Managerial Accounting
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Module - 6
Lecture - 11
Cash Flow Statement Cases - Part II

Last two three sessions, we are discussing about one of the very important statements known as cash flow statement. Today, we will do few more problems on the same, followed by a slight variation known as funds flow statement. Before going for more problems, let us see what you understand by cash flow statement to have a brief recap. Do you remember what you see there? Perhaps, you will be remembering that the cash flow statement, as the name suggests, gives the flow of cash and cash equivalents, and the flow gives categories of money coming in and going out. There are three categories. One is operating flows. These are the flows from day-to-day business operations. Second are investing flows. As the name suggests, this is the money which is invested either, in fixed assets or in buying securities of other concerns.

So, either buying or selling of fixed assets, purchasing of shares, selling of shares, receiving interest; all these items are covered in I; that is investing flows. The third are financing flows. This is the way the business has raised the funds. So, obtaining loans, issuing shares or redeeming shares, repaying loans; all these are covered as financing flows. So, if you take total of O plus, I plus, F, we come to know what is the total cash, received by business and that should match with the increase in the cash balance, which is at the beginning and at the end; both are given. So, let us do few more problems today, and we will also, do funds flow statement. Have a look at a new problem.

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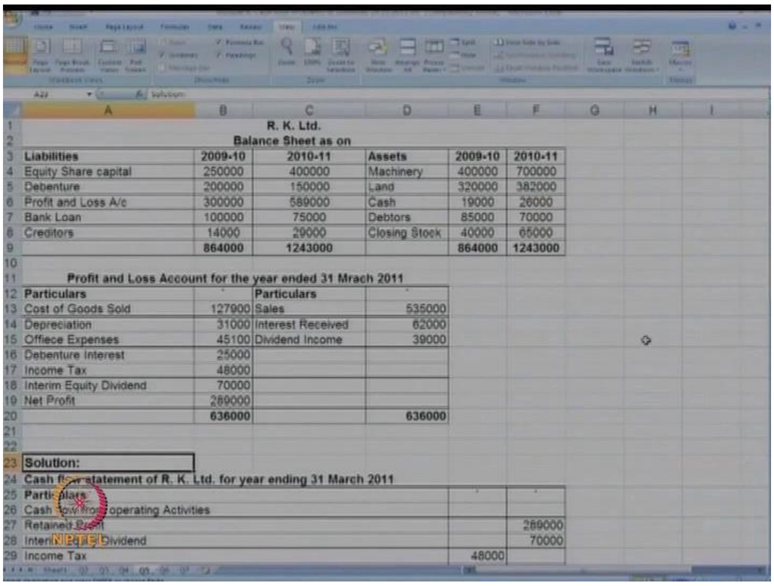

R. K. Ltd.

Balance Sheet as on

Liabilities	2009-10	2010-11	Assets	2009-10	2010-11
Equity Share capital	250000	400000	Machinery	400000	700000
Debenture	200000	150000	Land	320000	382000
Profit and Loss A/c	300000	589000	Cash	19000	26000
Bank Loan	100000	75000	Debtors	85000	70000
Creditors	14000	29000	Closing Stock	40000	65000
	864000	**1243000**		**864000**	**1243000**

Profit and Loss Account for the year ended 31 Mrach 2011

Particulars		Particulars	
Cost of Goods Sold	127900	Sales	535000
Depreciation	31000	Interest Received	62000
Offiece Expenses	45100	Dividend Income	39000
Debenture Interest	25000		
Income Tax	48000		
Interim Equity Dividend	70000		
Net Profit	289000		
	636000		**636000**

Solution:

Cash flow statement of R. K. Ltd. for year ending 31 March 2011

Particulars		
Cash flow from operating Activities		
Retained Profit		289000
Interim Equity Dividend		70000
Income Tax	48000	

Here, you have a balance sheet of RK Limited and based on balance sheet, you have been asked to work out cash flow statement.

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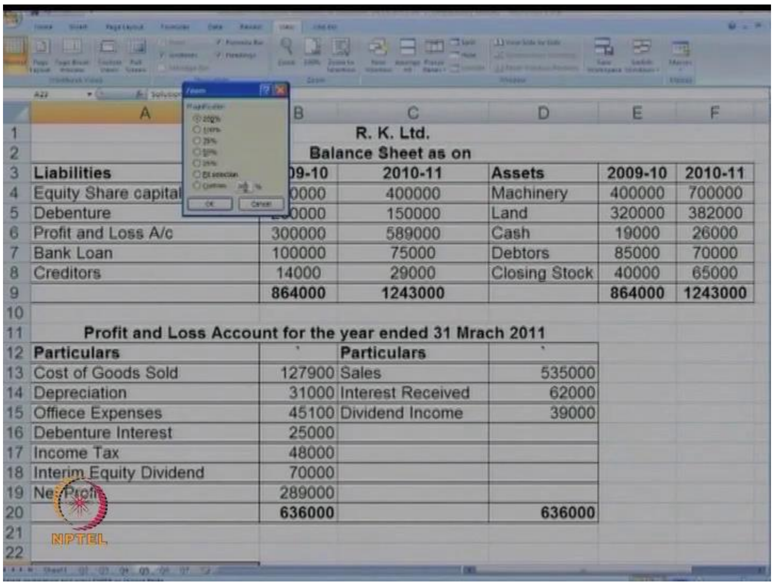

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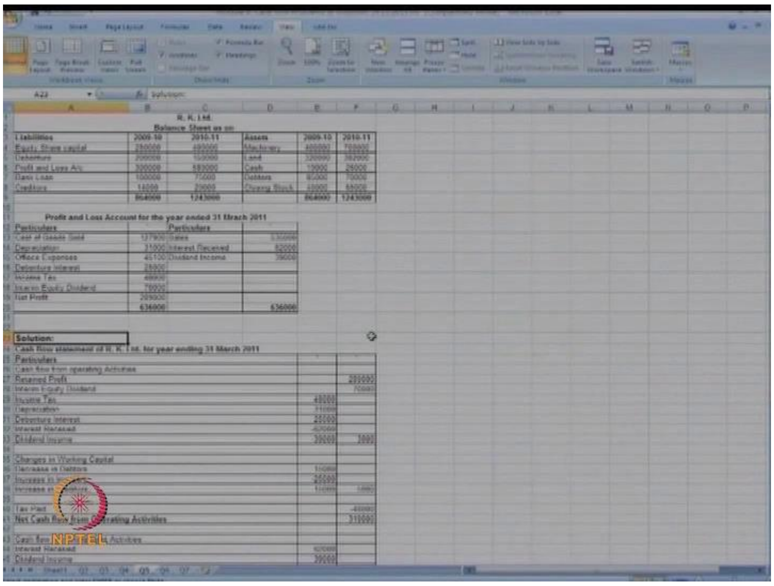

