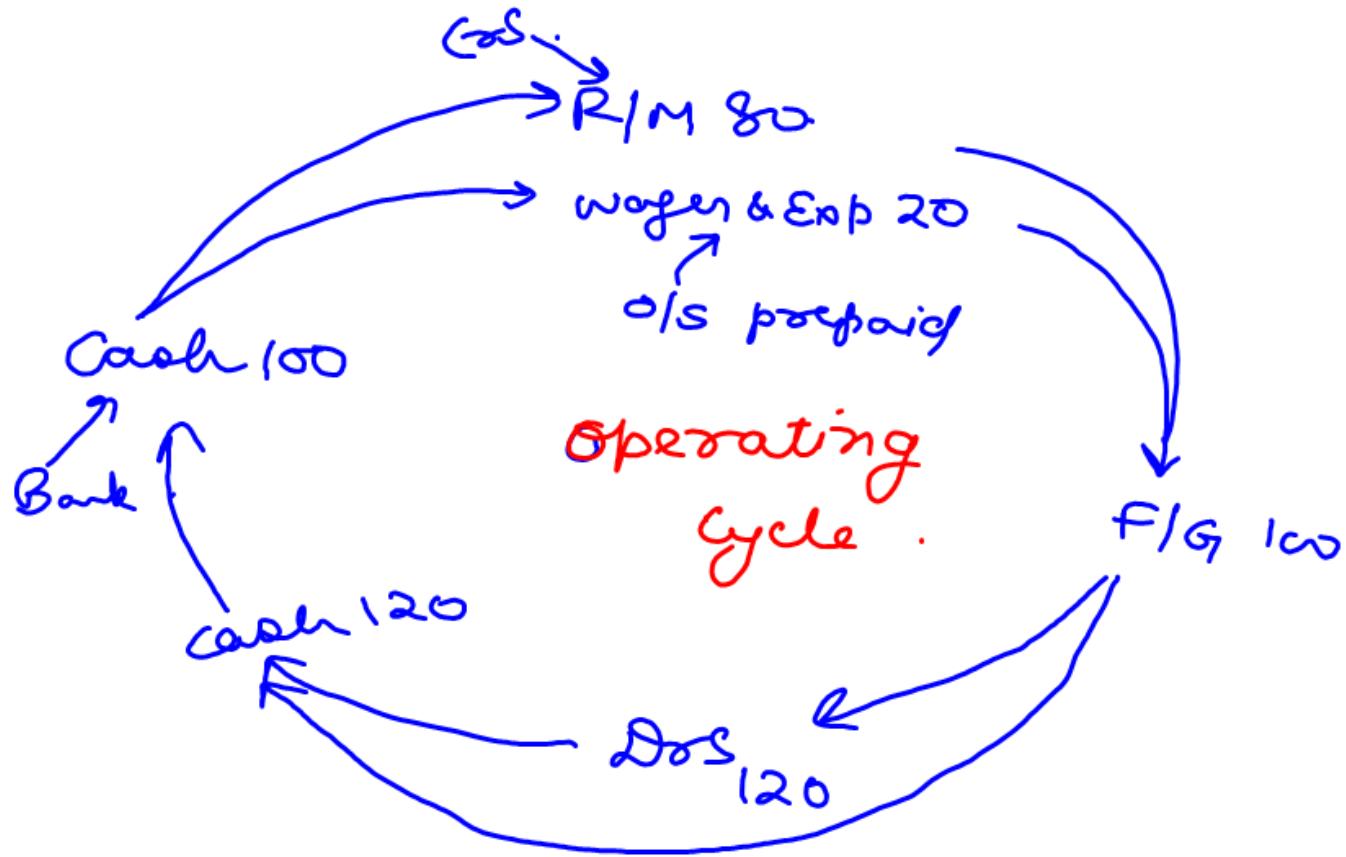


Funds flow Statement

↓
Working Capital
↓
cash

↓
In &
out
Fund.

Window dressing.



