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CBSE Class 12 · Accountancy

Cash Flow Statement

10 most probable questions for Boards 2027

Q1. 1 mark · Multiple choice

A Cash Flow Statement reports cash and cash-equivalent inflows and outflows during a period under which set of activity headings?
(A) Operating, investing and financing
(B) Current, non-current and contingent
(C) Revenue, capital and deferred
(D) Trading, profit and loss, and balance sheet

Answer

(A) Operating, investing and financing — these are the three categories under which cash flows are classified.

Q2. 2 marks · Short answer

State how a Cash Flow Statement, when used with other financial statements, helps users assess changes in an enterprise's net assets and financial structure.

Answer

A Cash Flow Statement used with other financial statements enables users to evaluate changes in an enterprise's net assets and financial structure, including liquidity and solvency, and its ability to affect cash-flow amounts and timings to adapt to changing circumstances and opportunities.

Q3. 3 marks · Medium answer

Cash flows from operating activities before income tax and extraordinary items are ₹75,000. Income tax paid is ₹12,000, and there are no extraordinary items. Calculate net cash from operating activities.

Answer

Net cash from operating activities = Cash flows before income tax and extraordinary items − Income tax paid
= ₹75,000 − ₹12,000
∴ Net cash from operating activities = ₹63,000

Q4. 5 marks · Long answer

Prepare Notes to Accounts—Note 1: Other Income, showing profit on sale of machinery of ₹2,000, income-tax refund of ₹3,000, and the total of ₹5,000 in a clear tabular format.

Answer

Note 1 presents the components of Other Income and their total for the year.

1. Particulars: Profit on Sale of Machinery | Amount: ₹2,000. This profit is disclosed separately as a component of Other Income. For cash flow purposes, the profit is deducted from net profit when

calculating cash flows from operating activities because the sale proceeds are an investing cash inflow.
2. Particulars: Income Tax Refund | Amount: ₹3,000. The refund is disclosed separately as another component of Other Income. In calculating net profit before taxation in the illustration, the income-tax refund is deducted from net profit after tax and provision for taxation.
3. Particulars: Total Other Income | Amount: ₹5,000. The total is the sum of the profit on sale of machinery, ₹2,000, and the income-tax refund, ₹3,000.

The note clearly reconciles the two listed income items to total Other Income of ₹5,000.

Q5. 6 marks · Very long answer

Machinery was Rs. 50,000 at the beginning of the year and Rs. 60,000 at year-end. Accumulated depreciation was Rs. 25,000 at the beginning and Rs. 15,000 at year-end. A machine costing Rs. 25,000, with accumulated depreciation of Rs. 15,000, was sold for Rs. 13,000. Prepare the machinery and accumulated-depreciation accounts to find the machinery purchased, depreciation for the year and profit on sale; then calculate and separately present the net cash flow from investing activities.

Answer

Machinery Account (at cost)
Opening balance + Purchases = Cost of machinery sold + Closing balance
Rs. 50,000 + Purchases = Rs. 25,000 + Rs. 60,000
∴ Machinery purchased = Rs. 35,000

Accumulated Depreciation Account
Opening accumulated depreciation + Depreciation for the year = Accumulated depreciation on machinery sold + Closing accumulated depreciation
Rs. 25,000 + Depreciation for the year = Rs. 15,000 + Rs. 15,000
∴ Depreciation for the year = Rs. 5,000

Profit on Sale of Machinery
Carrying amount of machinery sold = Cost − Accumulated depreciation
= Rs. 25,000 − Rs. 15,000
= Rs. 10,000
Profit on sale = Sale proceeds − Carrying amount
= Rs. 13,000 − Rs. 10,000
∴ Profit on sale of machinery = Rs. 3,000

Cash Flow from Investing Activities
Sale of Machinery = Rs. 13,000
Purchase of Machinery = (Rs. 35,000)
Net cash flow from Investing Activities = Rs. 13,000 − Rs. 35,000
∴ Net cash used in Investing Activities = Rs. 22,000

Q6. 7 marks · Multiple choice

A machine costing Rs. 25,000, with accumulated depreciation of Rs. 15,000, was sold for Rs. 13,000. What was the profit on sale? (A) Rs. 2,000 (B) Rs. 3,000 (C) Rs. 10,000 (D) Rs. 13,000

Full answer on SmartKalike: https://smartkalike.com/cbse/class-12/accountancy/cash-flow-statement

Q7. 8 marks · Very long answer

Answer the following about financing cash flows:
(a) Identify the category of cash flow for proceeds from issuing equity shares, debentures and long-term borrowings. (2)
(b) State the financing cash-flow treatment of repayments of borrowings, interest on debentures or long-term loans, and dividends paid. (3)
(c) An instalment for a fixed asset acquired on deferred payment basis includes both interest and repayment of the loan. State how each component is classified, as described in the text. (1)
(d) Explain how the purchase of shares may be classified differently for a share brokerage firm and for another enterprise. (2)

Full answer on SmartKalike: https://smartkalike.com/cbse/class-12/accountancy/cash-flow-statement

Q8. 1 mark · Multiple choice

Which assessment is enabled by the cash flow information provided to users?
(A) The enterprise’s ability to generate and use cash, including the timing and certainty of generation
(B) The exact market value of every asset
(C) The amount of profit that must be distributed as dividends
(D) The future selling price of the enterprise’s shares

Full answer on SmartKalike: https://smartkalike.com/cbse/class-12/accountancy/cash-flow-statement

Q9. 2 marks · Short answer

State two ways cash flow information helps users: one relating to comparability of operating performance and one relating to reviewing cash flows or profitability.

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Q10. 3 marks · Medium answer

The note shows cash revenue of Rs. 8,00,000 and credit revenue of Rs. 34,00,000 before returns. Identify the two revenue sources and state the amount shown for each before returns.

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