

Take
Action
Series

Analyzing Cash Flow

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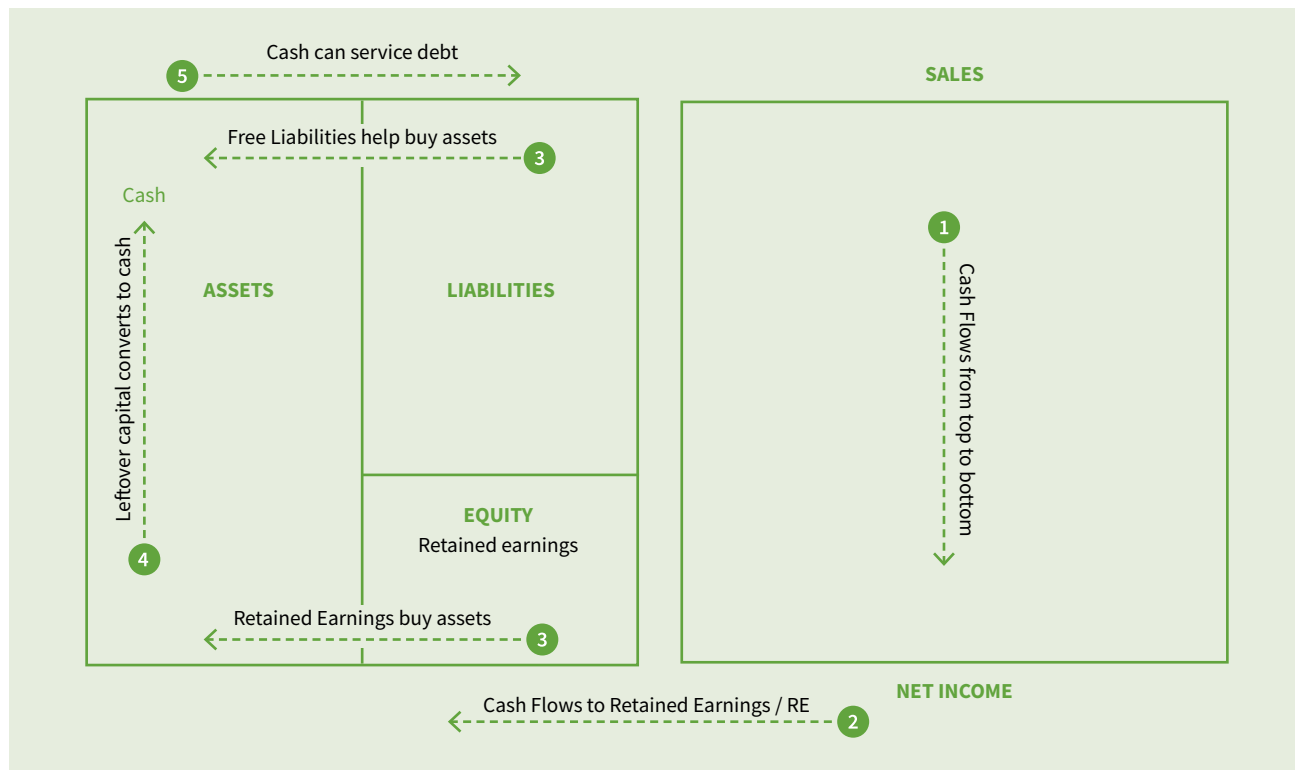
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Overview

The objective of this manual is to gain a better understanding of business cash flow; to examine different definitions of cash, and identify the elements that impact cash within your business. Cash repays debt; it keeps your doors open, and increases the value of your business. Every business owner needs to have a solid understanding of what generates and consumes cash inside his/her business.

CASH! It is the most important asset in any business! Whether you're examining our *Take Action Series* on Cash Budgeting, Stress Testing Cash, or Analyzing Cash Flow; you will discover cash is "IT." It is the center of the business universe; the asset which all others revolve around. Cash is any business' most precious resource. Having said all that, cash still remains a mystery and the most elusive asset in business. To get a consistent definition that satisfies everyone is almost impossible, but we're going to attempt to define cash for the majority of situations.

In order to understand cash, you need to develop a complete understanding of how cash flows through a business under normal operations:



Statement of Cash Flow – Indirect Method

STEP 1: Collect 3-5 years of year-end financial statements, need two years of data for one year cash flow, i.e. year 1 and 2 generates cash flow for only year 2, write in year, 2017, 2018, etc.

STEP 2: If action row is Blank; insert amount for stated year

STEP 3: If action row states Inc(Dec); insert difference from one year to next, follow sign designation

STEP 4: Complete action stated for each row; cash received (+), cash paid out (-)

ACCOUNT		ACTION REQUESTED	YEARS	
			YEAR 2	YEAR 3
1	Net Income After Tax			
2	Depreciation and Amortization			
3	Accounts Receivable	decrease(increase)		
4	Inventory	decrease(increase)		
5	Other Current Assets	decrease(increase)		
6	Accounts Payable	increase(decrease)		
7	Accrued Expenses	increase(decrease)		
8	Inc. Tax Payable & Deferred Tax	increase(decrease)		
9	Other Current Liabilities	increase(decrease)		
10	Other Non-current Liabilities	increase(decrease)		
11	OPERATING CASH FLOW (OCF)	add lines 1 thru 10		
12	Marketable Securities	decrease(increase)		
13	Long-Term Investment	decrease(increase)		
14	Gross Fixed Asset	decrease(increase)		
15	Nonrecurring Gain (loss)			
16	Intangible & Other Non-CA	decrease(increase)		
17	INVESTING CASH FLOW (ICF)	add lines 12 thru 16		
18	Cash Flow Before Financing	add line 11+17		
19	Short-Term Bank Debt	increase(decrease)		
20	Long-Term Bank Debt	increase(decrease)		
21	Subordinated Debt	increase(decrease)		
22	Capital Stock	increase(decrease)		
23	Dividends Paid (-)			
24	Adjustments to Retained Earnings			
25	Minority Interest	increase(decrease)		
26	FINANCING CASH FLOW (FCF)	add lines 19 thru 25		
27	TOTAL CASH FLOW	add line 11+17+ 26		
28	Beginning Cash			
29	Ending Cash	add line 27+ 28		

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