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As – 3 cash flow statement

1.0 objective : the objective of the standard is to provide-

- Information about the cash flows of an enterprise to the users of financial statements with a basis to assess the ability of the enterprise to generate cash and cash equivalents and the needs of the enterprise to utilize those cash flows.
- To facilitate for taking economic decisions by the users.
- Information about the historical changes in cash and cash equivalents of an enterprise.

2.0 applicability

This standard is mandatory in nature in respect of accounting periods commencing on or after 1-04-2004 for the enterprises which fall in any one or more of the following categories, at any time during the accounting period:

a) Enterprises whose equity or debt securities are listed whether in India or outside India.
b) Enterprises which are in the process of listing their equity or debt securities as evidenced by the board of directors resolution in this regard.
c) Bank including co-operative banks.
d) Financial institution.
e) Enterprises carrying on insurance business.
f) All commercial, industrial and business reporting enterprises, whose turnover for the immediately preceding accounting period on the basis of audited financial statements exceeds Rs. 50 Crore. Turnover does not include 'other income'.
g) All commercial, industrial and business reporting enterprises having borrowings, including public deposits in excess of Rs. 10 crore at the time during the accounting period.
h) Holding and subsidiary enterprises of any one of the above at any time during the accounting period.

2.10 non applicability: Other than above enterprises.

3.0 definitions:

- **Cash:** It consists of cash in hand and demand deposits
- **Cash equivalent:** It consists of short term highly liquid investment having maturity less than three months, which can be readily converted,

into cash without decline of its value. In other words, these investments can be converted into cash without any risk.

3.0 cash flows from operating activities

Operating activities:

They are principal revenue producing activities of the enterprises other than investing and financing activities. Example of cash flows form operating activities are as follows

a. cash receipts from the sale of goods and the rendering of services;
b. cash receipts from royalties, fee, commissions and other revenue;
c. cash payments to suppliers for goods and services;
d. cash payments to and on behalf of employees.

4.0 cash flow from investing activities

Investment activities:

The activities of acquisition and disposal of long term assets and other investments not included in cash equivalents are not included in cash equivalents are investing activities. It includes giving and collecting loans, acquiring, acquiring and disposal of debt and equity instruments property and fixed assets.

Examples:
Cash payments to acquire fixed assets
Cash receipts from disposal of fixed assets
Cash payments to acquire shares, warrants, debt instruments
Cash receipts from sale of financial instruments
Cash advances and loans made to third parties

5.0 cash flow from financing activities

Financing activities: Those activities that result in change in size and composition of owner's capital and borrowing of the organization. It includes receipts from issuing shares, debentures, bonds, loans, borrowings and their repayments.

6.0 OTHERS

a)Interest	
a) Interest Received	
Received from investment	Investment Activity
Received from short term investment classified as cash equivalents	Considered as cash inflow from operating activities
Received on trade advances and operating receivables	Operating activities

b) Interest Paid	
On loans/ debts	Financing activity
On W.C loan or other loan for financing operating activities	Operating activity
b) dividend	
a) Dividend received	
For financial enterprises	Operating activity
For other than financial enterprises	Investing activity
b) Dividend paid	Always classified as financing activities

c) Cash flow from foreign currency transactions:

- The effect of changes in exchange tare in cash and cash equivalents held in foreign currency should be reported as separate part of the reconciliation of cash and cash equivalents.
- Unrealized gains and losses arising from changes in foreign exchange rate are not cash flows.

d) Extra-Ordinary items

The cash flows associated with extraordinary items should be classified as arising from operating from operating, investing or financing activities as appropriate and separately disclosed.

e) Treatment of tax:

Cash flows arising from taxes on income should be separately disclosed and should be classified as cash flows from operating activities unless they can be specifically identified with financing and investing activities.

f) Cash flow relating to investments in associates subsidiaries and joint ventures:

When accounting for and investment in an associate or a subsidiary or a joint venture, an investor restricts its reporting in the cash flow statement, the cash flows between itself and the investee/ joint venture, for example, cash flows relating to dividends and advances.

g) Cash flow relating to aCquisition or disposal of subsidiaries:

- The aggregate cash flows arising from acquisitions and from disposals of subsidiaries or other business units should be presented separately and classified as investing activities.
- Any enterprise should disclose, in aggregate, in respect of both acquisition and disposal of subsidiaries or other business units during the period each of the following:

a) The total purchase or disposal consideration; and
b) The portion of the purchase or disposal consideration discharged by means of cash and cash equivalent.

h) NoN- cash transactions:

Investing and financing transaction that do not require the use of cash or cash equivalents should be excluded from a cash flow statement. Such transactions should be disclosed elsewhere in the financial statements in a way that provides all the relevant information about these investing and financing activities.

i) Disclosure of cash anD cash equivalents:

An enterprise should disclose the components of cash and cash equivalents and should present a reconciliation of the amounts in its cash flow statements with the equivalent items reported in the balance sheet.

7.0 presentation of cash flow statement – direct method
IndIrect method

CASH FLOW STATEMENT (INDIRECT METHOD)

A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax		**XXXX**
Adjustments for:		
Depreciation	XXXX	
Preliminary Expenses w/off	XXXX	
Deferred Revenue Expenditure	XXXX	
(Profit)/loss on sale of Assets	XXXX	
Interest & Finance Charges	XXXX	
Interest on FD	XXXX	
Dividend Income	XXXX	-
Operating Profit before Working Capital Changes		**XXXX**
Adjustments for:		
Decrease/(Increase) in Receivables	XXXX	
Decrease/(Increase) in Inventories	XXXX	
Increase/(Decrease) in Payables	XXXX	-
Cash generated from operations		**XXXX**
Income Tax paid		-
Net Cash flow from Operating activities		**XXXX**

B	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Purchase of Fixed Assets	XXXX	
	Mutual Fund	XXXX	
	Sale of Fixed Assets	XXXX	
	Increase in Advances & others	XXXX	
	Interest on FD	XXXX	
	Dividend Income	XXXX	
	Net Cash used in Investing activities		**XXXX**
C	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Proceeds from Long term Borrowings	-	
	Interest paid	XXXX	
	Net Cash used in financing activities		**XXXX**
	Net increase in cash & Cash Equivalents		XXXX
	Cash and Cash equivalents as at 01.04….. (OPENING BALANCE)		XXXX
	Cash and Cash equivalents as at 31.03…… (CLOSING BALANCE)		XXXX