KINGDOM OF CAMBODIA

Nation Religion King

NORTON UNIVERSITY

Master of Business Administration

SUBJECT:

FINANCIAL MANAGEMENT

TOPIC: CASH FLOW ANALYSIS

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CONTENT

I. INTRODUCTION TO CASH FLOW

In 1987, the FASB issued Statement 95 requiring the Statement of Cash Flow in its current form. International Accounting Standards mandates a cash flow statement under Indonesia Air Show 7 that is similar in most respects to that provided under U.S Generally Accepted Accounting Principle (GAAP). While not perfect, the current cash flow statement provides much meaningful information.

The cash flow statement required under U.S. GAAP or IAS presents a detailed display of what has caused the firm's cash and cash equivalents to change throughout a reporting period. Cash equivalents include investments that are readily convertible to a specified amount of cash (in IAS, "subject to an insignificant risk of changes in value"). Under both standards, the net change in this class of assets over the reporting period is subdivided into three components: cash from operating activities, cash from investing activities, and cash from financing activities.

The firm's net income is important, but cash flow is even more important because dividends must be paid in cash and because cash is necessary to purchase the assets required to continue operations. The statement of cash flows shows the sources and uses of cash, which is a basis for cash flow analysis for financial managers. The statement aids him/her in answering vital questions like "where was money obtained?'' and "where was money put and for what purpose?" Cash is vital to the operation of every business. How management utilizes the flow of cash can determine a firm's success or failure. Financial managers must control their company's cash flow so that bills can be paid on time and extra dollars can be put into the purchase of inventory and new equipment or invested to generate additional earnings.

II. SOURCES AND USED OF CASH

Activities that bring in cash, primarily through net profit from operations and long-term debt increases, are called sources of cash. While activities that involve spending cash, primarily through an increase in inventories and expenditures on capital assets, are called uses (or applications) of cash

1. Sources or cash inflow

Operating Activities

- Receipts from the sale of goods or services, or the collection or sale of receivables arising from those sales
- Interest on investment in debt securities and loans
- Dividends on investments in equity securities
- Receipts on other transactions not defined as investing or financing

Investing Activities

- Acquisition of property, plant, and equipment or other productive assets
- Purchase of debt instruments not designated as cash equivalents or entity instruments
- Investments in another company
- Loans made to another entity

Financing Activities

- Proceeds from the sale or issuance of equity securities
- Proceeds from the issuance of bonds, mortgages, notes, and other short- or long-term debt instruments

2. Use of Cash

Operating Activities

- Payments for the acquisition of inventory
- Payments to employees for services
- Payments for taxes
- Interest payments, reduced by amounts capitalized; capitalized interest is an investing cash flow
- Payments to suppliers for other expenses
- Payments on other transactions not defined as investing or financing

Investing Activities

- Proceeds from the disposal of property, plant, and equipment, as well as other productive assets

- Proceeds from the sale or collection of loans and debt (not cash equivalents)
- Sale or return of investments on equity instruments
- Collections on loans

Financing Activities

- Payment of dividends to shareholders
- Other distributions to owners
- Outlays for repurchase of equity securities
- Repayment of short- or long-term borrowings

III. METHOD IN PREPARING CASH FLOW STATEMENT

The statement of cash flows shows the firm's cash inflows and outflows from operations as well as from its investments and financing activities. There are two methods in preparing cash flow statement is direct method and indirect methods. And the most popular use in preparing cash flow statement is indirect method at 98.8% while direct method is being used only 1.2%.

Exhibit 1: Balance Sheets

Acme Manufacturing
Comparative Balance Sheets
For the Years Ended December 31, 19x4 and 19x5

	19x4	19x5
ASSETS		
Cash	$112,500	$350,000
Accounts receivable	350,000	281,250
Inventories	125,000	150,000
Plant and equipment	1,000,000	1,025,000
Accumulated depreciation	(500,000)	(525,000)
Land	500,000	718,750
Total assets	**$1,587,500**	**$2,000,000**
LIABILITIES AND EQUITY		
Accounts payable	$300,000	$237,500
Mortgage payable	0	250,000
Common stock	75,000	75,000
Contributed capital in excess of par	300,000	300,000
Retained earnings	912,500	1,137,500
Total liabilities and equity	**$1 587.500**	**$2.000.000**

