Zdroj: vse.cz

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Cash Flow Statement

EVROPSKÁ UNIE
Evropské strukturální a investiční fondy
Operační program Výzkum, vývoj a vzdělávání

MINISTERSTVO ŠKOLSTVÍ, MLÁDEŽE A TĚLOVÝCHOVY

1FU59x Intermediate Accounting: Presentation

- Cash flow statement (CFS) is necessary, because:
  - profit (determined on accrual basis) is not equal to cash
  - balance sheet and income statement on accrual basis → accounting choices may have impact on earnings, but not on outflows and inflows of cash
  - accrual and cash basis provide a different view of the same aspect, i.e. of financial performace
  - expected cash flows are input parametr into models for valuation of businesses
  - I invest money → I want money as the return from the investment

1 IAS 7: Cash flow structure

- The statement of cash flows shall report cash flows during the period classified by operating, investing and financing activities:
  - **cash** comprises cash on hand and demand deposits
  - **cash equivalents** are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value
  - **cash flows** are inflows and outflows of cash and cash equivalents
  - **operating activities** are the principal revenue-producing activities of the entity and other activities that are not investing or financing activities

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- **investing activities** are the acquisition and disposal of long-term assets and other investments not included in cash equivalents
- **financing activities** are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity

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Operating CF

- cash receipts from the customers for sale of goods/services
- cash receipts from royalties, fees, commissions and other revenue
- cash payments to suppliers for goods and services
- cash payments to and on behalf of employees
- cash payments or refunds of income taxes
- cash receipts and payments from contracts held for dealing or trading purposes

Investing CF

- cash payments to acquire non-current tangible and intangible assets
- cash receipts from sales of non-current tangible and intangible assets
- cash payments to acquire financial assets
- cash receipts from sales of financial assets
- loans made to other parties and repayments of such loans
- cash receipts from the repayment of advances and loans made to other parties

Financing CF

- cash proceeds from issuing shares or other equity instruments
- cash payments to owners to acquire or redeem the entity’s shares
- cash proceeds from short-term or long-term borrowings
- cash repayments of amounts borrowed
- cash payments by a lessee for the finance lease

