

### Objective Type Questions 9.2

1. \_\_\_\_\_ are the principal revenue generating (or primary/ main) activities of an enterprise. *(Fill in the blank)*
2. Which of the following is not an operating activity for a company manufacturing garments? *(Choose the correct alternative)*
  - (a) Procurement of raw material
  - (b) Sale of garments
  - (c) Payment of interest on loans
  - (d) Manufacturing expenses incurred
3. The amount of 'cash from operations' indicates the internal solvency level of the company. *True/False? Give reason*  
*(Choose the correct alternative)*
4. Which of the following is an operating activity?
  - (a) Interest received in cash from loans and advances
  - (b) Cash payments to acquire securities for dealing or trading purposes
  - (c) Cash payments to acquire capitalized research and development
  - (d) Cash repayment of amount borrowed
5. Which of the following is an example of cash inflow from operating activities? *(Choose the correct alternative)*
  - (a) Cash receipts from disposal of shares, warrants, or debt instruments held for trading purposes
  - (b) Cash receipts from royalties, fees, commissions and other revenues.
  - (c) Cash receipts from the rendering of services.
  - (d) All of the above
6. Cash flows arising from the purchase and sale of dealing or trading securities are classified as operating activities. *True/False? Give reason*
7. Cash advances and loans made by financial enterprises to third party are classified as investing activities. *True/False? Give reason*
8. Transactions related to long-term investment are investing activities. *True/False? Give reason*
9. Investing activities are the acquisition and disposal of long-term assets and other investments not included in operating activities. *(Fill in the blank)*
10. Which of the following is not classified as investing activities? *(Choose the correct alternative)*
  - (a) Dividend received from investments in other enterprises.
  - (b) Cash receipt from disposal of patents.
  - (c) Cash payments to acquire capitalized research and development.
  - (d) Cash receipt from the repayment of loans or advances made by financial enterprises.
11. Financing activities are activities that result in changes in the size and composition of the owners' capital and borrowings of the enterprises. *True/False? Give reason*
12. Cash proceeds from short-term borrowings is classified as cash inflow from financing activities. *True/False? Give reason*
13. Instalment paid in respect of a fixed asset acquired on deferred payment basis is a cash outflow financing activity. *True/False? Give reason*
14. Purchase of shares is always an investing activity. *True/False? Give reason*
15. Which of the following is never classified as operating activities? *(Choose the correct alternative)*
  - (a) Payment of taxes
  - (b) Payment of employment benefits expenses
  - (c) Payment of dividends
  - (d) Both (b) and (c)
16. Which of the following is not classified as investing activities? *(Choose the correct alternative)*
  - (a) Purchase of property
  - (b) Purchase of goodwill
  - (c) Purchase of inventory from suppliers
  - (d) Purchase of non-current investments
17. \_\_\_\_\_ are non-recurring in nature, i.e. not the regular phenomenon, e. g. loss due to theft or earthquake or flood. *(Fill in the blank)*
18. Cash flows associated with extraordinary items are always classified as operating activities. *True/False? Give reason*
19. In case of a financial enterprise (whose main business is lending and borrowing), interest paid, interest received and dividend received are classified as \_\_\_\_\_ activities while dividend paid is a \_\_\_\_\_ activity. *(Fill in the blank)*
20. Dividend paid is always a financing activity. *True/False? Give reason*
21. Which of the following is an operating activity? *(Choose the correct alternative)*
  - (a) Interest paid by a manufacturing company
  - (b) Interest received by a manufacturing company
  - (c) Interest paid by a financing company
  - (d) Dividend paid by a financing company

