



ACCOUNTS

BOOKS - ARYA ACCOUNTS (HINGLISH)

CASH FLOW STATEMENT

Multiple Choice Questions Select The Best Alternate

1. Cash flow statement is prepared for financial planning of

- A. Long range
- B. Medium range
- C. Short range
- D. Very Long range

Answer: C



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2. Which of the following is source of cash?

- A. Cash deposited into Bank

B. Cash withdrawn from Bank

C. Sale of Goods costing Rs 10,000 for Rs
8,000

D. Sale of marketable securities for cash

Answer: C



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3. Which of the following is not application of cash?

A. Issue of shares

B. Purchase of Machinery

C. Sale of Asset

D. Dividend received

Answer: B



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4. Which of the following is not application of cash

A. Increase in Debtors

B. Increase in Inventory

C. Increase in Bills Payable

D. Increase in Prepaid Expenses

Answer: C



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5. Cash from operating activities consists of :

A. Operating Profit

B. Decrease/Increases in Current Assets

C. Decrease/Increase in Current Liabilities

D. All of the above

Answer: D



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6. While calculating operating profit which will be added to net profit:

A. Preliminary Expenses Written off

B. Depreciation

C. Loss on Sale of Asset

D. All of the above

Answer: D



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7. While calculating profit which will be added to net profit:

A. profit on Sale of Asset

B. Increases in General Reserves

C. Interest received

D. Refund of Tax

Answer: B



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8. While calculating cash flow from operating activities which will be deducted:

A. Decrease in Prepaid Expenses

B. Increase in Trade Payables

C. Increase in Trade Receivables

D. Decrease in Trade Receivables

Answer: C



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9. While calculating cash flow from operating activities which will be added:

A. Increase in Inventory

B. Increase in Creditors

C. Decrease in Bills Payable

D. Increase in Trade Receivables

Answer: B



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10. Cash from Operating activities will decrease due to :

A. Increase in Current Assets

B. Decrease in Current Liabilities

C. Neither of the two

D. Both A and B above

Answer: D



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11. Which of the following is incorrect about the statement of cash flows?

A. It provides information about the cash receipt and cash payments of an enterprise.

B. It reconciles ending cash balance with the balance as per bank statement.

C. It provides information about the operating, investing and financing activities.

D. It explains the deviation of cash from Earnings.

Answer: B



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12. The statement of cash flows clarifies cash flows according to

- A. Operating and non-operating flows
- B. Investing and non-operating flows
- C. Inflows and outflows

D. Operating, investing and financing activities

Answer: D



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13. An example of cash flow from operating activity is :

A. purchase of own debentures

B. Sale of fixed assets

C. Interest paid on term-deposits by a bank

D. Issue of equity share capital

Answer: C



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14. An example of Cash Flow from Operating

Activity is:

A. Cash receipts from sale of goods and

services

B. Sale of long-term investments

C. Interest Received

D. Issue of Debentures

Answer: A



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15. Which of the following is an example of cash flow from Operating Activities?

A. Issue of Shares

B. Purchase of Machinery

C. Purchase of Investment

D. Purchase of Inventory for Cash

Answer: D



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16. An example of cash flow from investing activity is :

A. Issue of debenture

B. Repayment of long-term loan

C. Purchase of raw materials for cash

D. Sale of investment by non-financial
enterprise.

Answer: D



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**17. An example of Cash Flows from Investing
Activity is :**

A. Cash Revenue from Operations

B. Commission Received

C. Payment of cash for purchase of fixed
assets

D. Dividend paid

Answer: C



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18. An Example of cash flow from financing activity is :

- A. Payment of dividend
- B. Receipt of dividend on investment
- C. Cash received from customer
- D. Purchase of fixed asset

Answer: A



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19. An example of Cash Flows from Financing Activity is :

- A. Credit Revenue from Operations
- B. Cash receipts from issue of shares
- C. Sale of Investments
- D. Interest Received

Answer: B



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20. If a machine whose original cost is Rs 40,000 having accumulated depreciation Rs 12,000 were sold for Rs 34,000 then while preparing Cash Flow Statement its effect on cash flow will be :

A. Cash flow from financing activities Rs
34,000

B. Cash flow from financing activities Rs
6,000

C. Cash flow from financing activities Rs

34,000

D. Cash flow from financing activities Rs

6,0000

Answer: C



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21. if 6% pref. share capital Rs 2,00,000 were redeemed at a premium of 5%, while

preparing Cash Flow Statement its effect on
cash flow will be:

A. Cash used from financing activities

Rs2,12,000

B. Cash received from financing activities

Rs 2,12,000

C. Cash used (Payment) from financial

activities Rs 2,10,000

D. Cash used (Payment) from financial

activities Rs 2,00,000

Answer: C



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22. If the amount of goodwill is Rs 40,000 at the beginning of a year and Rs 48,000 at the end of that year then while preparing cash flow statement its effect on cash flow will be :

A. Cash used (Payment) in Investing

Activities Rs 8,000

B. Cash received from operating activities

Rs 8,000

C. Cash used (Payment) from financial

activities Rs 8,000

D. Cash used (Payment) from financial

activities Rs 2,00,000

Answer: A



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23. How will you deal increase in the balance of 'Securities Premium Reserve' while perparing a Cash Flow Statement?

