

Assignment - 5

1.) To Drive the cash flow from earnings

+ Depreciation

+ Capital expenditure

+ working capital

Net income

Net income refers to the total earnings

of a company or individual after all ~~of a~~
~~company's~~ expenses, taxes, and costs have
been deducted from gross income or revenue.
Add non-cash expenses (+)

To calculate net income, non-cash expenses
are added back to the net income
because they don't involve actual cash
outflows. Common non-cash expenses

Depreciation

Allocates the cost of tangible assets

over their useful lives.

Amortization

Spreads the cost of intangible assets

over their useful lives.

Adjusted net income = Net income

Working Capital

Working capital is a financial metric that represents the difference between a company's current assets and current liabilities.

↑ Increase in working capital

↓ Decrease in working capital

$\text{Working Capital} = \text{Current Assets} - \text{Current Liabilities}$

Capital Expenditure (-)
Capital Expenditure refers to the funds used by a company to upgrade or purchase physical assets such as property, building, machinery, and equipment.
Cash flow from operation = Working Capital.
(Not debt (+)) Capital Expenditure

It reflects changes in the company's

debt levels and provides insight into its financing activities.

Free Cash Flow from (FCFF) = Cash flow from operations (Net debt)

Operating Cash Flow

Operating CF measure the cash generated or used by a company's core business operations.

Free cash flow to firm

~~Realized~~

Include the cash available to all investments both debt and equity

Free cash flow to Equity

FcFE by subtracting net interest payments (after tax) and adding net debt issued, for subtracting net debt repaid.