Exhibit 2: Income Statement

Acme Manufacturing
Income Statement
For the Years Ended December 31,19x5

Revenues	$1,200,000
Gain on sale of equipment	50,000
Less: Cost of goods sold	(640,000)
Less: Depreciation expense	(125,000)
Less: Interest expense	(35,000)
Net income	**$450,000**

1. Indirect method

Companies choosing not to use the direct method must calculate net cash from operating activities indirectly by adjusting from net income for the effects of these major classes of reconciling items:

- Deferrals of past cash receipts and cash payments (inventory, deferred income, prepaid expenses, and deferred expenses)
- Accruals of expected future cash receipts and payments (accounts receivable and notes receivable from sales transactions; interest receivable; accounts payable and notes payable from transactions with suppliers; interest payable; taxes payable; excess of income under the equity method over dividends; and other accruals)
- Investing or financing-related items and noncash expenses (depreciation; amortization; provision for bad debts; goodwill; gains and losses on the extinguishment of debt; gains and losses on the disposal of property, plant, and equipment, and gains and losses on the disposal of discontinued operations)

Exhibit 3: **Indirect method of Cash Flow Statement**

Acme Manufacturing
Statement of Cash Flow
For the Year Ended December 31, 19X5

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$450,000	
Add (deduct) adjusting items:		
Gain on sale of equipment	(50,000)	
Decrease in accounts receivable	68,750	
Increase in inventory	(25,000)	
Depreciation expense	125,000	
Decrease in accounts payable	(62,500)	
Net Operating Cash		$506,250
INVESTINGACTIVITIES		
Sale of equipment	$175,000	
Purchase of equipment	(250,000)	
Purchase of land	(218,750)	
Net cash from investing activities		(293,750)
FINANCING ACTIVITIES		
Mortgage received	$250,000	
Dividends	(225,000)	
Net cash from financing activities		25
Net increase in cash		**$237,500**
Cash and cash equivalents, 19X4		112,500
Cash and cash equivalents, 19X5		**$350,000**

Cash flow from operating activity

The cash flow statement begins with the operating activities section. Operating activities generally reflect cash generated and/or paid as a result of the firm’s core business functions. This part of the cash flow statement is the cash counterpart to income from operations as reported on the income statement. As such, it provides a useful comparison and contrast to the accrual accounting measures on the income statement, potentially highlighting effects of accrual accounting assumptions. Under U.S. GAAP, this category incorporates the cash received from customers, paid to suppliers, paid for operating costs, paid for income taxes, received from interest or dividends, and paid for periodic interest costs. While cash payments for interest are included in the operating activities section, under U.S. GAAP, dividends paid out to equity capital holders are reported in the financing section. Therefore, interest payments and dividend payments appear in different sections of the cash flow statement under U.S. GAAP. IAS handles this issue differently, allowing the reporting company the option of including both interest and/or dividends in either operating or financing activities.

Yio Operating activities include all transactions that are not investing or financing activities. They only relate to income statement items. Thus cash received from the sale of goods or services, including the collection or sale of trade accounts and notes receivable from customers, interest received on loans, and dividend income are to be treated as cash from operating activities, Cash paid to acquire materials for the manufacture of goods for resale, rental payments to landlords, payments to employees as compensation, and interest paid to creditors are classified as cash outflows for operating activities.

In the Exhibit 3 is the cash flow statement for Acme Manufacturing shows that cash flow from operations starts with net income which are listed some of none cash revenues and none cash expenses on income statement were not paid in cash during the year.

The primary examples of noncash charges are depreciation and amortization. These items reduce net income but are not paid out in cash, so we add them back to net income when calculating net cash flow.

Increases in current assets other than cash, such as inventories and accounts receivable, decrease cash, whereas decreases in these accounts increase cash. For example, if inventories are to increase, the firm must use some of its cash to buy the additional inventory, whereas if inventories decrease, this generally means the firm is selling off inventories and not replacing them, hence generating cash. On the other hand, increases in current liabilities such as accounts payable increase cash, whereas decreases in these accounts decrease it. For example, if payables increase, the firm has received additional credit from its suppliers, which saves cash, but if payables decrease, this means the firm has used cash to pay off its suppliers.

