**Learning Objective: Understand and compute the two types of cash flow statements:**

1. Accounting Statement of Cash Flows
2. Financial Cash Flow (also known as Cash flow To Assets)

Note: Cash flow to Assets is equal to the sum of Cash flow to Creditors + Cash flow to Stockholders. Creditors and stockholders are the two main claimants for the firm.

This homework will be completed in Excel, but only the most basic Excel knowledge is required. The main objective of this homework is finance-related, not as much Excel-related.

**Instructions for completion:**

Please use the Excel File named “Balance\_Sheets\_Income\_Statements (Template for HW 1) to complete the following:

1. Accounting Statement of Cash flows
2. Cash flow from Assets
3. Cash flow to Creditors (Debtholders)
4. Cash flow to Stockholder (Equityholders)

This file is organized as follows:

Two years of balance sheets are shown From Cell B3 through M25.

The 2016 income statement begins in Cell Q4.

The Accounting Statement of Cash Flows begins in Cell B29.

Cash flow to Assets and the Cash flow to Claimants begins in Cell Q29.

Complete the “INFORMATION SHEET” (first worksheet in the file) by entering your name and GTID. Only enter your last name (family name).

When you complete your assignment, please save your file as follows:

HW\_1\_YOURLASTNAME

So for me, it would be: HW\_1\_Garner.xlsm

SAVE AS A MACRO ENABLED FILE. This helps with grading. So the file extension should be: .xlsm

**All work must be done individually. Do not share your files with other students.**

**Continued on next page**

**Instructions for Writing Formulas:**

**Any cell which is “filled” with a GRAY color must have a formula.**

**For the balance sheet, please write your change formulas as follows:**

Changes should always follow the format: “Current year less prior year”

So for the change in cash and equivalents which should be placed in Cell G8, your formula should be:

=E8-F8

**For the Accounting Statement of Cash Flows, please write your formulas as follows:**

“Pull” your changes that you computed in the balance sheet area. Do not write another “change” formula. Indicate whether it should have a positive or negative effect on cash.

Example:

On Line 54 of the excel file, you have an entry for “Purchase of Stock” (this label is in B54). The formula that you should write in Cell G54 is simply:

=M22

If the effect on cash is OPPOSITE of the change (*which is the case for assets*), simply put a negative sign in front of what you are “Pulling” from your change. So for example:

You will compute the change in inventories in G10 (in the balance sheet area). You will find a positive change in inventories of $50. But the effect on cash is negative, so your formula in the Accounting Statement of Cash flows in cell G40 is:

=-G10

**For the Missing Labels on the Accounting Statement of Cash Flows, please write your formulas following these instructions:**

Some of the “Labels” on the Accounting Statement of Cash Flows are missing. The label indicates what happened to the balance sheet account. Please write a simple **if statement formula** for each of these based on whether the account went up or down.

The **if statement formula** should refer to the changes you already computed in Columns G and M of your balance sheet.

Example: Since Inventories went up, your label should be:

Increase in Inventories

**Continued on next page**

However, we want the labels to populate correctly regardless of the increase or decrease in the account.

Example:

=If(Account change>0,”Increase in Account”, “Decrease in Account”)

Where “account” could be inventories, accounts payable, etc.

**Note the above “formula” will not work in Excel as is! (close, but not quite)**

Please GO IN ORDER OF THE BALANCE SHEET to create your labels.

In the operating section of the Statement of Cash Flows, tackle current assets first and then current liabilities.

Some labels are already there; only write a formula for the missing ones!!!

Subtotals for subsections of the Statement of Cash flows should be computed using the SUM function, rather than the plus signs.

Write an IF STATEMENT in Cell H60 indicating YES if the change in cash from the statement of cash flows matches the change in cash from the balance sheet. Otherwise NO.

Note: If you have done this assignment correctly, H60 should read YES! ☺

**For the Financial Cash Flows (Cash flow to Assets and Cash flow to the Claimants), please write your formulas as follows:**

Please just “pull” the items you need from other places in the sheet. If a change is needed, and that change is already computed on the balance sheet, reference the change (rather than recalculating a change).

Use the “box” beginning in cell Q58 to compute net working capital and then reference these cells (i.e., those in the “box”) when computing the change in net working capital in Cells S49 and S50.

**REMINDERS:**

Remember to fill out the information worksheet!

Remember to name your file as indicated on the first page of the instructions!

**END OF INSTRUCTIONS**