

FUND FLOW STATEMENT

I] Statement of sources and applications of funds:-

Sources of funds (cash inflow)

- Sale of fixed asset / invests
- Loans taken
- Share capital issued
- Debentures issued
- Fund from operations (Profit)
- ↓ in working capital.

Application of Funds (cash outflow)

- Purchase of FA / invest.
- Repayment of loan
- Buy back of shares
- Redemption of shares & debⁿ
- Taxes and dividend paid.
- Funds from operations (loss)
- ↑ in working capital.

WC:-
 WC: ↑ : CA ↑ CL ↓
 COF
 WC: ↓ : CA ↓ CL ↑
 CIF

*Invst → ~~LT~~
 *deb →
 modern →
 hidden premium
 adj

II] Funds from operations (FFO)

Profit transferred to balance sheet

- | | |
|--|----|
| (+) non cash expenses (dep, forex loss) | XX |
| (-) non cash income (appreciation, forex gain) | XX |
| (+) non operating expenses (loss on sale of asset) | XX |
| (-) non operating income (profit on sale of asset) | XX |
| (+) transfers from P&L | XX |
| (-) transfer to P&L | XX |

Funds from operation.

XX → source

(XX) → application.

basically (+) exps (-) income.

Transactions affecting movement of funds

(i) movement in current items → X mvt

eg:- Receipt from debtors.
 Deb ↓ cash ↑
 (no effect)

(ii) mvt in non current items → X mvt.

eg:- Issue of ES against purchase of FA

(iii) mvt in current + non current → ✓ mvt

effect $\left\{ \begin{array}{l} \text{cash - Fund Flow} \\ \text{P\&L - FFO} \end{array} \right.$

CASH FLOW STATEMENT

CFS-1

• statement showing inflow & outflow of cash & cash equivalent as per AS-3.

• **Cash & cash equivalent:** cash in hand, demand deposits with bank, short term investments (highly liquid, readily convertible into known amt of cash, maturity period of 3 months & ↓, insignificant risk of change in value)

OPERATING ACTIVITY:-

Primarily revenue producing activity & act which are not investing & financing

- purchase of RM
- sale of goods & services
- payment to employees

- loan to employees, advances to vendors
- taxes of income (except in normal invest or financing)

• all activities in normal course of business

INVESTING ACTIVITY :

act pertaining to long term asset which generate income in future

- purchase & sale of FA
- purchase & sale of long term Inv
- Joint venture
- invest - subsidiaries, associates, debenture, preference shares
- loan given & interest earned on loan
- TDS on interest, dividend received

• long term asset or inv

FINANCING ACTIVITY:

all items pertaining to share capital & borrowings, changing the size and composition of capital & borrowing

- Issue, redemption of eq share, preference shares
- Premium of redemption of capital
- loan taken, repaid & interest paid
- dividend paid, corporate dividend tax

long term liability

INDIRECT METHOD :- (OPERATING ACTIVITIES)

Start with net profit to cash.

Net profit transferred to B/s

- (+) non cash expenses
- (+) non operating expenses
- (-) non operating income
- (+) Transfer to Reserve
- (-) Transfer from Reserve

Operating profit before we change

- (-) ↑ in CA (stock purchase/manu) (COF)
- (+) ↓ in CA (debtors payment/rend) [CIF]
- (+) ↑ in CL (loan taken) (CIF)
- (-) ↓ in CL (loan repaid) (COF)

Cash generated from operations

- (-) Tax paid
- (+) Tax refund

Cash generated by Extra ordinary items

- (+) extra ordinary income
- (-) extra ordinary expenses

Net cash flow from operating activity.

XX

X

X

(X)

X

(X)

XX

(X)

X

X

(X)

XX

(X)

X

X

X

(X)

XXX