OPERATING ACTIVITIES:

Net income		$450,000	
Add (deduct) adjusting items:			
Gain on sale of equipment		(50,000)	
Decrease in accounts receivable	68,750		
Increase in inventory	(25,000)		
Depreciation expense	125,000		
Decrease in accounts payable	(62,500)		
Net Operating Cash			$506,250

Net income is not showed the net cash from operating unless it adjusts some item back as discussing below:

- Net income was obtained from income statement for the year ended 19X5 with amount $450,000:

  Revenues + Gain on Sale of equipment - Cost of goods sold - Depreciation expense - Interest expense = Net income: $1,200,000 + 50,000 - 640,000 - 125,000 - 35,000 = $450,000.

This net income is not showed the net cash flow from operating. So in cash flow statement needs to add and deduct some items to produce net cash from operating activities such as:

- Gain on sale of equipment obtains from income statement which was deducted from net income because the full amount from sale of equipment was state as cash increase in investing activities.
- Decrease in accounts receivable is the difference between account receivable in 19X5 and 19X4.

	Account Receivable
19X5	$ 281,250
19X4	- 350,000
	= (68,750)

The decrease in account receivable means that the company gets some collection from its customers and it's reported in balance sheet but it was not reported as cash increase in net income. So it must adjust back by adding decrease in account receivable amounted 68,750 to the net income.

- Increase in inventory obtains from inventory balance in 19X5 minus the inventory balance in 19X14

	Inventory
19X5	$ 150,000
19X4	- 125,000
	= 25,000

It indicated that firm must use some of its cash to buy the additional inventory, so it needs to adjust it back by deducting from net income.

- Depreciation expense obtained from depreciation expense in 19X5 which stated with amount $125,000 was deducted from firm's revenue. Depreciation expense is the non cash expense which resulting the net income understated, so it need to add it back to net income.
- Decrease in accounts payable obtains from balance sheet by deducting the account payable in 19X5 and 19X4.

	Account Payable
19X5	$237,500
19X4	- 300,000
	= (62,500)

Decrease in account payable means the firm has used cash to pay off its suppliers, so it need to be adjust back by deducting it from net income.

Cash flow from Investing Activities

Cash flows from investing activities are those involving noncurrent capital assets used in the firm's operations, such as property, plant, equipment (PP&E) and intangible assets. When a company invests in new long-term capacity by acquiring either PP&E or another company, the investment is a cash outflow from investing activities. Disposals of these types of assets for cash generate inflows. Accounting standards differ somewhat as to which activities can be classified as investing. For example, under IAS, some research and development expenditures can be capitalized on the balance sheet and would thus be considered investing activities. Under U.S. GAAP, research and development costs must all be expensed immediately on the income statement and appear as operating cash outflows regardless of whether the research will result in long-term benefits to the firm. Note that the investing activities section does not necessarily provide a complete listing of all capital asset activity because only acquisitions or disposals involving cash appear here. Noncash acquisitions, such as acquisition of a building using a mortgage, are disclosed in supplemental information to the cash flow statement. Under both U.S. GAAP and IAS, a specific provision is made for these types of noncash financing and investing transactions. They are typically simultaneous, arising from an acquisition of a capital asset funded solely by incurring debt, such as the mortgage used to acquire property. Conceptually, it can be argued that a company receives cash from incurring the debt and then spends the cash on the acquisition. Nevertheless, if cash does not actually change hands, both sets of standards treat these as noncash transactions that must be disclosed separately from cash transactions. The disclosure could appear either at the end of the cash flow statement or in the notes to the statements. Another common noncash financing transaction, which is disclosed in the same manner, is the conversion of convertible debt or preferred stock into common equity.

Investing activities include cash inflows from the sale of property, plant, and equipment used in the production of goods and services, debt instruments or equity of other entities, and the collection of principal on loans made to other enterprises. Cash outflows under this category may result from the purchase of plant and equipment and other productive assets, debt instruments or equity of other entities, and the making of loans to other enterprises.

If a company invests in fixed assets, this will reduce its cash position. On the other hand, the sale of fixed assets will increase cash.

INVESTINGACTIVITIES		
Sale of equipment	$175,000	
Purchase of equipment	(250,000)	
Purchase of land	(218,750)	
Net cash from investing activities		(293,750)

- Sale of equipment is come from beginning balance of Equipment plus purchase of equipment minus ending equipment and adds the gain on sale of equipment as detail below:

Beginning balance of equipment	$1,000,000
Add Purchases	250,000
Less Ending equipment	(1,025,000)
Cost of original equipment	**225,000**
Add gain on sale	50,000
Sale of equipment	**$175,000**

And the rule is that sale of fixed assets will increase cash. So this sale on equipment is added $175,000 to net income.