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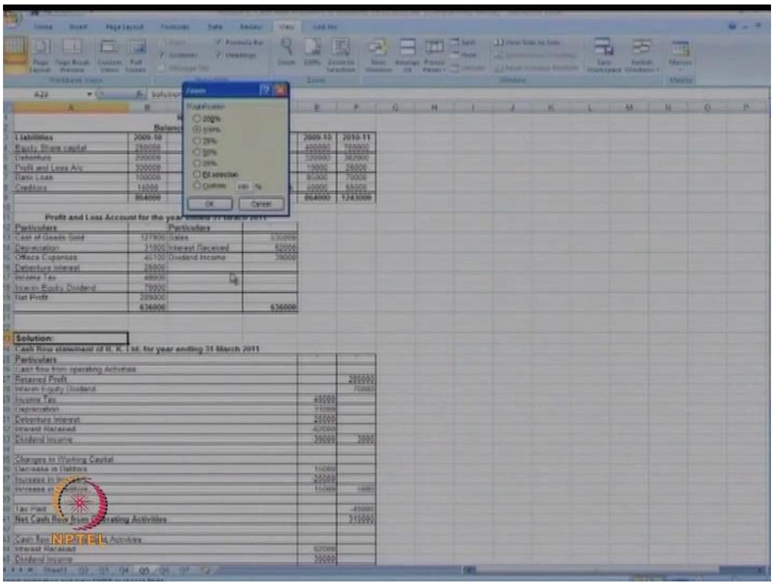

Now, first tell me how do we start. They have given a balance sheet. They have also given profit and loss account. A solution is also given, but we will ignore that solution for the time being. We will try to solve it on all our own. Anybody has a solution exactly, how do you start for making the cash flow statement? I think most of you are getting it right. First, what we do is we look at the changes in the balance sheet. Considering the changes in the balance sheet, we try to mark them as O, I or F and based on that marking, we will go ahead in making the cash flow statement.

Now, the first item; you have got equity share capital, if we start from liability side. So, what it is going to be; is it O; is it an operating item, investing item or financing item?

Anyone has any suggestions? I will try to make some space for us to specify, because last time we have done this, that time we have done in a vertical format. Now, we are trying to understand to do it using a horizontal balance sheet. So, equity share capital; under what category should I put? Anyone would like to comment? Is it an operating flown investing flow or a financing flow? It is F; that is financing item. Should it be marked as inflow or outflow?

You can see there is an increase in the capital from 2.5 lakhs to 4 lakhs. So, money has come in. So, it is an inflow; F inflow; I have marked it that way. Debentures; what type it is amongst O, I, F? You are right. Again, it is a financing flow, because raising money by way of debenture is one of the examples of generating funds for the business. Is it an inflow or a outflow? You can see that the balance has gone down from 2 lakhs to 150. So, it is not an inflow; it is an outflow for the concern. So, F outflow. P and L account; should it be marked as a flow? If yes, under what category? You are right. It is an operating flow, because it represents the day-to-day business activities and it is basically, an inflow for the concern. Bank loan; bank loan again, balance has gone down from 100000 to 75000. Bank loan is also one of the ways of financing. So, I will mark it as F. Is it an inflow or outflow? Since the balance has reduced, we have paid banks some money. So, it represents an outflow. So, it is F out. What about creditors? Creditors represent day-to-day activity. So, it is an operating item and you can see the balance of creditors have increased. So, is it an inflow or outflow, can you guess?

You can give a thought that way; if stock increases, we pay money. So, stock increases. In case of debtors, when the; In case of debtors, when the balance increases, it represents an inflow. So, it is again, O in, operating inflow. Now, let us go to asset side. I will shift this pretty inside, so that, we can concentrate on assets. Now, have a look at machinery. You can see its balance has increased from 4 lakhs to 7 lakhs. What type of flow does it represent amongst O, I, F? You are right. It is an investing flow; the money represents the investments made by business in the machinery. Is it an inflow or outflow? You can see it is an outflow, because the money has been invested.

So, from 4 lakhs, the balance of machinery has increased to 7 lakhs. So, it shows that there is an investment made. Land; land again, same thing; it is I and it is an outflow, because the balance has increased. Cash; cash is a different item. It is neither an outflow nor an inflow. It represents the balance at the beginning and at the end. So, we will just mark it as cash. Debtors; debtors is O item, because it is a day-to-day item, because the balance of debtors has gone down from 85 to 70. So, what does it show? The balance of debtors; the balance has gone down from 85 to 70; that means, you can say that debtors have paid us some money. That is why it is an inflow.

In case of current assets, you should know that increase in the current asset represents outflow. Decrease in the current asset represents inflow. Right now, since the balance of debtors has decreased, it is an inflow. Last one is closing stock or inventory. Again, it is an O item. Now, the balance has increased. So, it represents an outflow. I hope you all getting all the items. Now, let us look at P and L items. We have seen most of the balance sheet items. Now, coming to P and L items. So, sales, interest received, dividend; all are given. Let us start with sales. What will you mark sales as? I will just try to push it this side.

What will you mark for sales, any guesses; O, I, F? It is nothing. You should mark it as XX, because it is neither an inflow nor an outflow; it is a day-to-day item. So, we do not record it in the cash flow statement. Interest received; should it be recorded? It should be recorded, because we receive interest when we make investment. So, it is an investing flow, but it will have some impact on O; that is operating items also. Interest received represents an inflow. So, I have marked it as I, O and inflow. Dividend income; again, same thing; it is an I, O, because it is an inflow from investment, but it has some impact on operations.

So, I have marked it as an I, O and inflow. Now, let us go to expenses side or debit side. Now, cost of goods sold; how will you mark it? It is nothing; it is just XX, because it has no impact on cash flow. Depreciation; it will need to be recorded, because depreciation, though in itself, is neither inflow nor outflow. It has some impact on operating items. So, mark it as O. It also has some other effect. We will discuss it later. Office expenses; how will you record? Which type of item it is? It is nothing; it is just an XX item. Debenture interest; shall I record it? Yes, because when we raise money by way of debentures, we have to pay them interests.

So, it represents a financing item. It will have some impact on O also, and it represents an outflow. That is why I have marked it as F, O outflow. Income tax; shall it be considered? Yes, it is an operating item. Initially, it will be added and again, it will be shown as an outflow. Interring equity dividend; it represents the money which, business has paid; that is paid to share holders, because we have raised funds from them. So, it represents a financing item. It is F. It also has some impact on O, because it has some impact on operating items, and it is an outflow. So, it is F, O outflow. Net profit; what does it represent? Net profit is again, O. So, let us have a view at all the items, once again.

You can see some of the items have come two times. For example; P and L account. P and L account; the balance of P and L increase from 3 lakhs to 589; that has increased, because of net profit for the year, which is 289. So, we do not have to take these items twice. They actually, represent one and the same thing; this and this. I hope it is clear to you. So, we will first start with balance sheet items. Wherever required, we will make an adjustment. So, now, we have made all the recordings. Let us go to cash flow statement. First, we start with the operating items. So, we have retained profit of 289, 289000. The item comes from balance sheet. You can also see it in P and L, but do not take it two times.

You have to just take it once. I will try to solve it along with you. We will start with as you all know, the first heading is cash from operating activities. Now, look at all the O items, which we are going to mark. So, the first O item, which will start with is the profit and loss account balance. That is known as retained earnings or increase in P and L account. We will write it in the inner column; the amount is 289000. To this, with we need to add the income tax. If you remember, basically, we take profit before tax. To this, we also need to add interim dividend. So, these three together, gives us the profit before tax earned during the year. This, I have written in the inner column of our cash flow statement. Now, we can make various adjustments. Let us take a look at other O items. If you remember, the first item which we do is, we add depreciation. Why do we add depreciation; do you remember? Because it is a non cash item. So, we do not have to pay any cash, but it is deducted from profit, while calculating the profit. You can have a look at P and L. You will see that depreciation of 31000 was reduced for calculating profit, but since, it is a non cash item, we have to add it back, because that represents the cash, which is earned by the business.

