

**Objective Type Questions 9.1**

1. Which of the following transactions will not result into flow of cash : (Choose the correct alternative)
- (a) Issue of equity shares of ₹ 1,00,000.
  - (b) Purchase of machinery of ₹ 1,75,000.
  - (c) Redemption of 9% debentures ₹ 3,50,000.
  - (d) Cash deposited into bank ₹ 15,000.
2. Which of the following is not included in cash and cash equivalents ? (Choose the correct alternative)
- (a) Balances with banks
  - (b) Bank deposits with 100 days of maturity
  - (c) Cheques and drafts on hand
  - (d) Cash on hand
3. Which of the following transactions will result into flow of cash ? (Choose the correct alternative)
- (i) Deposited ₹40,000 into bank.
  - (ii) Withdrew cash from bank ₹54,000.
  - (iii) Sold marketable securities of ₹ 25,000 at par.
  - (iv) Sold machinery of book value of ₹50,000 at a gain of ₹10,000.
- As per As - 3, 'cash' comprises : (Choose the correct alternative)
- (a) Cash in hand
  - (b) Demand deposits with banks
  - (c) Both (a) and (b)
  - (d) Short term marketable securities

5. An investment normally qualifies as cash equivalents only when it has a short maturity, of say, two months or less from the date of acquisition.
6. Investments in shares are included in cash equivalents. *True/False? Give reasons.*
7. Preference shares of a company to be redeemed within 2 months from the date of acquisition is included in cash equivalents. *True/False? Give reasons.*
8. Short term marketable securities are included in cash equivalents. *True/False? Give reasons.*
9. 'Cash Flows' implies movement of cash in and out due to some \_\_\_\_\_ . *(Fill in the blank)*
10. Receipt of cash from a non-cash item is termed as \_\_\_\_\_ while cash payment in respect of non-cash items as \_\_\_\_\_ . *(Fill in the blanks)*
11. Purchase of short-term investment is not considered while preparing cash flow statement . *True/False? Give reasons.*
12. Which of the following is not cash or cash equivalents? *(Choose the correct alternative)*
  - (a) Cash in hand
  - (b) Demand Deposit
  - (c) Bank Borrowings
  - (d) Investment which is maturing within 2 months from the date of acquisition
13. 'Cash deposited in bank' will result in outflow of cash while preparing Cash Flow Statement. *True/False? Give reasons.*
14. 'Cheques and drafts in hand' are not considered while preparing cash flow statement. *True/False? Give reasons.*
15. Normally \_\_\_\_\_ should be the maturity period for a short-term investment from the date of its acquisition to be qualified as cash equivalents. *(Fill in the blank)*
16. Redemption of debentures would result in inflow, outflow or no flow of cash? Give your answer with reason.
17. State whether the payment of cash to creditors will result in inflow, outflow or no flow of cash.
18. State whether cash deposited in bank will result in inflow, outflow or no flow of cash.
19. Short term deposits in bank will result in no flow of cash and cash equivalents. *True/False? Give reasons.*
20. Movement between items that constitute cash or cash equivalents may also result into cash flow. *True/False? Give reasons.*