2 IAS 7: Treatment of special items

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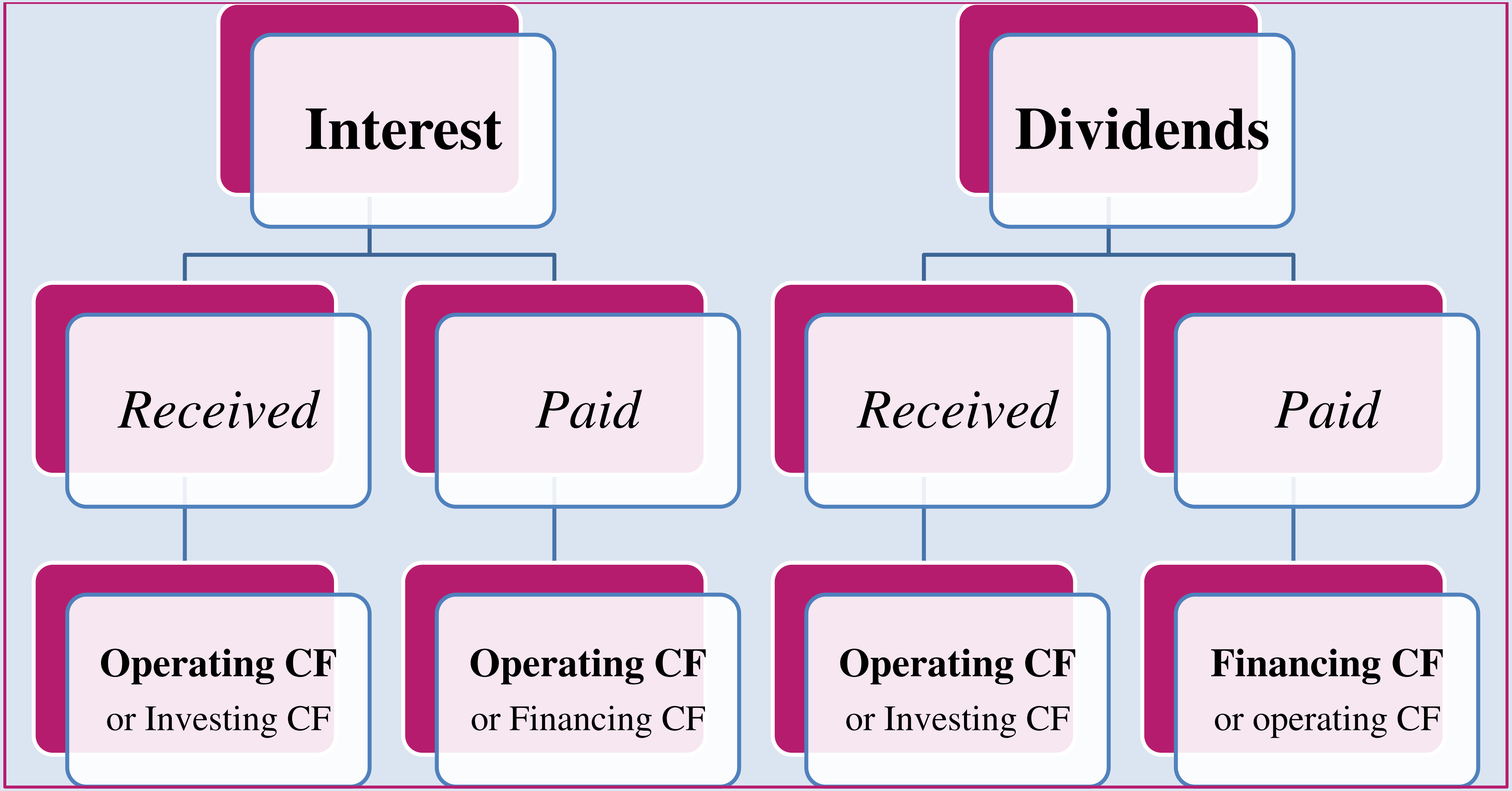

3 IAS 7: Presentation of cash flows

- IAS 7 requires:
  - presenting cash flows from operating activities using either direct or indirect method
  - presenting cash flows from investing and financing activities using direct method
- Direct method vs indirect method:
  - under direct method, major classes of gross cash receipts and gross cash payments are presented (despite for cases, when net basis is permitted)
  - under indirect method, profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows

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Opening balance of cash

Cash flow from operating activities (direct or indirect presentation)

+

Cash flow form investing activities (direct presentation)

+

Cash flow form financing activities (direct presentation)

=

Total cash flow for period

Closing balance of cash

Cash flow statement

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- Direct presentation of cash flows:
  - means that only cash receipts and cash outlays (expenditures) are shown on the face of CFS
  - it is more intuitive for the “accounting amateurs” not possessing knowledge of accounting principles (the only statement, who is understandable to everyone)
  - more useful in predicting future cash flows due to the linkage between revenues and cash receipts, and expenses and cash outlays respectively

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- Indirect presentation of cash flows:
  - despite not showing any movement of cash on the face of CFS, the total amount informs about the net change in cash for period
  - transforms earnings on accrual basis into cash by elimination of non-cash transactions
  - explains, why a profitable company may be in lack of money, or loss-making company has no problems to survive (to pay debts)

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Direct presentation | **Indirect presentation**

Opening cash balance

+ Cash receipt no. 1	100
+ Cash receipt no. 2	149
– Cash outlay no. 1	(35)
+ Cash receipt no. 3	280
– Cash outlay no. 2	(77)
…	xxx
…	xxx
…	xxx
Total cash flow for period	**124**

Pre-tax profit	xxx
+/– nonmonetary transactions:	xxx
(a) permanently	xxx
e.g. impairment losses; depreciation	xxx
(b) temporarily	xxx
e.g. changes in working capital	xxx
…	xxx
…	xxx
Total cash flow for period	**124**

Closing cash balance

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