So, add depreciation. Second; we have to make some adjustments. Do you remember which adjustments we make next? We make adjustments for non operating items. So, we do have items, which are there in P and L, but actually, are non O; they have to be I or F. So, take a look at P and L. You will see that on credit side, we have interest received and dividend, which are received, but actually, they do not represent the P and L items.

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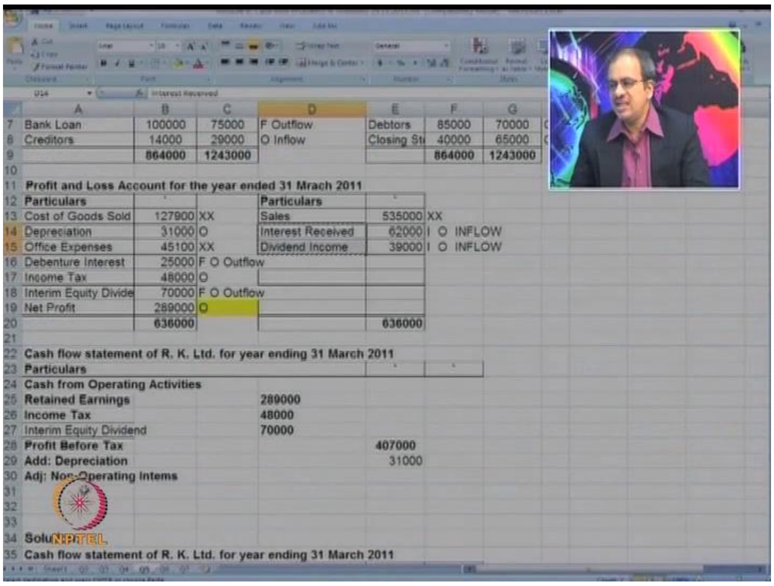

So, the amount of 62 and 39 is taken. Now, the question is whether, they should be added or deducted? You are right. Since, interest received is our income, we many times feel, it should be added, but actually, it is not right. What we have to do is we have to deduct it. Why we have to deduct; anyone can guess? What happens is these items have been already, added when calculation of profit was done, but actually, they represent I; that is they represent investing flows. That is why they should be deducted while; we are trying to calculate operating flows. Now, on debit side also, we have got item known as debenture interest. So, this represents the interest, which is paid on debentures. So, I will have to consider it. Should it be added or deducted? Now, it should be added, because it was already deducted while, calculating P and L account.

But since, it is a financing account, we need to add it back. There is also an item known as interim dividend. Should I add it or deduct it? Interim dividend also represents the amount, which was deducted. So, I will add it, but if you observe keenly, it has already been taken while, calculating retained earnings. So, you do not have to take it twice. Be careful about this item. That is why I have shown that it should be taken, but it should be taken only once. So, we have already adjusted it while, calculating p v t. So, do not adjust it again. I hope you are clear. So, what we have done now, is we have taken first calculated p v t.

Then we have adjustment number 1; that is add depreciation. Adjustment number 2; we have adjusted for non operating items. There is one more adjustment it required. Can you tell me which adjustment is adjustment number 3; any guesses? I think most of you would have guessed it correctly. This is the adjustment for current assets and current liabilities. So, current assets and current liabilities actually, represent operating items, but they do cause indirect effect on the cash in the hand. So, we will adjust for them. Now, we will have to go to balance sheet. If you look at balance sheet on asset side, we have got two items; debtors and stock, and on liability side, there is one item known as creditor.

So, these items need to be adjusted. First, let us start with debtors. Debtors; you can see here. There is a difference, reduction from 85 to 70. So, I should account for the difference only. I cannot take the whole figure. So, there is a fall of 15000 and it represents an inflow. Stock; there is an increase from 40 to 65. It represents an outflow. Why it represents an outflow, because I must have paid cash to get stock. So, it is an outflow. By the same logic, I have received cash from debtors, because the debtors' balance has received, come down. That is why debtors was an inflow; whereas, stock; there is an increase in balance; it represents an outflow.

So, I will take the difference; so minus 25000. Now, take a look on liability side. There is an item known as creditor. Creditors; you can see there is an increase in the balance from 14 to 29; it represents an inflow. I hope it is clear to you. So, from 14, the balance has increased to 29; it is an inflow. So, all the three adjustments are over. We have done adjustment number 1 for depreciation; adjustment number 2 for non operating items and adjustment number 3 for current assets and current liabilities. If all the adjustments are over, you can take sum of p v t with all these items. This represents the cash from operating activities. Now, we will go for the next heading. What is the next heading? Yes, you are right.

It represents cash from investing activities. Now, take a look at balance sheet. We would have marked some items as I. They are basically, investing. First is machinery; next is land. So, if you start with the first one, that is machinery; there is an increase in the balance from 4 lakhs to 7 lakhs, which represents an outflow. This is very common sense. The balance of machinery has increased. So, naturally, we have paid some money, but there is a catch. If you see, there is a difference of 3 lakhs. There is an increase of 3 lakhs, but it is not necessary that these 3 lakhs is all your outflow.

Because we also have to make some adjustment for some depreciation, because the balance has increased by 3 lakhs, but there is also depreciation of 31000 which, we will have to add here. So, the total increase in the machinery is represented is 331000 and this is nothing, but an outflow for me. I hope it is clear to you. What has happened is we have purchased machinery of 331. Of that, 31 of depreciation goes away. The balance increases by 3 lakhs. So, I will record as outflow 331000. Next item is land. Land; you can see again, there is an increase, but this is relatively, simple, because all the increase in land is nothing, but an outflow. There is no problem of depreciation.

So, land increase is an outflow. So, minus 62 has come, because it is an outflow. Now, take a look at balance sheet. All the items are, I think, covered. Balance sheet items; nothing of I has remained. Now, take a look at P and L. P and L; see if there is any item which is marked as I. You will observe two items. One is interest received and other is dividend income. I will just paste them first. So, interest received was 62000; it is an I, O. We have already adjusted it in O. It will be shown as I. You all know it is an inflow. So, there is no need to find any difference. 62000 is received by way of interest and 39000 is received by way of dividend.

If you take sum, you can see that over all, minus 292 is a position as far as investing activities are concerned. Now, let us go to the last heading, which is nothing, but financing activity. Now, go to balance sheet again. Look for F items. You will see on liability side, there are three items; equity capital, debentures and also, bank loans. So, they represent the money raised by the business. Let us start with them and there could be some items from P and L as well. So, if you look at F items; I will just remove this P and L; there are three items now. So, there is an increase in the balance of equity capital. It represents the equity shares issued, which is nothing, but an inflow; so F inflow. As far as debentures is concerned, there is a decrease in the balance.

So, debentures have been redeemed; money has been paid. So, it is an outflow. Bank loan also; there is a decrease from 1 lakh to 75000. So, it also represents an outflow; so minus 50, minus 25. Now, take a look at P and L. There, you will find there are two items of F. One is debenture interest and second is interim dividend. Let us consider them. We have two items; one is debenture interest; other is interim dividend. You already know that we have to pay interest. So, it is nothing, but an outflow. That is why it is a minus figure that we will consider. So, minus 25000 and minus 70000 represent the flow under investments.

So, we have all the three totals in front of you. You have got total of operating items, which 267. Then, total of investing, which is minus 292 and total of financing is minus 20. Now, if we take the sum of all these items, we will come to know the total money, which the firm has raised, which is 55000. We have to cross check it with the cash. Now, look at the position of the cash. Cash is 19 and 26. So, you will realize that something is missing. Now, have a look at different items, which are there in P and L or in the balance sheet whether, we have missed something.

