

CASH FLOW STATEMENTS

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ABSTRACT

Cash flow statements are a fundamental component of financial reporting that provide critical insights into a company's liquidity and overall financial health. This study examines the structure, purpose, and significance of cash flow statements in evaluating a firm's ability to generate cash and manage its financial obligations. The cash flow statement categorizes cash movements into three primary activities: operating, investing, and financing. By analyzing these categories, stakeholders can assess how efficiently a business generates cash from core operations, how it invests in assets, and how it finances its activities. The research highlights the importance of cash flow analysis in contrast to profit-based measures, revealing how a company can remain solvent even during periods of low profitability or losses. Case studies and sample financial statements are used to demonstrate how cash flow trends influence decision-making for investors, creditors, and management. The findings confirm that regular cash flow analysis enhances financial transparency, helps identify potential liquidity problems early, and supports sustainable growth. This study concludes that understanding and effectively utilizing cash flow statements is essential for accurate financial evaluation and strategic planning.

Keywords: Cash Flow Statement, Operating Activities, Investing Activities, Financing Activities, Liquidity, Financial Reporting, Cash Management, Financial Analysis, Statement of Cash Flows, Working Capital.

1. INTRODUCTION

A cash flow statement is a critical financial report that tracks the movement of cash and cash equivalents within a business over a specific period. It provides a detailed view of how a company generates and utilizes cash through its operating, investing, and financing activities. Unlike the income statement, which records revenues and expenses based on accrual accounting, the cash flow statement focuses solely on actual cash inflows and outflows. This makes it a vital tool for assessing a company's liquidity, financial stability, and ability to meet short-term obligations. By analyzing cash flow, businesses can determine whether they have sufficient cash reserves to sustain operations, fund new investments, and manage financial risks effectively.

Cash flow statement analysis helps investors, creditors, and management evaluate the financial health of an organization by identifying patterns in cash generation and expenditure. A positive cash flow from operating activities indicates strong core business performance, while excessive reliance on financing or investment cash flows may signal financial instability. Additionally, comparing cash flow trends over time enables businesses to make strategic decisions, such as optimizing working capital, improving expense management, and ensuring sustainable growth. Despite its advantages, cash flow analysis should be used alongside other financial tools, like ratio analysis and balance sheet reviews, for a comprehensive understanding of a company's financial position.

2. RESEARCH METHODOLOGY

SOURCES OF DATA

Primary data collection is necessary when a researcher cannot find the data needed in secondary sources. Three basic means of obtaining primary data are observation, surveys, and experiments. The choice will be influenced by the nature of the problem and by the availability of time. For this research study Questionnaire was the Primary Data source which is applied.

SAMPLE SIZE:

It refers to the number of elements of the population to sample. Sample size here is 35.

DATA PROCESSING

The study has been carried out with the help of the following data:

Primary data

The primary data was collected through the use of structured questionnaire from the target respondents using survey method.

Secondary data

The secondary data was collected from journals and internet.

TOOLS FOR ANALYSIS

- Percentage Analysis
- Chart Analysis

3.DATA ANALYSIS

Sources and applications of cash operating activities during 2019-2020

Particulars	31-3-2019 Rs lakhs	31-3-2020 Rs lakhs
A. Cash flow from operating activities:-		
Profit/loss before tax		(1897.43)
Adjustments for:		
Cash outflows:		
Depreciation Miscellaneous expenses doubtful debts	5312.93	
Interest expenses and financial charges (2839.05+109.09+31.41+23333.38)		
Cash inflows:		
interest income & Profit on sale of current investments (47.07+9.33)	(56.40)	
Loss on sale of fixed assets	24.03	5280.56
Operating profit before working changes and adjustments		
Working capital changes:		
-(increase)/decrease in inventories		
-(Increase)/decrease in trade and other receivables		3283.13
-(increase)/Decrease in loans and advances		
-(increase)/decrease in trade and other payables		
Cash generated before extraordinary items		
Extraordinary item: Compensation paid to employees Under Voluntary retirement scheme & other schemes.	(221.28 610.92 123.15 (32.71)	233.78
Cash generated from operations		3616.91
Less:- income tax paid (i.e., tax deducted at source)		207.49
Net Cash generated from operating activities (A)		3409.42
		6.67
		3416.09