In funds flow, we prepare

- ① Funds flow statement (FFS)
- ② Funds from operation (FFO)
- ③ Schedule of change in WC [SCWC]
- ④ Small Separate Accounts
↳ 19 ~~at~~ heads of adjustment.

Funds flow Statement

Sources of fund

Application of Funds

Issue to shares/debⁿ.

Loan taken.

Sale of old FA.

- Funds from operation
- ↓se of WC.

Purchase of FA

↑se of working Capital

Tax paid

Dividend paid.

Purchase of Invt.

Red of Debⁿ / pref^s h.

Redemption of loan.

Forecasting & P&L a/c

Op stock	20	✓	Sale	700	✓
Purchase	400	✓			
direct Exp.	70	✓	Op stock	40	✓
Factory Exp.	90	✓			
Admin Exp	30	✓			
Selling Exp.	50	✓			
Bad debt	10	✓			
Interest	15	✓			
+ Depreciation	25	X			
+ loss on FA	5	X	Bal old	70	X
+ Prod Exp w/o	2	X	Prod FA	40	X
+ Prov for tax	28	X			
+ Prop. divid	20	X			
+ Top to Res	35	X			
+ Bal old	50	X			

Direct Method

Indirect Method

Funds from operation

✓ means items affecting WC

X means items not affecting WC.