Let us find the difference of cash. It is very clear that there is an increase of 7000 in the year; whereas, we are getting the total of 55000. So, there are some items of 48000, which are leading to difference. Now, let us have a look at what has gone wrong. One by one, look at all the items; ensure that in case of balance sheet, items are recorded only once. In case of other items, they are recorded twice. So, equity capital; it is an F item. It is an inflow. See whether, it is correctly recorded. I think it is correctly done. Then, debentures; F, outflow; it is correctly done. The third item is P and L account. P and L; you know that there is an increase of 289, which has been correctly recorded.

Next is bank loan; there is an outflow. So, bank loan; 100075; so there is an outflow of 25. Again, it is correctly done. Creditors; you know the balance has increased, which shows that we have paid less. So, it is an inflow for us. So, you can see creditors. It is shown as an inflow. So, these are the items on liability side. Now, take a look at items on asset side. Machinery; you can see machinery. There is an increase. So, it is an I, inflow. Have a look at investing activity. Machinery is increase of 3 lakhs. We have also made adjustment for depreciation. Now, look at the depreciation; 31000. Now, this is a non cash expense. So, what will happen is we will add depreciation here and we are also adding it in investing flow.

So, what is happening is machinery balance has increased by 3 lakhs, despite depreciation of 31000. So, actual purchase of machinery is 331. You can see that 31000 was in a way, deducted in the investing flow and it has been added in the operating flow. So, again, it has been correctly dealt with. Now, look at land. Land is an investing item. So, difference of 62 represents the purchase of land, which is again, correctly recorded by us. Cash; you know there is a difference of 7000. That will come in the end. Debtors and closing stock; these represent c a and c n. So, we have taken them in the operating items. The debtors' balance has decreased.

You can see from 85 to 70. So, it represents an inflow; whereas, closing stock balance has increased, which represents an outflow. So, we have taken all items from here. Now, take a look at the P and L items. Interest and dividend received; this should be marked as I, inflow. So, interest received and dividend income; both are inflows. Now on debit side of P and L; debenture interest and interim dividend; they are F, outflows. Take a look under financing flows; both have been recorded as outflows. So, these are F, outflows. Now, each of the P and L items will have second effect in the operating flows. Now, you can come to cash flow from operating activities. You will see that interest received has been deducted; dividend income has also been deducted.

Now, debenture interest has been added and interim dividend has been added. Now, only one item which, we have added, but we have not adjusted anywhere, is income tax. So, income tax; we have added, because we want to calculate profit before tax, but in the end, we have to pay income tax. So, that is something which, we have missed which, we have to record now. If you take sum of all these items, it comes to 367. We have to go for less income tax, because income tax paid is an outflow. In this case, you can see there are two effects done for income tax. So, income tax was once added, because we want to calculate p v t and again, it is shown as a deduction, because it represents an outflow. So, it is 319, is the funds from operations.

Then, we adjust the investing activities, which is minus 292 and financing activities is minus 20. Now, you can see the difference comes to 7000, which is exactly, the difference in the cash. I hope you are getting clear. This is how you have to reconcile. In case, you are not getting the answer, which is equal to difference; you have to go back; look at all balance sheet items; look at all P and L items and you will come to know where, you have gone wrong and which item, you have missed. Here, this 7000 represents cash generated by business or you can simply, say cash generated, which is 7000; I will make it bold. To this, we add opening balance of cash which, we know is 19000 and now, you take sum, it will be equal to closing balance. So, closing balance of cash is 7 plus 1926 and that is the correct amount as per balance sheet. I hope everyone is getting clear.

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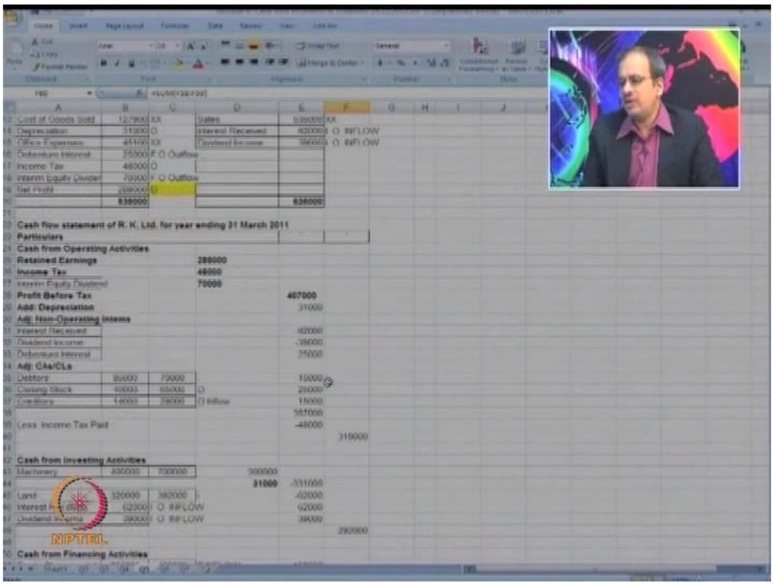

Now, with this, I think we have got sufficient practice now, of various cash flows problems. Let us go to a new concept, slightly modified concept of cash flow. That is known as fund flow. I will stop the problems here. Let us go to ppt on fund flow statement. Now, before we go for more details of fund flow, let us try to understand exactly, what is the difference between cash flow and fund flow. Both the statements are quite similar in nature. In cash flow statement, we focus on flow of cash. In case of fund flow statement, we focus on flow of funds. Now, what is fund? Funds are nothing, but day-to-day capital available with us. So, instead of only looking at cash, we look at all the moneys, which are available for day-to-day operations, which are nothing, but funds flow. So, in cash flow, we used to list all the waste. The cash is coming in and going out. In case of fund flow, we will look at different ways in which, working capital is coming in and going out. There is no categorization made in the fund flow statement like say, operating, investing or financing. We simply list inflows on one side and outflows on other side. So, let us see what is fund flow statement a little more in detail?

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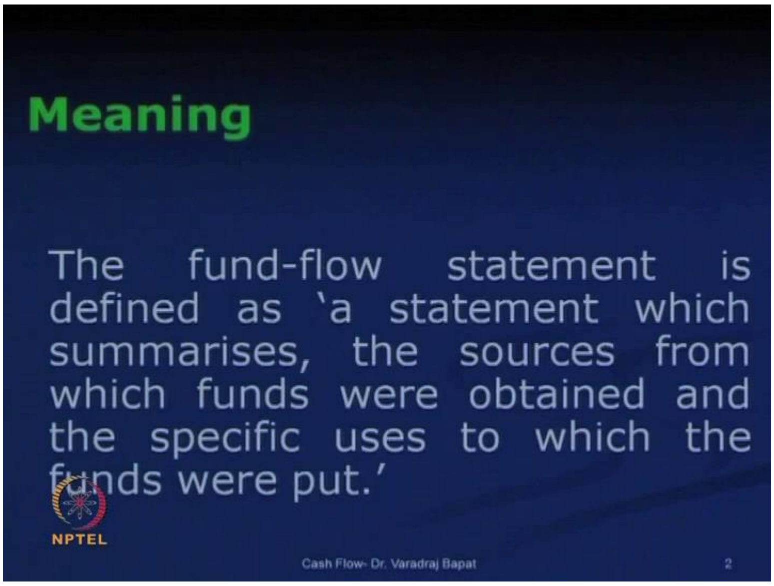

What is the meaning? It is defined as a statement, which summarizes the sources from which, the funds are obtained and what are the uses to which they are put.

