

Cash Flow Statement Format (indirect method)

Layout based on AS 3 (Revised), Cash Flow Statements (ICAI), and NCERT class 12 Accountancy Part II, chapter 6. Name of the company: _____ · Cash Flow Statement for the year ended _____ (₹)

Particulars	₹	₹
A. Cash flows from operating activities		
Net profit before tax and extraordinary items	xxx	
Adjustments for:		
Add: Depreciation and amortisation	xxx	
Add: Loss on sale of fixed assets / investments	xxx	
Add: Finance costs (interest expense)	xxx	
Add: Provisions and other non-cash expenses (e.g. goodwill written off)	xxx	
Less: Profit on sale of fixed assets / investments	xxx	
Less: Interest income and dividend income	xxx	
Operating profit before working capital changes		xxx
Less: Increase in current assets (inventories, trade receivables, prepaid expenses)	xxx	
Add: Decrease in current assets	xxx	
Add: Increase in current liabilities (trade payables, outstanding expenses)	xxx	
Less: Decrease in current liabilities	xxx	
Cash generated from operations		xxx
Less: Income tax paid (net of refunds)	xxx	
Add/Less: Extraordinary items	xxx	
Net cash from (used in) operating activities (A)		xxx
B. Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	xxx	
Proceeds from sale of property, plant and equipment	xxx	
Purchase of non-current investments	xxx	
Proceeds from sale of investments	xxx	
Interest received	xxx	
Dividend received	xxx	
Net cash from (used in) investing activities (B)		xxx
C. Cash flows from financing activities		
Proceeds from issue of shares	xxx	
Proceeds from long-term borrowings	xxx	
Repayment of borrowings / redemption of debentures or preference shares	xxx	
Interest paid	xxx	
Dividend paid	xxx	
Net cash from (used in) financing activities (C)		xxx
Net increase / (decrease) in cash and cash equivalents (A + B + C)		xxx
Add: Cash and cash equivalents at the beginning of the year		xxx
Cash and cash equivalents at the end of the year		xxx

Direct method: operating activities

Only section A changes; sections B and C are the same in both methods.

Cash flows from operating activities (direct method)	₹
Cash receipts from customers	xxx
Cash receipts from royalties, fees, commissions and other revenue	xxx
Less: Cash paid to suppliers for goods and services	(xxx)
Less: Cash paid to and on behalf of employees	(xxx)
Cash generated from operations	xxx
Less: Income tax paid (net of refunds)	(xxx)
Add/Less: Extraordinary items	xxx
Net cash from operating activities (A)	xxx
Investing (B) and financing (C) sections are the same as in the indirect method.	

Quick classification guide (non-financial company, AS 3)

Transaction	Where it goes
Purchase of machinery	Investing (outflow)
Proceeds from issue of equity shares	Financing (inflow)
Cash received from trade receivables	Operating (inflow)
Cash paid to suppliers	Operating (outflow)
Salaries paid	Operating (outflow)
Income tax paid	Operating (outflow), unless linked to an investing or financing item
Sale of old furniture	Investing (inflow)
Purchase of goodwill or patents	Investing (outflow)
Interest paid on debentures (trading company)	Financing (outflow)
Dividend paid	Financing (outflow)
Dividend received on shares held as investment (trading company)	Investing (inflow)
Redemption of preference shares	Financing (outflow)
Long-term loan taken from a bank	Financing (inflow)
Interest received on loans by a bank or NBFC	Operating (inflow): a financial enterprise
Machinery bought by issuing shares to the seller	Not shown: a non-cash transaction (disclosed elsewhere)

Worked example: Asha Traders Ltd (hypothetical)

Balance sheets (summarised, figures invented for learning). Prepare the cash flow statement for 2025-26.

Particulars	31 March 2026 (₹)	31 March 2025 (₹)
I. Equity and liabilities		
Share capital (equity shares of ₹10 each)	8,00,000	6,00,000
Reserves and surplus (surplus, i.e. balance in Statement of Profit and Loss)	2,40,000	1,50,000
Long-term borrowings: 10% debentures	2,00,000	3,00,000
Trade payables	1,30,000	1,10,000
Short-term provisions: provision for tax	60,000	50,000
Total	14,30,000	12,10,000
II. Assets		
Property, plant and equipment (machinery, net of depreciation)	8,40,000	7,00,000
Non-current investments	1,00,000	1,50,000
Inventories	1,90,000	1,60,000
Trade receivables	1,70,000	1,20,000
Cash and cash equivalents	1,30,000	80,000
Total	14,30,000	12,10,000

Additional information

- 1. Depreciation charged on machinery during the year was ₹70,000.
- 2. A machine with a book value of ₹40,000 was sold for ₹30,000.
- 3. Investments costing ₹50,000 were sold for ₹60,000.
- 4. ₹1,00,000 of the 10% debentures were redeemed at par on 30 September 2025. Interest of ₹25,000 on debentures was paid during the year.
- 5. A dividend of ₹40,000 for 2024-25 was approved at the AGM and paid during the year.
- 6. A dividend of ₹6,000 was received on the investments.
- 7. Provision for tax made during the year was ₹65,000.

