flow Statement From The Following Information

Liabilities	2013	2014	Assets	2013	2014
Equity Share Capital	2,00,000	2,50,000	Bank	35,000	16,000
12% Debentures	1,00,000	80,000	Stock	40,000	75,000
10% Preference	50,000	80,000	Bills	20,000	50,000

Share Capital			Receivables		
Public Deposits	20,000	30,000	Debtors	70,000	1,00,000
Loans	50,000	80,000	Machinery	75,000	60,000
Reserves	20,000	25,000	Furniture	10,000	8,000
P/L A/C	50,000	60,000	Land	1,70,000	2,80,000
Provision For Depreciation On Machinery	10,000	15,000	Buildings	1,40,000	99,000
Proposed Dividends	20,000	25,000	Goodwill	30,000	25,000
Creditors	40,000	50,000			
Bills Payable	30,000	18,000			
Total	5,90,000	7,13,000	Total	5,90,000	7,13,000

It Includes The Following:

- 1. Depreciation Charged During The Year Was 4,000 On Furniture 12,000 On Machinery And 20,000 On Buildings**
- 2. Redemption Of Debentures Was Made At A 10% Premium**
- 3. Part Of Machinery Was Sold For 15,000 At A Loss Of 4,000**
- 4. During The Year Interim Dividend Of 10,000 And Income Tax Of 5,000 Was Paid**

9.Prepare Fund Flow Statement

Liabilities	2013	2014	Assets	2013	2014
Equity Share Capital	6,00,000	8,00,000	Land And Buildings	1,80,000	2,20,000
P/L A/C	1,00,000	1,60,000	Plant And Machinery	5,00,000	8,00,000
General Reserve	50,000	70,000	Stock	1,00,000	85,000
Provision For Taxation	50,000	40,000	Bills Receivable	50,000	30,000
S.Creditors	1,10,000	1,30,000	Debtors	1,50,000	1,60,000
Bills Payable	80,000	90,000	Cash In Hand	20,000	20,000
Outstanding Rent	10,000	25,000			
Total	10,00,000	13,15,000	Total	10,00,000	13,15,000

Additional Information:

1. Depreciation On Plant And Machinery In 2014 Was 50,000
2. A Piece Of Machinery Costing 12,000 Was Sold For 8,000 During The Year(Depreciation Of 7,000 Had Been Provided On It)
3. An Interim Dividend Of 6,000 Was Paid During The Year
4. Income Tax Of 45,000 Paid During The Year

10. Prepare Statement Of Changes In Working Capital And Fund Flow Statement(May 2016 Question Paper)

Liabilities	2014	2015	Assets	2014	2015
Equity Share Capital	6,00,000	7,00,000	Buildings	4,50,000	6,00,000
P And L A/C	75,000	1,00,000	Machinery	3,30,000	4,00,000
Long Term Debt	3,00,000	4,00,000	Furniture	85,000	1,05,000
Creditors	4,50,000	5,40,000	Stock	3,60,000	4,50,000
Bills Payable	85,000	95,000	Debtors	2,10,000	1,70,000
O/S Expenses	5,000	10,000	Cash	70,000	1,20,000
			Preliminary Expenses	10,000	Nil
Total	15,15,000	18,45,000	Total	15,15,000	18,45,000

Additional Information:

1. Depreciation Written Off On Machinery Rs 30,000 And Furniture Rs 15,000
2. Buildings Purchased During The Year Rs 1,50,000
3. Preliminary Expenses Written Off Rs 10,000

11. Prepare Fund Flow Statement (May 2015)

Liabilities	2014	2015	Assets	2014	2015
Share Capital	8,00,000	10,00,000	Fixed Assets	10,00,000	14,00,000
General Reserves	2,00,000	3,00,000	Investments	4,00,000	3,60,000
Profits And Loss	2,00,000	3,00,000	Stock	3,00,000	2,00,000
Provision For	3,00,000	4,00,000	Debtors	2,40,000	4,00,000

Depreciation					
Provision For Taxation	80,000	1,00,000	Cash	50,000	1,90,000
10% Debentures	4,00,000	4,00,000	Preliminary Expenses	20,000	10,000
Creditors	30,000	60,000			
Total	20,10,000	25,60,000	Total	20,10,000	25,60,000

Additional Information:

- 1. Dividends Paid Rs 80,000**
- 2. Income Tax Paid Rs 1,00,000**
- 3. Profits On Sale Of Investments Rs 20,000**
- 4. A Machinery Which Was Included In Fixed Assets (Cost Rs 1,00,000 On Which Accumulated Depreciation Of Rs 80,000) Was Sold For Rs 40,000**