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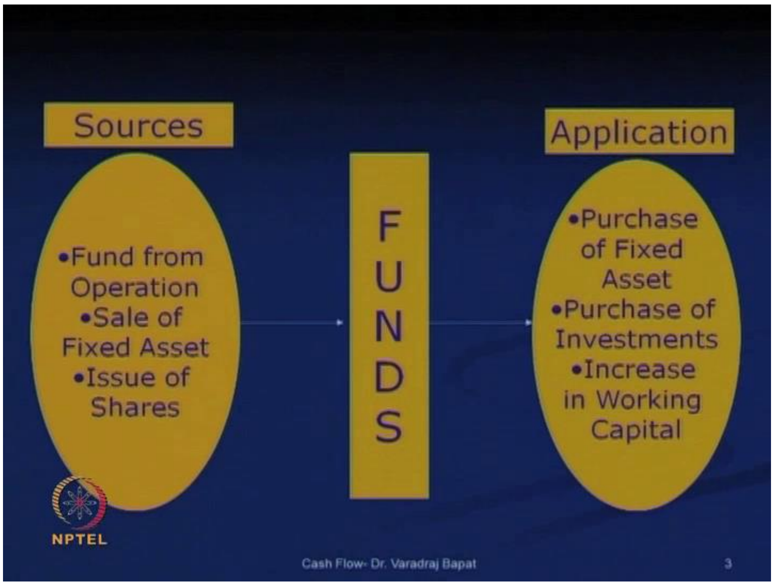

Now, this chart shows you some of the examples of funds. So, sources are fund from operations, sale of fixed assets, issue of cash. Applications could be purchase of fixed assets, purchase of investment, increase in working capital and so on.

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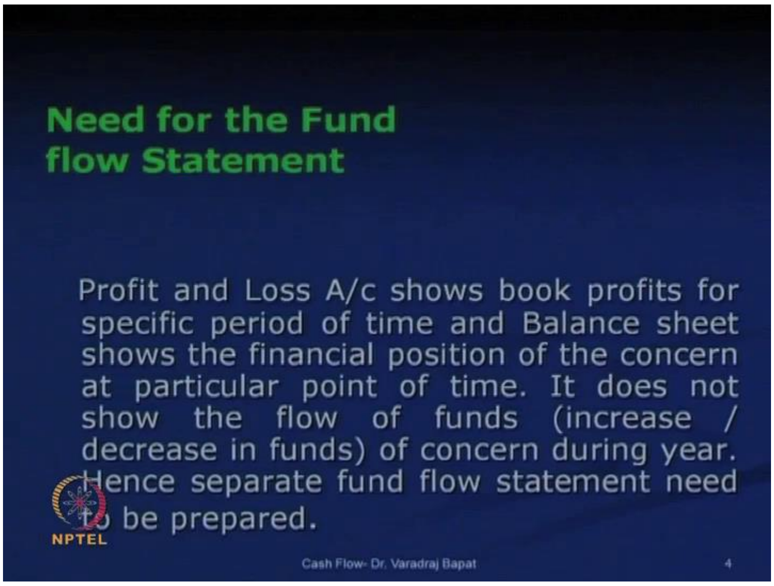

Now, what was the need to have such a statement? We have already seen at the time of cash flow statement that though, we have a P and L account, it shows the profit for the period; it does not show exactly, how the cash has moved. Same way, it also does not show how the funds have moved. So, funds flow statements seek to show what is the movement of funds in that particular year. We also have a balance sheet, but it is a positional statement. It gives you financial position as on a date; whereas, funds flow statement is trying to show from how, the money was raised and how it is invested or how it is utilized.

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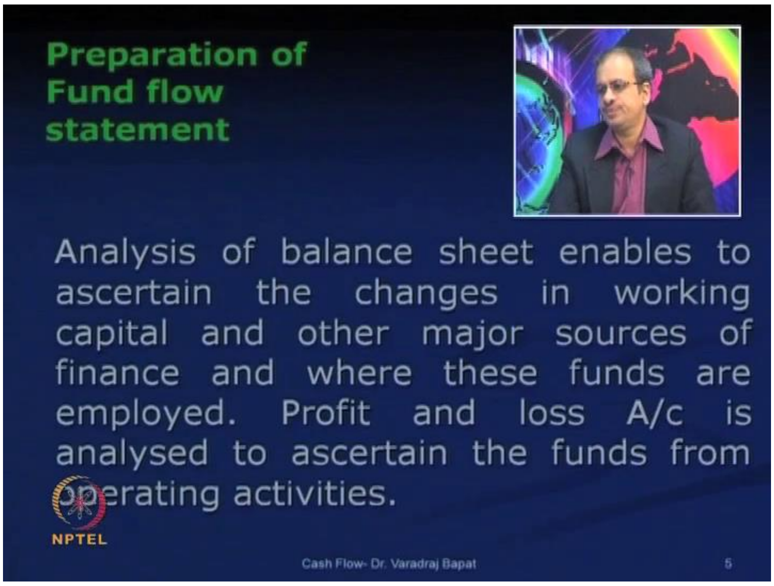

Now, how to prepare it? It is very similar to cash flow statement. We take a look at balance sheet. We find out where the differences are. So, we come to know the changes in the working capital and also, changes in long term assets and liabilities. We also look at a P and L account to find out how much money was generated from operations. This is how fund flow statement is prepared.

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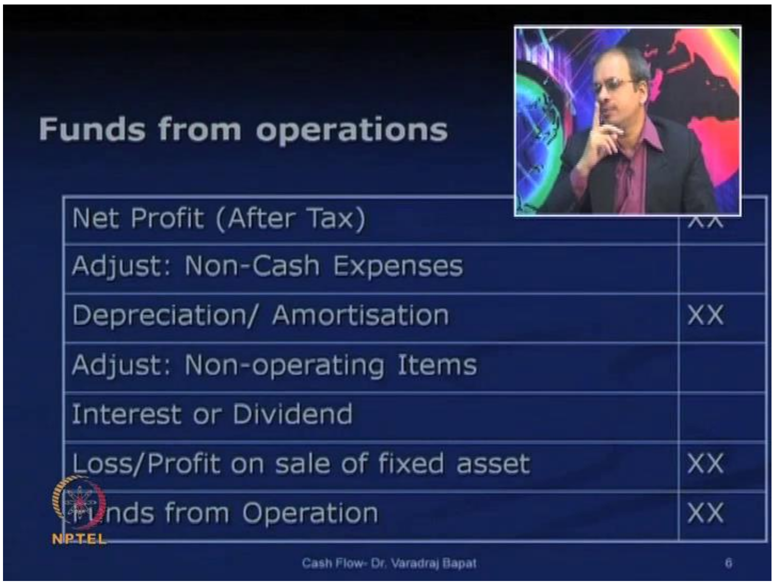

We will also solve some examples, which will make it more clear to you.

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Now, this is how funds from operations is calculated. Now, if you compare it with a cash flow statement; in cash flow statement, we used to calculate the cash from operating activities. This is very similar. Here, we are calculating funds from operations. So, we start with net profit. After tax, adjust for non cash items, like depreciation and also, adjust for non operating items. Only difference is in cash flow statement, we also used to have third adjustment for working capital items or current assets and current liabilities. In this case, that third adjustment is not there.

