ASSIGNMENT-5
ACF

1). To drive the cash flow from earnings

Earnings:-
* Depreciation
* Capital expenditure
* working capital.

1) Net income
Net income is the starting point. This figure is found on the income statement and represents the company's earnings after all expenses, taxes, and interests have been deducted.

2) Add non-cash Expenses (+) (depreciation).

* Depreciation and Amortization:-
These are non-cash expenses that reduce net income but do not involve actual cash outflows.
~~Add~~
Adjusted Net income = Net income + Depreciation & Amortization.

* Depreciation is the systematic allocation of the cost of a tangible asset over its useful life. It represents the decrease in value of an asset.

3). ~~Capital Expenditure~~ changes in working capital.

This is the difference between current assets and current liabilities. changes in working capital affect cash flow but are not reflected in net income.

Increase in working capital:
If current assets increase more than current liabilities.

decrease in working capital.
If current liabilities increase more than current assets.

Formula, working capital = current assets - current liabilities.

4. Capital expenditure (-) (cash outflow).
These are funds used by the company to acquire or upgrade physical assets such as property, industrial building or equipment

Cash flow from operation = working capital - capital expenditure.