## Cash Flow Statement

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2. In case of a non-financial enterprise, payment of interest and dividends are classified as \_\_\_\_\_ activities whereas receipt of interest and dividends are classified as \_\_\_\_\_ activities. *(Fill in the blanks)*
3. Tax paid is always classified as an operating activity. *True/False? Give reasons.*
4. Match the following :
- |   |                            |
|---|----------------------------|
| (a) Tax on normal profits/operating profits | (i) Operating activities   |
| (b) Tax on capital profits                  | (ii) Investing activities  |
| (c) Dividend tax                            | (iii) Financing activities |
5. Investing and financing activities that do not require the use of cash equivalents are excluded from a cash flow statement. *True/False? Give reasons.*
26. Which of the following should be excluded from a cash flow statement? *(Choose the correct alternative)*
- |  |  |
|--|--|
| (a) Acquisition of machinery by issue of equity shares |  |
| (b) Redemption of debentures of issue of equity shares |  |
| (c) Both (a) and (b)                                   |  |
| (d) Loss of goods due to theft or earthquake or flood  |  |
27. Non-cash transactions are not disclosed anywhere in the financial statements. *True/False? Give reasons.*
28. Assets acquired by issue of shares are not disclosed in cash flow statement. *True/False? Give reasons.*
29. 'Shyamsundar Ltd.' is a financing company. Under which activity will the amount of interest paid on a loan settled in the current year be shown? *(Choose the correct alternative)*
- |   |                        |
|---|------------------------|
| (a) Investing activity                      | (b) Financing activity |
| (c) Both Financing and Operating activities | (d) Operating activity |
30. Amongst the following, 'Payment of bonus to the employees' by an insurance company is which type of activity? *(Choose the correct alternative)*
- |                          |  |
|--------------------------|--|
| (i) Operating activity   | (ii) Investing activity                    |
| (iii) Financing activity | (iv) Both operating and financing activity |
31. While preparing Cash Flow Statement, 'interest paid on debentures' will be considered as : *(Choose the correct alternative)*
- |                          |  |
|--------------------------|--|
| (i) Operating activity   | (ii) Financing activity                    |
| (iii) Investing activity | (iv) Both operating and financing activity |
32. Interest received ₹10,000 by a non-financial company is an \_\_\_\_\_ activity. *(Fill in the blank)*
33. In case of financial enterprises, interest paid and dividend paid will be treated as cash flow from operating activities. *True/False? Give reasons.*
34. Redemption of Debentures by converting them into equity shares would result into outflow of cash. *True/False? Give reasons.*
35. Rent received is an operating activity by a manufacturing concern. *True/False? Give reasons.*
36. Purchase of software by a manufacturing concern is classified as operating activities. *True/False? Give reasons.*
37. Interest paid on bank overdraft is a financing activity. *True/False? Give reasons.*
38. Sale of current investments for cash will be shown under \_\_\_\_\_ *(Choose the correct alternative)*
- |                        |                               |
|------------------------|-------------------------------|
| (a) Operating Activity | (b) Financing Activity        |
| (c) Investing Activity | (d) Cash and Cash Equivalents |
39. X Ltd. issued shares at a premium. The securities premium reserve will be shown as:
- |   |  |
|---|--|
| (a) Cash inflow from operating activities | (b) Cash inflow from financing activities  |
| (c) Cash inflow from investing activities | (d) Cash outflow from financing activities |
40. Match the following:
- |  |                                      |
|--|--------------------------------------|
| (i) Acquisition of assets by issue of debentures | (a) Operating activity               |
| (ii) Depreciation on fixed assets                | (b) Investing activity               |
|  | (c) Financing activity               |
|  | (d) Not shown in cash flow statement |
41. Match the following:
- |  |                        |
|--|------------------------|
| (i) For an investment company, sale and purchase of securities | (a) Operating activity |
| (ii) For an insurance company, receipt of insurance premium    | (b) Investing activity |
|  | (c) Financing activity |

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Accountancy

42. Match the following:  
 (i) Redemption of Debentures  
 (ii) Purchase of Goodwill
- (a) Investing activity  
 (b) Financing activity  
 (c) Operating activity
43. Match the following:  
 (i) Conversion of debentures into shares  
 (ii) Land sold at 10% profit
- (a) Operating activity  
 (b) Not shown in cash flow statement  
 (c) Investing activity
44. Match the following:  
 (i) Dividend received on shares held as investment  
 (ii) Bank overdraft
- (a) Cash and Cash Equivalents  
 (b) Operating activity  
 (c) Investing activity  
 (d) Financing activity
45. Match the following:  
 (i) Profit on sale of land and building  
 (ii) Loss on sale of fixed assets
- (a) Operating activity  
 (b) Investing activity  
 (c) Financing activity
46. Match the following:  
 (i) Rent received on property held on investment  
 (ii) Underwriting commission paid
- (a) Operating activity  
 (b) Investing activity  
 (c) Financing activity  
 (d) Outflow of cash
47. Match the following:  
 (i) Purchase of intangible assets  
 (ii) Discount on issue of debentures
- (a) Operating activity  
 (b) Investing activity  
 (c) Financing activity
48. Match the following:  
 (i) Land sold at a loss of ₹10,000  
 (ii) Securities premium reserve on issue of shares
- (a) Operating activity  
 (b) Investing activity  
 (c) Financing activity
49. Match the following:  
 (i) Premium on redemption on debentures  
 (ii) Proceeds from public deposits
- (a) Operating activity  
 (b) Investing activity  
 (c) Financing activity
50. Match the following:  
 (i) Interim Dividend paid  
 (ii) Final Dividend paid
- (a) Operating Activity  
 (b) Investing Activity  
 (c) Financing Activity
51. Match the following:  
 (i) Sale of Marketable Securities  
 (ii) Profit on sale of Marketable Securities
- (a) Operating Activity  
 (b) Investing Activity  
 (c) Financing Activity  
 (d) Cash and Cash Equivalents
52. Match the following:  
 (i) Sale of Patents  
 (ii) Profit on sale of Investment
- (a) Operating Activity  
 (b) Investing Activity  
 (c) Financing Activity  
 (d) Cash and Cash Equivalents
53. Match the following:  
 (i) Repayment of Bank Overdraft  
 (ii) Loss on sale of Marketable Securities
- (a) Operating Activity  
 (b) Investing Activity  
 (c) Financing Activity  
 (d) Cash and Cash Equivalents