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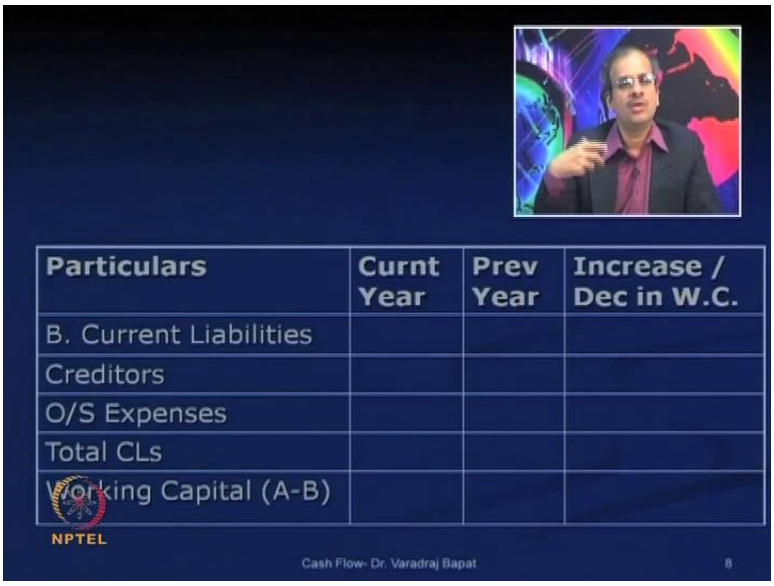

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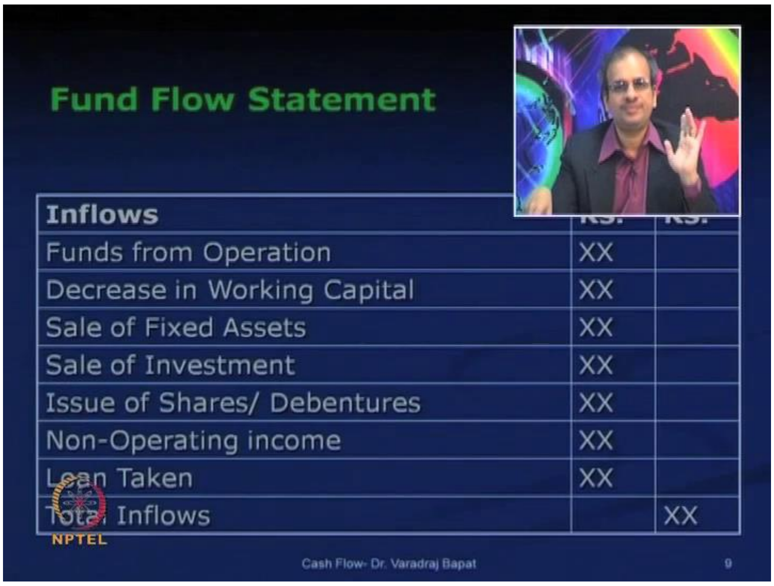

So, we adjust first two things and what we get is nothing, but funds from operations. In case of cash flow statement, a separate statement known as statement of changes in working capital is prepared. This statement gives us what are the items, which I have led to increases or decreases in working capital. So, we start with current assets. As you can see here stock, debtors, cash; they are compared for two years and we see the increase or decrease. We also take current liabilities. Again, look at increase or decrease. The total of all these items tells us what was a change in working capital. This is, you can take a look at the final fund flow statement.

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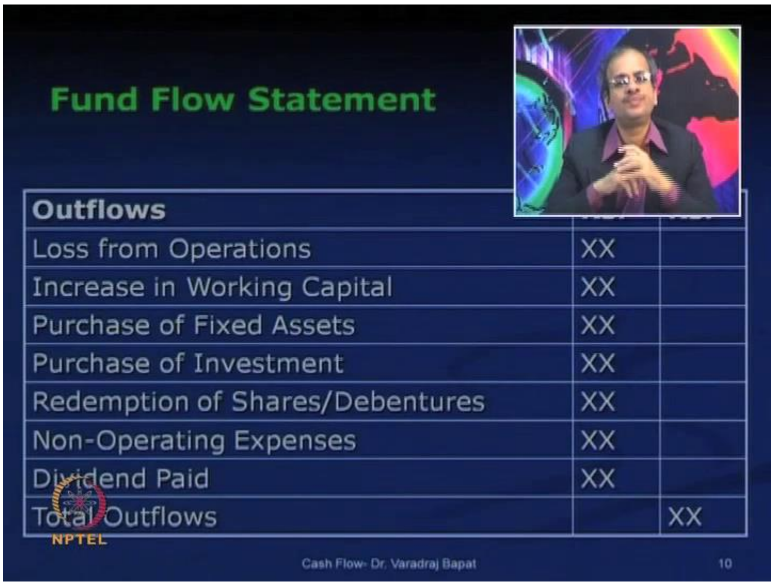

We start from fund from operations. So, fund from operation is one of the important flows. Here, we are first listing out all the inflows. Then, decrease in the working capital. So, if the working capital has gone down; that means, the money is released. So, that is also an inflow. Then, sale of fixed assets, sale of investment; these are the inflows; issue of shares, because money is received. If there is some non operating money like say, interest received; that will be an inflow. Loan received will be an inflow. So, this is an example of various inflows. Now, take a look at outflows. In case of outflows, we look at loss from operations, increase in working capital, because when the working capital increases for the business, the long term money is invested and working capital increases.

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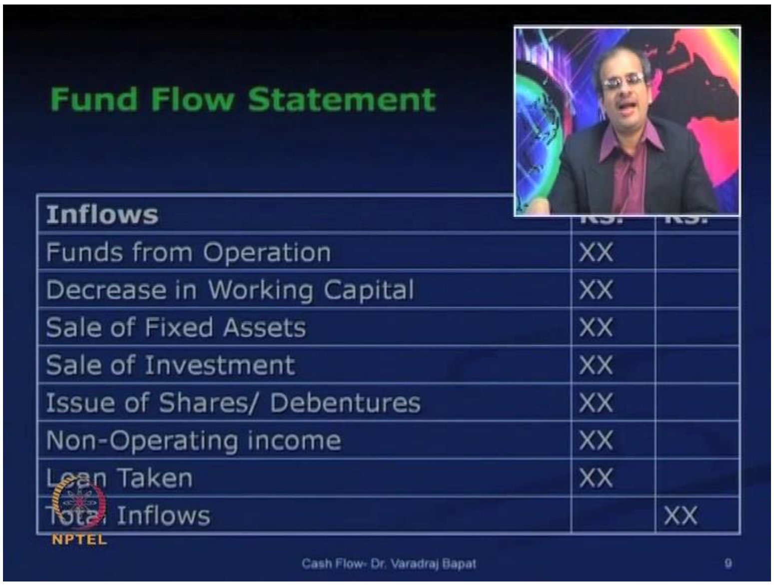

