

# CASH FLOW

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1

## CASH FLOW

- ▣ REVIEW: Financial Statements (3 Parts)
  - Income Statement = how much the Company made or lost in accounting profits during yr/quarter
  - Cash Flow Statement = define next
  - Balance Sheet = how much the Company owns (assets) & what the Company owes (liabilities) at a specific time. (How strong is the business)

2

# CASH FLOW

- Definition what the Cash Flow Statement is
- Identify the 3 parts of Cash Flow Statement
- Discuss the importance of Cash Flow Statement

3

# Cash Flow

- ▣ Simple definition = it is the cash that flows in & out of the Company
- ▣ Indicates how much cash a company makes year to year

4

# Cash Flow

- ▣ Three parts to CASH FLOW:
  - Cash from Operating Activities
  - Cash from Investing Activities
  - Cash from Financing

5

# CASH FLOW

- ▣ Cash from Operating Activities =  
Cash the business **generates &/or spends**
  - Positive cash flow
  - Negative cash flow
  - Compare Cash Flow Number to  
the Earnings Number

6

## Cash Flow

- ▣ **Cash from Investing Activities** = Money used to buy or sell assets & investments
  - Property, Plants & Equipment
  - Invest in stocks &/or bonds

7

## Cash Flow

- ▣ **Cash from Financing** = Cash from outside sources: borrowed from banks or investors or capital raised by issuing more shares

8

View: [Annual Data](#) | [Quarterly Data](#)

Period Ending	Dec 31, 2014	Dec 31, 2013
<b>Net Income</b>	<b>494,150</b>	<b>448,636</b>
<b>Operating Activities, Cash Flows Provided By or Used In</b>		
Depreciation	72,672	64,191
Adjustments To Net Income	17,221	19,520
Changes In Accounts Receivables	(63,418)	(51,593)
Changes In Liabilities	72,169	20,944
Changes In Inventories	(87,622)	(68,685)
Changes In Other Operating Activities	(5,780)	(16,893)
<b>Total Cash Flow From Operating Activities</b>	<b>499,392</b>	<b>416,120</b>
<b>Investing Activities, Cash Flows Provided By or Used In</b>		
Capital Expenditures	(189,474)	(206,540)
Investments	451	(97)
Other Cash flows from Investing Activities	242	4,845
<b>Total Cash Flows From Investing Activities</b>	<b>(188,781)</b>	<b>(201,792)</b>
<b>Financing Activities, Cash Flows Provided By or Used In</b>		
Dividends Paid	(296,581)	(237,456)
Sale Purchase of Stock	(45,245)	226
Net Borrowings	90,000	-
Other Cash Flows from Financing Activities	-	-
<b>Total Cash Flows From Financing Activities</b>	<b>(249,732)</b>	<b>(234,443)</b>
Effect Of Exchange Rate Changes	(4,889)	(990)
<b>Change In Cash and Cash Equivalents</b>	<b>55,990</b>	<b>(21,105)</b>

## Importance of Cash Flow Statement

- Multiple Valuations vs Cash Flow Valuation
- Free cash flow = amount of money that can be taken out of the business each year without harming its ability to continue to do business!

# CASH FLOW

- ▣ The trail of cash flow as stated before begins with the Net Income value (from the Income Statement) and ends with the Balance shown on the Balance statement.

11

# CASH FLOW



12

# References

- ▣ 1. BI Handbook: Using Portfolio Management Wisdom, Chapter 8: Analyzing Financial Statements, Bonnie Biafore,
- ▣ 2. The Five Rules for Successful Stock Investing, (Morning Star's Guide to Building Wealth & Winning in the Market) Pat Dorsey

13

## Now on to JOHN!!!



14