54. Match the following:
- |  |                               |
|--|-------------------------------|
| (i) Sale of Marketable Securities            | (a) Inflow of Cash            |
| (ii) Profit on sale of Marketable Securities | (b) Outflow of Cash           |
|  | (c) No Flow of Cash           |
|  | (d) Cash and Cash Equivalents |
55. Match the following:
- |   |                          |
|---|--------------------------|
| (a) Commission received by a manufacturing enterprise | (i) Operating activity   |
| (b) Dividend paid by a financial enterprise           | (ii) Investing Activity  |
|   | (iii) Financing activity |
56. 'Receipt of Dividend' can never be classified as an operating activity. *True/False? Give reason.*
57. 'Payment of dividend and interest' will be classified as \_\_\_\_\_ activity while preparing cash flow statement. *(Fill in the blank)*
58. 'Interest received and paid' by a finance company is \_\_\_\_\_ activity while preparing a Cash Flow Statement. *(Fill in the blank)*
59. \_\_\_\_\_ is an example of an activity, which is an investing activity for every type of enterprise. *(Fill in the blank)*
60. \_\_\_\_\_ is an example of an activity, which is a financing activity for every type of enterprise. *(Fill in the blank)*
61. S.R. Ltd. purchased machinery on deferred payment basis. During the year ended 31.3.2020 the company paid an instalment of ₹4,00,000 which included interest of ₹40,000. While preparing cash flow statement, ₹4,00,000 will be shown as cash outflow from financing activities. *True/False? Give reason.*
62. A mutual fund company invested ₹5,00,000 in shares of Prayag Ltd. and received dividend of ₹45,000 during the year. Dividend received will be shown as \_\_\_\_\_ in the Cash Flow Statement. *(Fill in the blank)*
63. 'An enterprise may hold securities and loans for dealing or trading purpose in which case they are similar to inventory acquired specifically for resale'. Cash Flows from such activities will be classified under \_\_\_\_\_ activity while preparing Cash Flow Statement. *(Fill in the blank)*
64. While preparing the 'Cash Flow Statement' the accountant of Gulfam Ltd., a financing company showed 'Dividend received on investments' as 'Investing Activity'. Was he correct in doing so? Give reason.
65. While preparing the Cash Flow Statement of Alka Ltd., a financial enterprise 'dividend paid' was shown as an operating activity by the accountant of the company. Was he correct in doing so? Give reason.
66. While preparing Cash Flow Statement, the accountant of a financing company showed 'Dividend Received ₹50,000 on investments' as an operating activity. Was he correct in doing so? Give reason.
67. While preparing Cash Flow Statement, the accountant of 'Rachana Ltd.', a financing company, included 'Interest received on loan' in financing activities. Was he correct in doing so? Give reason.
68. While preparing 'Cash Flow Statement', the accountant of 'Jain Limited', a financing company, showed dividend received on investments as investing activity. Was he correct in doing so? Give reason.
69. While preparing Cash Flow Statement, 'Payment of Cash to acquire Debentures by an Investment company' will be shown as \_\_\_\_\_ activity. *(Fill in the blank)*
70. While preparing Cash Flow Statement, 'Payment of cash to acquire shares of another company by a trading company' is shown under \_\_\_\_\_ activity. *(Fill in the blank)*
71. Under which type of activity will you classify 'Proceeds from Sale of Buildings' while preparing Cash Flow Statement? *True/False? Give reason.*
72. Non-cash transactions are ignored while preparing a Cash Flow Statement. *(Fill in the blank)*
73. Dividend received is considered as operating activity when \_\_\_\_\_. *True/False? Give reason.*
74. Interest received is never considered as financing activity. *True/False? Give reason.*
75. Fine Garments Ltd. is engaged in the export of ready made garments. The company purchased a machinery of ₹10,00,000 for the use in packaging of such garments. State giving reason whether the cash flow due to the purchase of machinery will be cash flow from operating activities, investing activities or financial activities?
76. A Ltd., engaged in the business of retailing of two wheelers, invested ₹50,00,000 in the shares of a manufacturing company. State with reason whether the dividend received on this investment will be cash flow from operating activities or investing activities.
77. Under which type of activity will you classify 'Rent received' while preparing cash flow statement?
78. Give two examples of cash inflows from operating activities other than cash receipts from sale of goods and rendering of services.
79. P.P Limited is Share Broker Company. G.G Limited is engaged in manufacturing of packaged food. P.P Limited purchased 5,000 equity shares of ₹100 each of Savita Limited. G.G Limited also purchased 10,000 equity shares of ₹100 each of Savita Limited. For the purpose of preparing their respective Cash Flow Statements, under which category of activities the purchase of shares will be classified by P.P Limited and G.G Limited?
80. Interest received by a finance company is classified under which kind of activity while preparing a cash flow statement?