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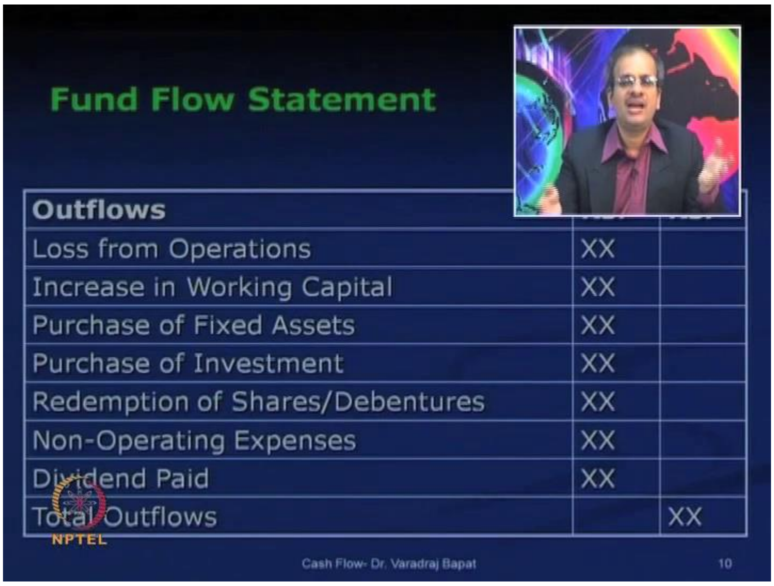

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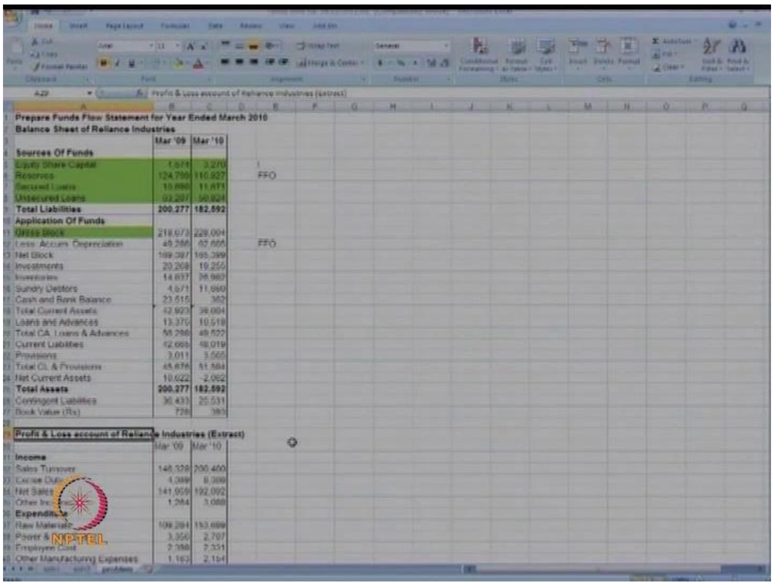

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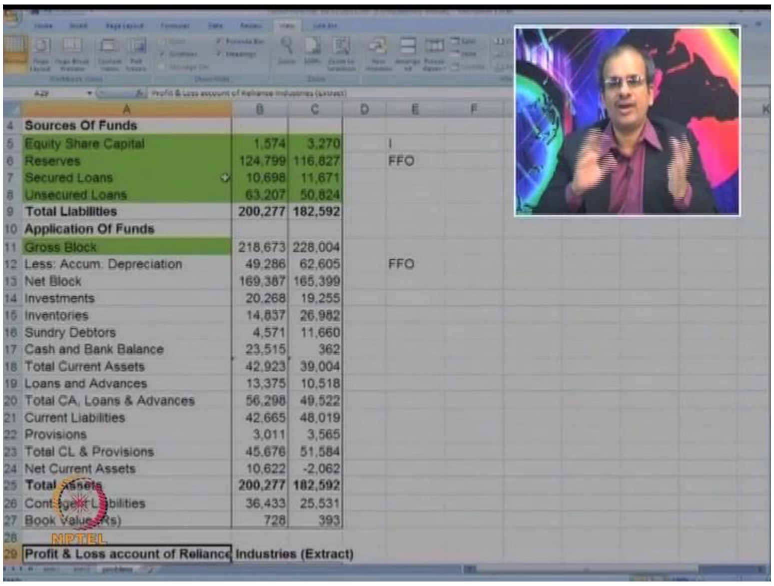

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So, it is treated as an outflow. Then, naturally, there is a purchase of fixed assets, purchase of investment. If you redeem the shares or if you say, pay dividend, they also represent outflows. So, let us go back. Fund flow statement on one side, lists out the inflows and also, lists out the outflows. We have to see that the total inflows match the total outflows. So, this is a brief about fund flow statement. Now, let us try to solve a problem, which I think, will make you more clear on what is fund flow statement. So, this is a balance sheet of Reliance industry for the two years. If you remember, we have solved for the same company, a problem on cash flow. We will also try to solve a problem on fund flow, so that you can also make a comparison.

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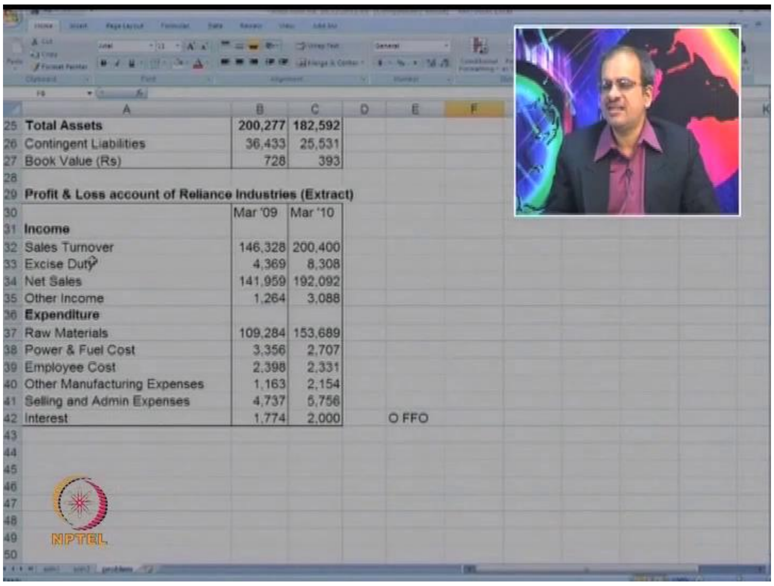

This is about the balance sheet. Have a look at all the items first. Now, it starts with sources, applications and some extract of P and L is also given. Now, when you try to solve fund flow statement, you do not have to mark items as O, I, F, because there is no categorization. What we will do is we will simply, mark the items as inflows or outflows, and if any item has an impact on fund from operation or item as an impact on working capital; those required to be separately marked. So, we will make three statements. First, we will make a statement for fund from operations. Second; we will make a statement from working capital, and then we will finally, make what is known as finally, the funds flow statement.

Let us look at one by one, the items. The first item is equity share capital. You can see there is an increase in the capital. So, what does it represent? Is it an inflow or outflow? I am just trying to find the difference for all the items. Does it represent inflow or outflow? Pretty common sense; I have issued shares. So, definitely, it represents an inflow. I hope everyone is clear about it. So, I have marked it already; marked it as I, because it represents an inflow. Is it clear? Next is reserve. There is decrease in the reserve. So, it is an item going into FFO. FFO is fund from operations. That is why I have marked it as

FFO. Secured loan; there is an increase in secured loan. Is it an inflow or outflow? It represents an inflow.