- A. Cash Flow from Operating Activities
- B. Cash Flow from Investing Activities
- C. Cash Flow frim Financing Activities
- D. Cash Equivalent

Answer: C



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24. Fine Garments Ltd. Is engaged in the export of readymade garments. The company purchased a machinery of Rs 10,00,000 for the use in packaging of such garments. Cash flow due to the purchase of machinery will be cash flow from:

A. Cash Flow from Operating Activities

B. Cash Flow from Investing Activities

C. Cash Flow from Financing Activities

D. Cash Flow from Financing Activities

Answer: B



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25. A Ltd. Engaged in the business of retailing of two wheelers, invested Rs 50,00,000 in the shares of a manufacturing company. Dividend received on this investment will be ,

A. Cash Flow from Operating Activities

B. Cash Flow from Investing Activities

C. Cash Flow from Financing Activities

D. Cash Equivalent

Answer: B



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26. How will you treat payment of dividend in a Cash flow statement?

- A. Cash Flow from Operating Activities
- B. Cash Flow from Investing Activities
- C. Cash flow from Financing Activities

D. Cash Equivalent

Answer: C



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27. How will you Bank Overdraft in a Cash Flow Statement ?

A. Cash Flow from Operating Activities

B. Cash Flow from Investing Activities

C. Cash flow from Financing Activities

D. Cash Equivalent

Answer: C



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28. Where will you show purchase of Goodwill in a Cash Flow Statement ?

A. Cash Flow from Operating Activities

B. Cash Flow from Investing Activities

C. Cash flow from Financing Activities

D. Cash Equivalent

Answer: B



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29. How will you treat payment of 'Interest on Debentures' while preparing a Cash Flow Statement?

A. Cash Flow from Operating Activities

B. Cash Flow from Investing Activities

C. Cash flow from Financing Activities

D. Cash Equivalent

Answer: C



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30. Interest received by a finance company is classified under which kind of activity while preparing a Cash flow statement?

A. Cash Flow from Operating Activities

B. Cash Flow from Investing Activities

C. Cash flow from Financing Activities

D. No Cash Flow

Answer: A



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31. State whether cash deposited in bank will be classified under which kind of activity?

A. Cash Flow from Operating Activities

B. Cash Flow from Investing Activities

C. Cash flow from Financing Activities

D. No Cash Flow

Answer: D



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32. Mention the net amount of 'Source' or 'Use' of cash when a fixed asset (having book value of Rs. 15,000) is sold at a loss of Rs. 5,000.

A. Use Rs 5,000

B. Source Rs 10,000

C. Use Rs 15,000

D. Source Rs 15,000

Answer: B



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33. Dividend paid by a Trading company is classified under which kind of activity while preparing cash flow statement?

A. Cash Flow from Operating Activities

B. Cash Flow from Investing Activities

C. Cash flow from Financing Activities

D. No Cash Flow

Answer: C



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34. A company receives a dividend of Rs 2 Lakhs on its investment in other company's

shares. In case of a Finance Company, it will be classified under which kind of activity?

- A. Cash Flow from Operating Activities
- B. Cash Flow from Investing Activities
- C. Cash flow from Financing Activities
- D. No Cash Flow

Answer: A



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35. How will you classify loans given by Tata Finance Company?

A. Cash Flow from Operating Activities

B. Cash Flow from Investing Activities

C. Cash flow from Financing Activities

D. No Cash Flow

Answer: A



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36. How will you classify deposits by customers in Axis Bank?

- A. Cash Flow from Operating Activities
- B. Cash Flow from Investing Activities
- C. Cash flow from Financing Activities
- D. No Cash Flow

Answer: A



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37. A Mutual Fund Company receives a dividend of Rs 20 Lakhs on its investments in another company's shares. Where will it appear in a Cash Flow Statement?

- A. Cash Flow from Operating Activities
- B. Cash Flow from Investing Activities
- C. Cash flow from Financing Activities
- D. No Cash Flow

Answer: A



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38. Dividend paid by a finance company is classified under which kind of activity while preparing cash flow statement ?

- A. Cash Flow from Operating Activities
- B. Cash Flow from Investing Activities
- C. Cash flow from Financing Activities
- D. No Cash Flow

Answer: C





39. Dividend paid by a manufacturing company is classified under which kind of activity while preparing cash flow statement ?

- A. Cash Flow from Operating Activities
- B. Cash Flow from Investing Activities
- C. Cash flow from Financing Activities
- D. No Cash Flow

Answer: C



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40. Interest paid by an investment company will come under which kind of activity while preparing cash flow statement ?

- A. Cash Flow from Operating Activities
- B. Cash Flow from Investing Activities
- C. Cash flow from Financing Activities
- D. No Cash Flow

Answer: A



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41. Which of the following item is not considered as Cash Equivalents?

A. Short term Deposits in Bank

B. Commercial Papers

C. Treasury Bills

D. Investment

Answer: D



42. Which of the following item is considered as Cash Equivalents?

A. Marketable Securities

B. Debtors

C. Investment

D. Bills of Exchange

Answer: A



43. Which of the following is considered as Cash Equivalents?

A. Bank deposits for 2 months

B. Commercial Papers

C. Treasury Bills

D. All of the above

Answer: D



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44. Cash deposit with the bank with a maturity date after two months belongs to which of the following in the cash flow statement ?

- A. Investing activities
- B. Financing activities
- C. Cash and Cash equivalents
- D. Operating activities

Answer: C



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