Working 1: net profit before tax	₹
Closing surplus (31 March 2026)	2,40,000
Less: opening surplus (31 March 2025)	(1,50,000)
Increase in surplus (net profit after tax and dividend)	90,000
Add: dividend paid during the year (appropriated from the surplus)	40,000
Add: provision for tax made during the year	65,000
Net profit before tax	1,95,000

Solution: cash flow statement for the year ended 31 March 2026

Particulars	₹	₹
A. Cash flows from operating activities		
Net profit before tax (Working 1)	1,95,000	
Adjustments for:		
Add: Depreciation	70,000	
Add: Loss on sale of machinery	10,000	
Add: Finance costs (interest on debentures)	25,000	
Less: Profit on sale of investments	(10,000)	
Less: Dividend received	(6,000)	
Operating profit before working capital changes		2,84,000
Less: Increase in inventories	(30,000)	
Less: Increase in trade receivables	(50,000)	
Add: Increase in trade payables	20,000	
Cash generated from operations		2,24,000
Less: Income tax paid (Working 2)		(55,000)
Net cash from operating activities (A)		1,69,000
B. Cash flows from investing activities		
Purchase of machinery (Working 3)	(2,50,000)	
Proceeds from sale of machinery	30,000	
Proceeds from sale of investments	60,000	
Dividend received	6,000	
Net cash used in investing activities (B)		(1,54,000)
C. Cash flows from financing activities		
Proceeds from issue of equity shares	2,00,000	
Redemption of 10% debentures	(1,00,000)	
Interest paid on debentures	(25,000)	
Dividend paid	(40,000)	
Net cash from financing activities (C)		35,000
Net increase in cash and cash equivalents (A + B + C)		50,000
Add: Cash and cash equivalents at the beginning of the year		80,000
Cash and cash equivalents at the end of the year		1,30,000

Workings

Working 2: Provision for tax account	₹
Balance b/d (opening provision)	50,000
Add: provision made this year (debited to profit and loss)	65,000
Less: balance c/d (closing provision)	(60,000)
Tax paid during the year (balancing figure)	55,000

Working 3: Machinery (net book value)	₹
Opening balance	7,00,000
Less: depreciation for the year	(70,000)
Less: book value of machine sold	(40,000)
Balance before purchases	5,90,000
Closing balance (31 March 2026)	8,40,000
Machinery purchased (balancing figure)	2,50,000

Check	₹
Cash and cash equivalents on 31 March 2025	80,000
Add: net increase from the cash flow statement	50,000
Cash and cash equivalents on 31 March 2026	1,30,000
Balance sheet figure on 31 March 2026	1,30,000
Difference	Nil

Direct method for the same company

Statement of Profit and Loss for 2025-26 (extract)	₹
Revenue from operations (all credit sales)	12,00,000
Other income: profit on sale of investments	10,000
Other income: dividend received	6,000
Total income	12,16,000
Purchases of stock-in-trade (all on credit)	7,80,000
Change in inventories (opening 1,60,000 minus closing 1,90,000)	(30,000)
Employee benefits expense	1,20,000
Finance costs	25,000
Depreciation	70,000
Loss on sale of machinery	10,000
Other expenses (rent, power, office)	46,000
Total expenses	10,21,000
Profit before tax	1,95,000
Less: tax expense	(65,000)
Profit after tax	1,30,000

Cash flows from operating activities (direct method)	₹
Cash receipts from customers (sales 12,00,000 + opening receivables 1,20,000 – closing receivables 1,70,000)	11,50,000
Cash paid to suppliers (purchases 7,80,000 + opening payables 1,10,000 – closing payables 1,30,000)	(7,60,000)
Cash paid to employees	(1,20,000)
Cash paid for other expenses	(46,000)
Cash generated from operations	2,24,000
Less: Income tax paid	(55,000)
Net cash from operating activities	1,69,000