

# The Statement of Cash Flows

*How the Statement is built:*

*Let's now look at the details...*

Statement of Cash Flows	2022 (\$, in millions)
Cash at Beginning of the Year	\$85
Net Cash from Operating Activity	\$ 691
Net Cash from Investment Activity	(\$425)
Net Cash from Financing Activity	(\$204)
Net Increase/Decrease in Cash	\$62
Cash at End of Year	\$147

*Sum of Cash at Beginning of Year  
and Net Increase/Decrease during  
the Year*



# The Statement of Cash Flows

## *Cash through Operations:*

Operating Activities	2022 (\$, in millions)
Net Income	\$435
Depreciation & Amortization	\$276
Increase in Inventories	(\$29)
Increase in Accounts Payable	\$32
Increase in Accounts Receivable	(\$23)
...	
Net Cash from Operating Activity	\$691



*From the Income Statement  
(The Bottom Line...)*

# The Statement of Cash Flows

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...	
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← Add back Dep. & Amort. from  
the Income Statement

*Why?*

*These are non-cash items, and  
we need to add them back in to  
get our actual cash flow.*

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← *Cash was spent to buy stuff  
that increased inventory...  
(Balance Sheet)*

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*Cash that is available because  
the company had credit with its  
suppliers...  
(Balance Sheet)*



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*Cash that is not available  
because the company had  
credit with its customers...  
(Balance Sheet)*



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Net Cash from Operating Activity	\$691



*Add it all up...*

# The Statement of Cash Flows

## *Cash through Investments:*

Investment Activities	2022 (\$, in millions)
Fixed Asset Acquisitions	(\$425)
Other Investments	
Net Cash from Investment Activity	(\$425)



*If the company purchased equipment with cash, the amount it spent would go here... (Balance Sheet)*



# The Statement of Cash Flows

## *Cash through Investments:*

Investment Activities	2022 (\$, in millions)
Fixed Asset Acquisitions	(\$425)
Other Investments	
Net Cash from Investment Activity	(\$425)



*Cash used to purchase other investments (like stocks) would go here...*

# The Statement of Cash Flows

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Investment Activities	2022 (\$, in millions)
Fixed Asset Acquisitions	(\$425)
Other Investments	
Net Cash from Investment Activity	(\$425)



*Add it all up...*

# The Statement of Cash Flows

## *Cash through Financing:*

Financing Activities	2022 (\$, in millions)
Increase/Decrease in Notes Payable	(\$35)
Increase/Decrease in Long-Term Debt	(\$74)
Dividends Paid	(\$95)
Net Cash from Operating Activity	(\$204)

← Some cash was used to pay down short-term debt...  
(Balance Sheet)

# The Statement of Cash Flows

## *Cash through Financing:*

Financing Activities	2022 (\$, in millions)
Increase/Decrease in Notes Payable	(\$35)
Increase/Decrease in Long-Term Debt	(\$74)
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*Some cash was used to pay  
down long-term debt...  
(Balance Sheet)*

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Increase/Decrease in Long-Term Debt	(\$74)
Dividends Paid	(\$95)
Net Cash from Financing Activity	(\$204)

*Some cash was used to pay dividends to stockholders...*

# The Statement of Cash Flows

## *Cash through Financing:*

Financing Activities	2022 (\$, in millions)
Increase/Decrease in Notes Payable	(\$35)
Increase/Decrease in Long-Term Debt	(\$74)
Dividends Paid	(\$95)
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← Add it all up...

# The Statement of Cash Flows

*Let's put it all together:*

The company started out the year with \$85M in cash.

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Fixed Asset Acquisitions	(\$425)
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Cash at End of Year	\$146

# The Statement of Cash Flows

*Let's put it all together:*

The company started out the year with \$85M in cash.



It added \$62M thanks largely to some healthy operating activity!

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# The Statement of Cash Flows

*Let's put it all together:*

The company started out the year with \$85M in cash.



It added \$62M thanks largely to some healthy operating activity!



It ended the year with \$147M in cash – allowing it to do quite a lot in the following year!

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# The Statement of Cash Flows

*Let's put it all together:*

The company started out the year with

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It ended the year with \$147M in cash – allowing it to do quite a lot in the following year!

A company's actual Statement of Cash Flows is often much more complicated than this because it includes all possible cash flows from operations, investments and financing.

But the basic format is exactly the same.

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# Main Takeaways...

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- The Statement of Cash Flows looks at cash flows from:
  - Operations
  - Investments
  - Financing
- The change in net cash available from one year to the next is a strong indicator of how the company is managing its cash flow.
- Profit does not necessarily = Cash due to non-cash expenses

*The Statement of Cash Flows shows us where the cash came from and where it went over the year, and is a very good measure of the company's overall financial health!*

# Next Time...

## Analyzing Financial Statements



# Credits & References

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Slide 20. Woman counting her budget, hands with calculator by RomanR, Adobe Stock (199337772.jpeg).