- Purchase of equipment and land means that firm use its cash to invest more in equipment and land, so the amount of purchase equipment and land is $468,750 ($250,000 + $218,750) which needs to deduct from net income.

Cash flow from financing Activities

Cash flows from financing activities are those that take place between a firm and its investors. These include both the equity investments of stockholders (owners) and the loans from bondholders and other creditors. When the company issues new shares or debt in exchange for cash it records a cash inflow from financing, and when it repurchases shares, pays dividends (with some exceptions under IAS) or pays off debt it records a cash outflow. This section of the cash flow statement is typically related to activities in the non-current liabilities and owners' equity section of the balance sheet. Under Indonesia Air Show, cash interest payments may also be included here.

The financing activities of an enterprise involve the sale of a company's own preferred and common stock, bonds, mortgages, notes, and other short- or long-term borrowings. Cash outflows classified as financing activities include the repayment of short- and long-term debt, the reacquisition of treasury stock, and the payment of cash dividends.

If a company issues stock or bonds during the year, the funds raised will enhance its cash position. On the other hand, if it uses cash to buy back outstanding debt or equity, or pays dividends to its shareholders, this will reduce cash.

FINANCING ACTIVITIES		
Mortgage received	$250,000	
Dividends	(225,000)	
Net cash from financing activities		25

- The mortgage received come from the difference of Mortgage payable account balance of 19X5 and 19X4.

	Mortgage Payable
19X5	$250,000
19X4	- 0
	=250,000

It show that the mortgage payable have increase $250,000 and the firm has receive some cash from the creditor in term of sale its mortgages, so that cash receipt was states as the additional cash to net income.

- Dividends come from Retained earnings in 19X4 plus net income in 19X5 and less the retain earning in 19X5.

Retained earnings 19X4	$912,500
Add Net Income 19X5	**450,000**
Less Retained earnings 19X4	(1,137,500)
Dividend paid	**225,000**

2. Direct method

This method involves showing the major classes of operating cash receipts (cash collected from customers or earned on investments) and cash payments (cash paid to suppliers or to creditors for interest). The net cash flow from operating activities is the difference between cash received from operations and cash payments for operations.

Companies reporting under the direct method are required to report separately the following classes of operating cash receipts and payments:

- Cash collected from customers, including lessees and licensees
- Interest and dividends received
- Other operating cash receipts, if any
- Cash paid to employees and other supplies of goods and services
- Interest paid
- Income taxes paid
- Other operating payments

The direct format of statement of cash follow is showed in exhibit-4. It illustrated that cash flow from operating activities were calculated thoughts direct cash inflow from sale or revenue as detailed below:

Exhibit-4: Direct method of cash flow statement

Acme Manufacturing

Statement of Cash Flow

For the Year Ended December 31, 19X5

Cash Flow from Operating Activities			
Cash received from customers	$	1,268,750	
Cash paid to suppliers		(727,500)	
Cash paid for Interest		(35,000)	
Net Operating Cash			506,250
Cash Flow from Investing Activities			
Cash receipted from Sale of equipment	$	175,000	
Cash Paid for Purchase of equipment		(250,000)	
Cash Paid for Purchase of land		(218,750)	
Net cash from investing activities			(293,750)
Cash Flow from Financing Activities			
Cash received from issuance Mortgage	$	250,000	
Cash Paid for Dividends		(225,000)	
Net cash from financing activities			25
Net increase in cash	$		**237,500**
Cash and cash equivalents, 19X4			112,500
Cash and cash equivalents, 19X5			**350,000**

	Revenue	$1,200,000	
+ (-)	Decrease (increase) in Account Receivable	$68,750	
	Cash received from customers		$1,268,750
	COGS	$640,000	
+ (-)	Increase (decrease) in inventory	$25,000	
	Decease in Account Payable	$62,500	
	Cash paid to suppliers and		$727,500
	Cash paid for Interest		(35,000)
	Net cash provided (used) by operating activities		***$ 506,250***

Anyways, the cash flow from investing and financing activities are remained the same just renamed the activities to follow the direct format only. For example, Sale of equipment to cash receipt from sale of equipment.