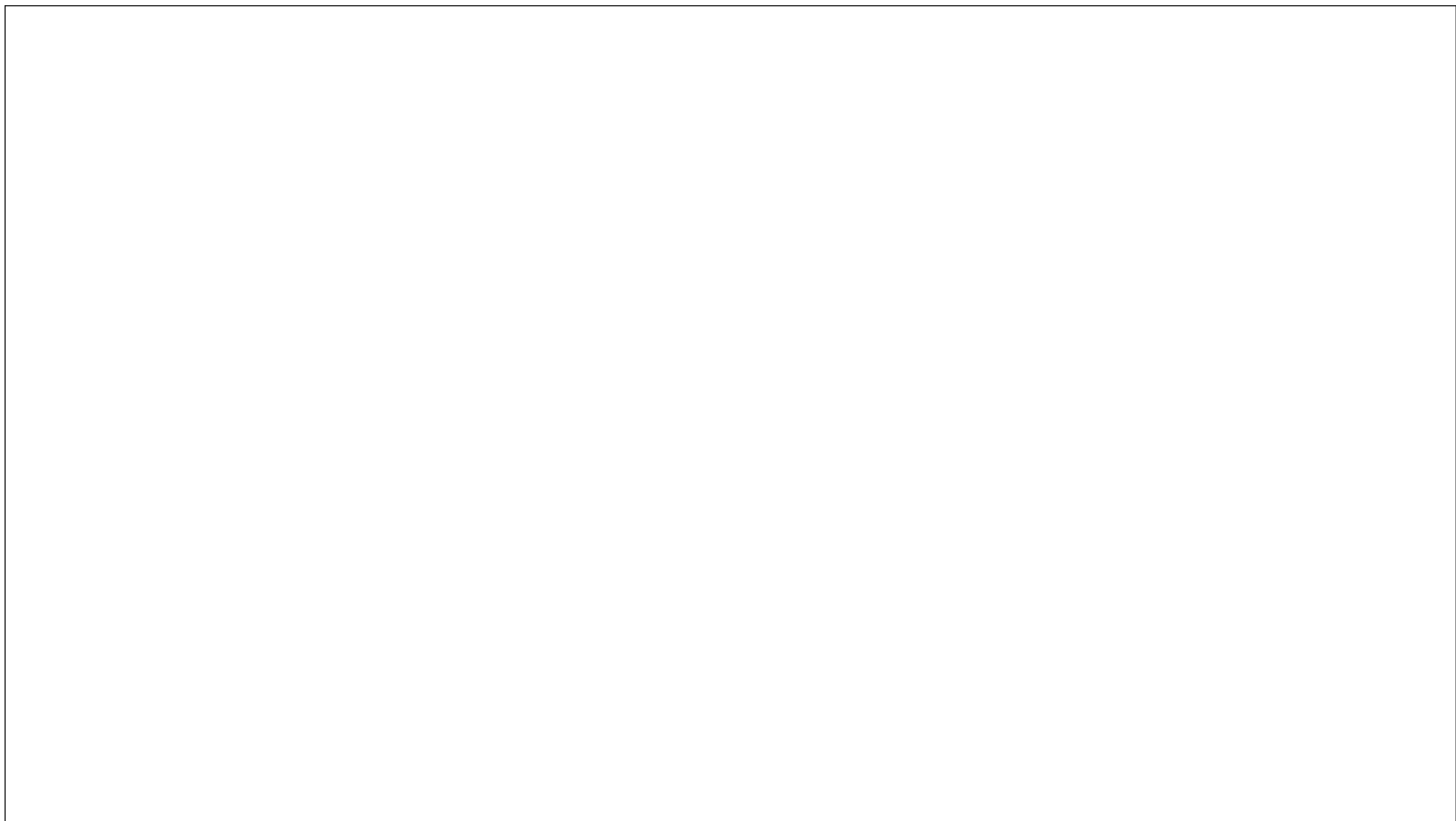
FFO = 55

Schedule of change in WC

	+	-
CA	↑se	↓se.
CL	↓se	↑se
Net Increase → app' of funds Net Decrease → source of funds		

- ① Difference in CA, CL as on 31/3
- ② ~~ST~~ DONOT handle anything during the year
- ③ $WC = CA - CL$

+	↑	↑	↓
-	↓	↓	↑



	GROSS METHOD (Proportionate / Acc depts / depts reserve)	NET METHOD FA - depts = WDV
Purchase of FA	<p>FA → cost</p> <p>Total depts</p> <p>FA Dr to Bank</p>	<p>FA Dr to Bank</p>
depts of FA	<p>depts Dr to Pro for depts.</p> <p>P&L Dr to depts.</p>	<p>depts Dr to FA.</p> <p>P&L Dr to depts.</p>
Sale/disposal	<p>Pro for depts Dr to FA.</p> <p>Cash Dr P&L Dr to FA</p>	<p>Cash Dr P&L Dr to FA</p>



Case I:- When FA are on gross basis

Balance sheet

	20X7	20X8		20X7	20X8
Provision for depreciation	80000	120000	Fixed assets	100000	250000

Dr.

Fixed Asset a/c

Cr.

Opening bal	100000		
<i>Bank</i>	<i>150000</i>		
		Closing bal	250000



Dr **Provision for depreciation a/c** Cr.

		Opening bal	80000
		<i>depr</i>	<i>prov</i>
Closing bal	120000		

$$\begin{array}{r} \text{If asset before deprec} = 100 \\ - \text{deprec} = 20 \\ \hline \text{asset after deprec} = 80 \end{array}$$

after deprec = 80, deprec = 20.

$$\begin{aligned} \text{after deprec} = 250,000, \quad \text{deprec} &= \frac{20}{80} \times 250,000 \\ &= 62,500 \end{aligned}$$

Case III: Where depreciation rate is given

Balance sheet

	20X7	20x8		20x7	20x8
			Fixed Asset	100000	250000

Adjustment: Depreciation on Fixed asset is @ 20%

Dr.	Fixed Asset A/c		Cr.
Opening bal	100000	<i>depor</i>	<i>62500</i>
<i>Bank</i>	<i>212500</i>		
		Closing bal	250000

$$G - \text{acc depr} = \text{WDV}$$

$$\text{cost} = \text{WDV} + \text{Acc depr}$$

FA a/c		acc depr	
op WDV 100000 + 80000 <hr/> cost 180000			op 80000
Blk (FFS)	cr 250000 + 100000 <hr/> 350000	cr 100000	depr. (20000) FFO Dr.

Car 10000
Sold 8000.

Cash dr 8000
to Car 8000 } sale

P&L dr 2000
to Car 2000. } loss.

