

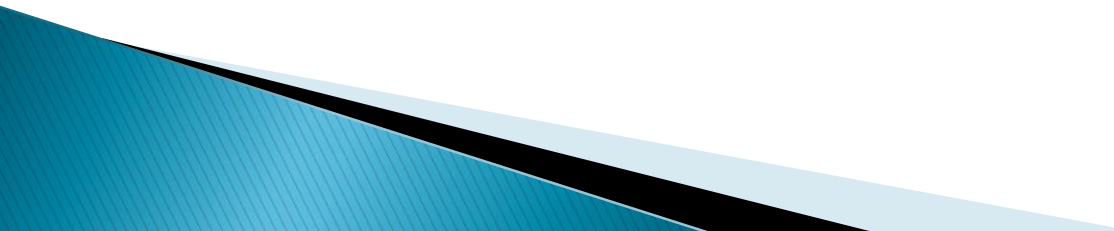
Unit II : Fund Flow Statement

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Fund Flow Statement

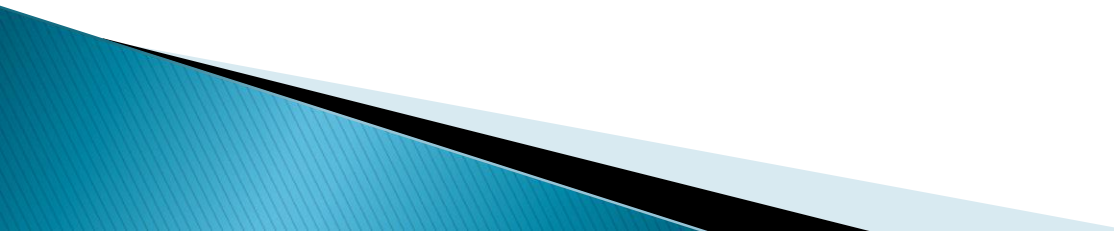
Fund flow statement is a statement which indicates various means by which the funds have been obtained during a certain period and the ways to which these funds have been used during that period. The term funds used here means working capital i.e. excess of current assets over current liabilities.

Importance of fund flow statement:-

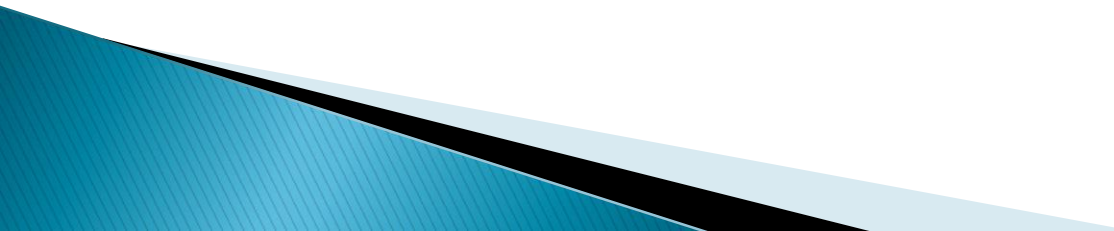
- Fund flow statement determines the financial consequences of business operation it shows how the funds were obtained & used in the past financial manager can take corrective actions.
 - The management can formulate its financial policies - dividend, reserve etc. on the basis of the statement.
 - The statement points out the sound & weak financial position of the enterprise.
 - This statement point out the causes for changes in working capital.
 - The management can rearrange the firms financing more effectively on the basis of the statement.
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- This statement lacks originality because it is only rearrangement of data appearing in account books.

Limitations of fund flow statement :

- This statement indicates only the past position and not future.
 - When both the aspects or a transaction are current, they are not considered.
 - When both the aspects or a transaction are non current, even then they are not included in this statement.
 - This statement is not an ideal tool for financial analysis.
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Following Accounts and statements are opened.

1. Statement of change in working capital.
 2. Adjusted Profit & Loss A/c.
 3. Fund Flow Statement.
 4. Working Accounts.
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Statement of change in working capital

Asset/liabilities	Last years	Current years	Effect on Working Capital	
			Increase	Decrease
A) CURRENT ASSETS				
Cash in hands	XXX	XXX		
Cash at bank	XXX	XXX		
Sundry Debtors	XXX	XXX		
Bills Receivable	XXX	XXX		
Closing Stock	XXX	XXX		
Temporary Investment	XXX	XXX		
Outstanding Income	XXX	XXX		
Prepaid Expenses	XXX	XXX		
Advance Paid	XXX	XXX		
Unexpired Expenses	XXX	XXX		
Total Of Current Assets (A)	XXX	XXX		

B) CURRENT LIABILITIES				
Creditors	XXX	XXX		
Bills Payable	XXX	XXX		
Bank Overdraft	XXX	XXX		
Provision of Tax	XXX	XXX		
Outstanding Expenses	XXX	XXX		
Unpaid Expenses	XXX	XXX		
Advance received Income	XXX	XXX		
Provision of doubtful debts	XXX	XXX		
Total of Current Liabilities (B)				
	XXX	XXX		
WORKING CAPITAL (A-B)	XXX	XXX		
Increase/ Decrease in Working capital	XXX	XXX		
	XXXX	XXXX	XXXX	XXXX

NOTE:

Any Assets Increase effect on working capital Increase

Any Assets Decrease effect on working capital Decrease

Any Liabilities Increase effect on working capital Decrease

Any Liabilities Decrease effect on working capital Increase

ADJUSTED PROFIT & LOSS ACCOUNT

Particulars	Amount	Particulars	Amount
To Depreciation on Assets	XXX	By Opening Balance	XXX
To Written off Preliminary Exp.	XXX	By Dividend Received	XXX
To Write off Discount on shares	XXX	By Excess Provision Return Back	XXX
To Write off Discount on Debenture	XXX	By Profit on Sale of fixed Assets	XXX
To Written off Goodwill	XXX	By Trading Profit/ operating profit	XXX
To Premium on Redemption	XXX		
To Transfer to General Reserve	XXX		
To Loss on Sale of Fixed Assets	XXX		
To Proposed Dividend (Current Year)	XXX		
To Tax Provision	XXX		
To Closing Balance	XXX		
	XXXX		XXXX

FUND FLOW STATEMENT

Sources	Amount	Application/ Uses	Amount
Issue of share Capital	XXX	Redemption on pref. shares	XXX
Issue of Debenture	XXX	Redemption on Debenture	XXX
Long term loan taken	XXX	Re- Payment of loan	XXX
Sale of Fixed Assets	XXX	Purchase of Fixed Assets	XXX
Operating Profit	XXX	Increase in Working Capital	XXX
Decrease in Working capital	XXX	Proposed Dividend (last year)	XXX
	XXXX		XXXX

Working Accounts:-

Fixed Assets A/c

Particulars	Amt.	Particulars	Amt.
To Opening Bal.	XXX	By Bank (Sold)	XXX
To Adj. Profit & Loss A/c (Profit on sale of fixed Assets)	XXX	By Adj. Profit & loss A/c. (Depreciation on Assets)	XXX
To Bank (Purchase)	XXX	By Adj. Profit & loss A/c.(loss on sale of Assets)	XXX XXX
	XXXX	By Closing Balance	XXXX

Open Account for Liabilities Side :- For Ex. Provision for Taxation A/c

Particulars	Amt.	Particulars	Amt.
To Bank (Tax Paid)	XXX	By opening Bal.	XXX
To Closing Bal.	XXX	By Adj. Profit & loss A/c (provision for Current Year)	XXX
	XXXX		XXXX