IV. CASH FLOW STATEMENT OF CREDIT MFI

In order to reflect what saying in the books about cash flow analysis, the cash flow statement of Credit MFI as December 2007 was raised to be an example to show to all readers as showing in exithibit-5 and 6.

Exhibit-5

CREDIT Limited

Statement of cash flows (audited by KPMG)
Year ended 31 December 2008

	Note	**2007 US$**
Cash flows from operating activities		
Net cash used in operating activities	24	(4,038,001)
Cash flows from investing activities		
Purchase of intangible assets		(22,921)
Purchase of property and equipment		(136,279)
Proceeds from disposals of property and equipment		3,447
Net cash used in investing activities		(155,753)
Cash flows from financing activities		
Proceeds from borrowings		4,873,593
Repayments of borrowings		(816,409)
Proceeds from issuance of share capital		-
Net cash generated from financing activities		4,057,184
Net increase/(decrease) in cash and cash equivalents		(136,570)
Cash and cash equivalents at beginning of year		821,691
Cash and cash equivalents at end of year	25	685,121

Exhibit-6

CREDIT Limited

Statement of cash flows (audited by PWC)

Year ended 31 December 2007

	Note	2007 US$
Cash flows from operating activities		
Net profit before tax		807,441
Adjustment for:		
Provision for doubtful loans	7	-
Depreciation of property and equipment	10	59,763
Gain on disposal of property and equipment		(3,447)
Amortization of intangible assets	11	17,326
Cash flows generated from operations		**881,083**
Changes in working capital:		
Increase in guarantee deposit with the Central Bank		(610)
Increase in reserve requirement with the Central Bank		(30,335)
Increase in loans and advances to customers		(5,681,483)
Decrease/(Increase) in other assets		(664,845)
Decrease/(Increase) in deferred tax assets		(68)
Increase in customers' deposits		619,316
Increase in deferred revenue		366,159
Increase in other accrued and liabilities		368,194
Tax paid		(164,815)
Net cash used in operating activities		**(4,592,326)**
Cash flows from investing activities		
Purchases of property and equipment	10	(136,279)
Purchases of intangible assets	11	(22,921)
Proceeds from disposal of property and equipment		3,447
Net cash used in investing activities		**(155,753)**
Cash flows from financing activities		
Proceeds from borrowings		4,873,593
Repayments of borrowings		(816,409)
Proceeds from increase in donated capital	17	54,325
Net cash generated from financing activities		**4,111,509**
Net increase /(decrease) in cash and cash equivalents		**(636,570)**
Cash and cash equivalents at beginning of the year		821,691
Currency revaluation at balance sheet date		0
Cash and cash equivalents as at end of the year		**185,121**

In the Balance Sheet (PWC) and Balance Sheet (KPMG) for 2007 show the correspondent figure of Total Assets amounting $11, 410, 017 and Total Liability and Shareholder's Equity at amount $11, 410, 017. On the other hand, in Balance Sheet (KPMG) has different figure in Deposit and replacement with bank account, Statutory deposit account, and Other Receivable account while Balance Sheet (PWC) has different figure in Balance with Central bank account, Balance with bank account, and Other Assets account as described below:

Balance Sheet (KPMG)

Account Name	**US$**	
Deposits and placement with bank	609, 647	
Statutory deposit	68, 750	***678,397***
--		
--		
Other Receivable	197, 261	

Balance Sheet (PWC)

Account Name	**US$**	
Balance with Central Bank	70,668	
Balance with bank	107, 729	***178,397***
--		
--		
Other Assets	697, 261	

The Deposits and replacement with bank account and Statutory deposit account in Balance Sheet (PWC) 2007 has amount different 500,000US$ compared to Balance with Central Bank account and Balance with bank account in Balance Sheet (KPMG) 2007

KPMG: Deposits and replacement with bank and Statutory deposit	$678, 397
PWC : Balance with Central Bank and Balance with bank	$178, 397
Different Amount	**$500,000**

KPMG: Other Receivable	$197, 261
PWC : Other Assets	$697, 261
Different Amount	**-$500,000**

These amount difference shows that the different classification of asset accounts (Cash in bank account to Other Receivable or Other assets account) resulted in changing in cash flow position in cash flow statement. Furthermore, it showed undesirable result in analysis cash status for investors.
The cash flow statement (PWC) 2007 is in the indirect method while as cash flow statement (KPMG) is in the direct method.
As the rule, the cash flow statement must produce the same result for both direct and indirect methods. In this case of different result of cash and cash equivalence at the end of the year in both methods resulting from different classification of cash reserve at Central bank (Paid up capital). Although it can be made cash flow statement of both methods produce the same result of cash and cash equivalence at the end of the year unless the different amount in those assets accounts is adjusted to the same accounts.