I think I will write in full to make it more clear to you. Unsecured loan; there is a decrease in unsecured loan. So, the loans have been repaid. They were 63; they have gone down to 50. So, it represents an outflow. Are you getting clear? Have a look at items, once again. So, you can see that what we are trying to do here is we are simply, marking all the items as inflows and outflows. We are not categorizing it. In case of cash flow, we have to mark them as the O, I, F and also, as inflows and outflows. Here, we are simply writing them as inflow or outflow. So, first item; equity capital was marked as inflow; reserves actually, are neither inflows nor outflows, but they represent the money coming from operations.

So, it was marked as FFO. Secured loan is an inflow. Unsecured loans; the balance has gone down. So, it is an outflow. Gross block; that means, increase in the fixed assets. So, it represents an outflow. You must have correctly guessed, because increase of fixed assets is only possible, if I pay money. So, it is an outflow. Accumulated depreciation; the depreciation has been accumulated. In other words, it should be marked as FFO. It will have some impact on the funds, but it is neither inflow nor outflow. Net block; that means gross block minus, depreciation. It will be what; inflow or outflow? Nothing, simply mark it as XX, because it is neither inflow nor outflow. Investment; you can see the investment balance has decreased from 20 to 19.

So, it is an inflow. The money must have come in there from sale of investments. Inventories; that means the closing stock; the balance has increased. It is a working capital item. So, I will mark it as working capital or WCAP. Sundry debtors; again, it is a working item capital item. Cash; again, it is a working item capital item. So, whatever is a current asset and liability; we are going to separately mark it. Total current assets; it is nothing; we have already considered this asset separately. Loans and advances; what I should take? It is also a working capital item. Meanwhile, it is slightly tricky. By reading the term loan, sometimes, you may feel it is something to do with loan received. That is secured and unsecured loan which, we have already recorded.

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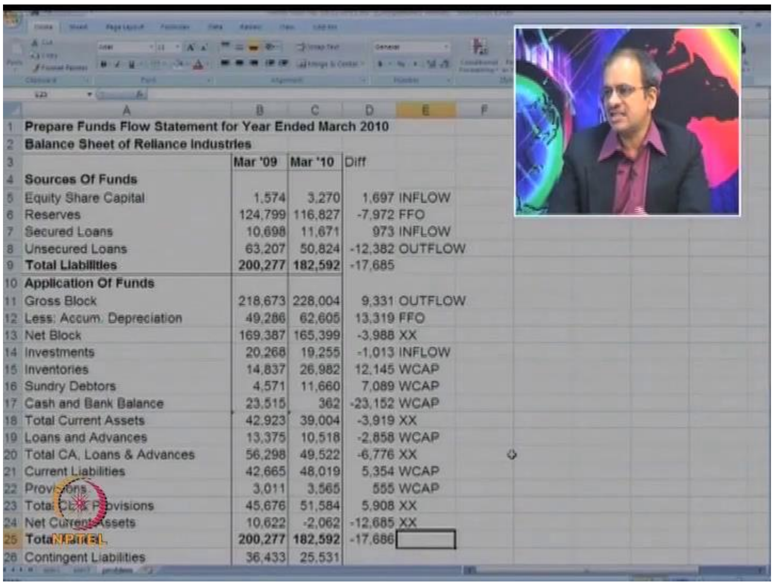

Right now, what loans and advances we are talking about are the advances given to employees or to customers, etc, which are day-to-day in nature. So, mark them as working capital. Total c a s; it is just a total. So, mark it as XX. Now, go to current liabilities; it is a working capital item. Provisions; can you guess? Again, it is a working capital item. Total; it is nothing, XX. Net current assets is also XX. Total assets, of course, we ignore them. So, we have marked all the balance sheet items as inflows or outflows. Then contingent liabilities and book value; you do not have to consider at all. Now, go to P and L account. As you know, most of the items of P and L; we do not consider, but if you feel any item is important, we should look at it. Now, sales turnover; we will ignore.

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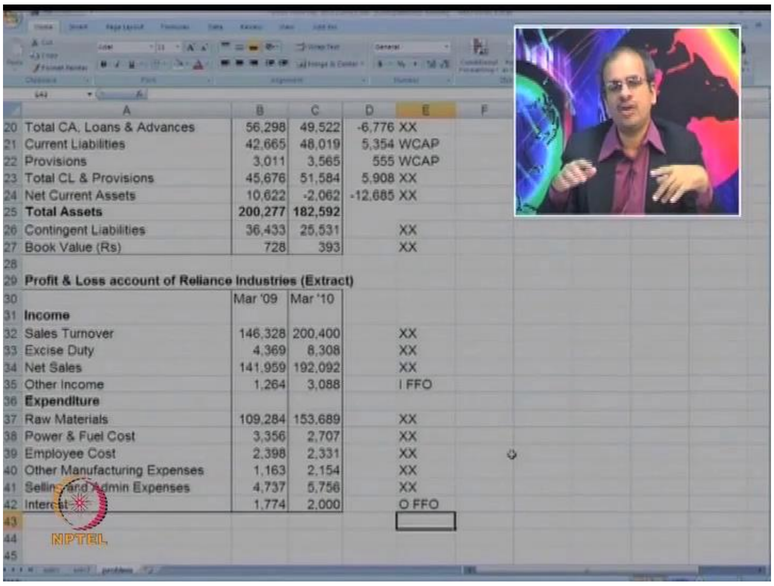

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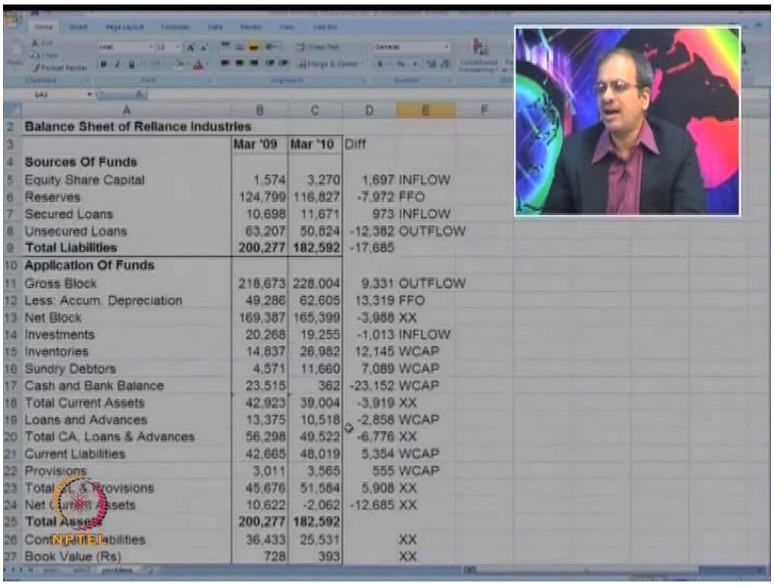

Excise duty; we should ignore. Net sales; of course, we ignore. Other income; shall we consider? We should consider; it is and inflow. Money is coming out by way of interest, etc. and it will also, have impact on FFO. Raw material; ignore. Power; ignore. Employee cost, other manufacturing, selling; all ignored, but interest; since it is a cost interest paid. So, I will have to mark it as O. O here, means outflow and it will also, have impact on FFO. Here, we have tried to mark all the items. Now, based on this, let us try to make a cash flow, sorry, fund flow statement. Now, what we have to do for fund flow statement is based on inflows and outflows, as we have marked; simply, list out the inflows, outflows and take total of working capital items and calculate the fund from operations, and those items will go into the main calculation. I think we will stop here and next session, we will try to complete this, but I will request you to try it on your own to make a fund flow statement.

Thank you so much.