12. Prepare Fund Flow Statement From The Following (May 2017)

Liabilities	2016	2017	Assets	2016	2017
Equity Share Capital	5,85,000	5,85,000	Fixed Assets	5,20,000	4,16,000
General Reserves	3,90,000	4,03,000	Long Term Investments	65,000	78,000
P &L A/C	72,800	88,400	Stock	3,12,000	2,73,000
Creditors	2,18,400	1,74,200	Debtors	2,73,000	5,91,500
Provision For Taxation	97,500	13,000	Bank	1,93,700	2,56,100
Bank Loan	Nil	3,51,000			
Total	13,63,700	16,14,600	Total	13,63,700	16,14,600

Additional Information:

- 1. Provision For Tax During The Year Rs 1,10,000**
- 2. Interim Dividend Paid Rs 52,000**
- 3. During The Year Fixed Assets Costing Rs 13,000 Were Sold For Rs 15,000**
- 4. Investment Costing Rs 10,000 Were Sold During The Year For Rs 13,000**

13. From The Following Balance Sheet Calculate Fund Flow Statement(May 2013)

Liabilities	2009	2010	Assets	2009	2010
Equity Share Capital	12,00,000	14,00,000	Land And Buildings	9,00,000	12,00,000
P & L	1,50,000	2,00,000	Plant And Machinery	6,60,000	8,00,000
Long Term Debts	6,00,000	8,00,000	Furniture	1,70,000	2,10,000
Creditors	9,00,000	10,80,000	Stock	7,20,000	9,00,000
Bank Overdraft	1,70,000	1,90,000	Debtors	4,20,000	3,40,000
Outstanding Expenses	10,000	20,000	Cash And Bank	1,40,000	2,40,000
			Preliminary Expenses	20,000	Nil
Total	30,30,000	36,90,000	Total	30,30,000	36,90,000

Additional Information:

- 1. Land And Buildings Purchased During The Year Rs 3,00,000**
- 2. Depreciation Writtenoff On Plant And Machinery Rs 60,000 And On Furniture Rs 30,000**
- 3. Preliminary Expenses Written off Rs 20,000**

14. prepare statement of changes in working capital, adjusted p/l a/c, fund flow statement

Liabilities	2013	2014	Assets	2013	2014
Equity Share Capital	6,00,000	8,00,000	Land And Buildings	1,80,000	2,20,000
Profit And Loss A/C	1,00,000	1,60,000	Plant And Machinery	5,00,000	8,00,000
General Reserves	50,000	70,000	Stock	1,00,000	85,000
Provision For Tax	50,000	40,000	Bills Receivables	50,000	30,000
S.Creditors	1,10,000	1,30,000	Debtors	1,50,000	1,60,000
B/P	80,000	90,000	Cash In Hand	20,000	20,000
O/S Rent	10,000	25,000			

total	10,00,000	13,15,000	Total	10,00,000	13,15,000
--------------	------------------	------------------	--------------	------------------	------------------

Additional information:

1. Depreciation on plant and machinery in the year 2014 was Rs 50,000
2. A piece of machinery costing Rs 12,000 was sold for 8,000(depreciation of Rs 7,000 had been provided on it)
3. Income tax paid during the year was Rs 45,000

15. prepare statement of changes in working capital, adjusted p/l a/c, fund flow statement

Liabilities	2013	2014	Assets	2013	2014
Creditors	39,500	41,135	Cash	2,500	2,700
Bills Payable	33,780	11,525	Debtors	85,175	72,625
Bank Overdraft	59,510	Nil	Advance(B/R)	2,315	735
Provision For Tax	40,000	50,000	Stock	1,11,040	97,370
Reserves	50,000	50,000	Land And Buildings	1,48,500	1,44,250
Profits And Loss A/C	39,690	41,220	Plant And Machinery	1,12,950	1,16,200
Share Capital	2,00,000	2,60,000	Goodwill	Nil	20,000
total	4,62,480	4,53,880	Total	4,62,480	4,53,880

Additional information:

1. During the year ended an interim dividend of Rs 26,000 was paid
2. The assets of another company were purchased for Rs 60,000 payable in fully paid up share of company, the assets consisted of stock 21,640, machinery 18,360 and goodwill Rs 20,000. In addition sundry purchase of plant were made totalling to Rs 5,650
3. Income tax paid during the year amounted to Rs 25,000
4. The net profits before tax was Rs 62,530