Balance Sheet (KPMG)

Account Name	**US$**	
Deposits and placement with bank	609, 647	
Statutory deposit	68, 750	***678,397***
--		
--		
Other Receivable	**197, 261**	

Balance Sheet (PWC)

Account Name	**US$**	
Balance with Central Bank	68,750	
Balance with bank	609, 647	***678,397***
--		
--		
Other Assets	**197, 261**	

After adjustment of Cash in bank account and Other assets account, the consistent cash flow statement shows in exhibit 7:

Exhibit-7

CREDIT Limited

Statement of cash flows
Year ended 31 December 2007

	2007 US$
Cash flows from operating activities	
Net profit after tax	642,626
Adjustment for:	
Provision for doubtful loans	-
Depreciation of property and equipment	59,763
Gain on disposal of property and equipment	(3,447)
Amortization of intangible assets	17,326
Cash flows generated from operations	**716,268**
Changes in working capital:	
Increase in reserve with the Central Bank	(30,945)
Increase in loans and advances to customers	(5,681,483)
Decrease/(Increase) in other assets	(164,845)
Decrease/(Increase) in deferred tax assets	(68)
Increase in customers' deposits	619,316
Increase in deferred revenue	81,238
Increase in other accrued and liabilities	368,193
Net cash used in operating activities	**(4,092,326)**
Cash flows from investing activities	
Purchases of property and equipment	(136,279)
Purchases of intangible assets	(22,921)
Proceeds from disposal of property and equipment	3,447
Net cash used in investing activities	**(155,753)**
Cash flows from financing activities	
Proceeds from borrowings	4,873,593
Repayments of borrowings	(816,409)
Proceeds from increase in donated capital	54,325
Net cash generated from financing activities	**4,111,509**
Net increase /(decrease) in cash and cash equivalents	-136,570
Cash and cash equivalents at beginning of the year	821,691
Currency revaluation at balance sheet date	-

Cash and cash equivalents as at end of the year 685,121

Through the cash flow statement CREDIT MFI, it has illustrated as below:

- The negative figure of net cash used in operating activity. This negative figure show that the bank still much loan outstanding with interest receivable in client hand (5,681,483)
- In the investing activity, It shows the negative figure (155,753) which presents that CREDIT MFI has increase its investment on fix asset.
- In the financing part has positive figure. It shows that the bank has repaid small amount of cash to creditor compare to cash flow in from borrowing.
- Finally A B C bank has cash and cash equivalent as at end of the year 2007 with amount 685,121 which present that bank still have some cash come from its gain on operation to continue its operation.

V. CONCLUSION

- The statement of cash flows explains the change in cash from the beginning of the accounting period to the end of the accounting period-the amount on one balance sheet and the amount on the subsequent balance sheet.
- Cash flows can be categorized as cash from operating activities, cash from investing activities, and cash from financing activities. The statement of cash flows has a section for each of these categories.
- There are two methods-direct and indirect-for preparing and presenting the statement of cash flows. The direct method simply provides all operating cash inflows and outflows in a straightforward manner. The indirect method starts with net income and adjusts it for all noncash items-depreciation expense and gains or losses on the sale of long-term assets are typical noncash items. It also adjusts for changes in the current assets (excluding cash) and the current liabilities. These two methods describe the cash from the operating activities section of the statement. The other two sections-cash from investing activities and cash from financing activities-are the same on both types of statements of cash flows.
- Free cash flow is the amount of cash left after cash spent on investments in long-term assets and cash paid for dividends are subtracted from net cash from operating activities. It measure show much cash a firm has available for long-term investment opportunities.
- Before you invest in a firm, look at its statement of cash flows. A growing or established firm should be generating positive net cash flows from operating activities. Investing cash flows may provide insights into the firm's plans for the future. Be sure to look at the firm's cash situation over several years and also compare the firm's sources and uses of cash to those of the competitors.
- Through the cash flow statement Credit MFI showed that the different classification of assets accounts especially cash affected to the result of cash position in cash flow statement.

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