Indirect Cash Flow Statement Reconciles Cash from Operations w/Net Income

Assets = Liabilities + Equity

Cash Equivalents (C) + Other Current Assets (OCA) + Net LT Assets (LTA) =
   Non-interest-bearing Current Liabilities (OCL) + ST debt (STD) + LT debt (LTD)
   + Equity Capital (EQ) + Ret. Earnings (RE)

Rearranging,

C = - OCA – LTA + OCL + STD + LTD + EQ + RE

And changes in cash can be expressed as:

ΔC = - ΔOCA – ΔLTA + ΔOCL + ΔSTD + ΔLTD + ΔEQ + ΔRE

 =   -(ΔOCA –ΔOCL)   - ΔLTA   + (ΔSTD+ΔLTD) + ΔEQ   + ΔRE

= - ΔOp. Working Capital – (CapEx – Sales of LT Assets+ Depreciation) + ΔDebt + Net new equity capital + N/I - Dividends

Rearranging,

| CapEx= Purchase of long-term assets | | Issuance of shares – repurchases of shares | Net Income |

ΔC = N/I + Depreciation - ΔOp. Working Capital – CapEx + Sales of LT Assets + ΔDebt + Net new equity capital - Dividends

Cash from operations   Cash from investing   Cash from financing