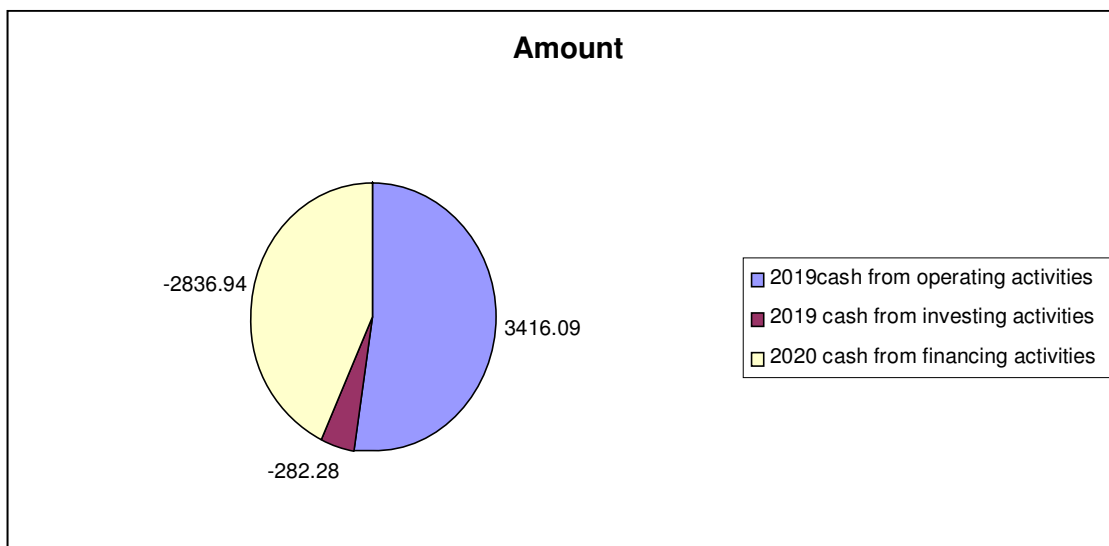
Inflows and outflows of cash during 2019-2020

Particulars	31-3-2019 Rs lakhs	31-3-2020 Rs lakhs
B. cash flow from Investing activities:		
Cash inflow: Sale of fixed assets		
Sale of current investments		1.02
Interest received		5684.76
Cash outflow: purchase of fixed assets		28.81
Purchase of current Investments		(289.01)
Investments in Sri Vishnu Cement ltd		(5675.25)
		(32.61)
Net Cash used in Investing activities (B)		(282.28)

C. Cash flow from Financing Activities:		
Cash Inflow: Increase/decrease in cash credit and demand loans		314.36
Borrowings		106.43
Sales Tax deferral		1048.16
Increase in trade deposits from stockiest and dealers		119.58
Cash outflow: repayment of Borrowings		(2950.00)
Interest & finance charges paid		(2198.03)
Net Cash generated from Financing activities (C)		(2836.94)
Net decrease/decrease in cash & cash equivalents (A+B+C) : (3416.09-282.28-3559.50)		
Cash & cash equivalents at the beginning of the financial year- cash and bank balances		425.69
Cash & cash equivalents at the end of the financial year- cash and bank balances (1716.40-425.69)		1716.40 1290.71

Years	Particulars	Amount
2020	Cash from operating activities	3416.09
	Cash from investing activities	(282.28)
	Cash from financing activities	(2836.94)

Graph No.1



Interpretation:

In this year company cash shows outflows. The amount is (1716.40-1290.71) 425.69. This year also cash outflows are higher than the inflows of the cash. Because payments, purchases and interest charges amount is high than the sales, borrowing and interest income amounts. Investing amount is 282.28 (inflow-outflow) and financing amount is 3559.59 (inflow-outflow).

This year total cash of this activity is Rs. 3416.09. Because this year firm pays the compensation to the employees under voluntary retirement scheme i.e., Rs.3416.09. Also cash outflows are high than the inflows of cash (5280.56). Operating profit before charges is Rs. 3383.13.

4 . CONCLUSION

The following conclusions are arrived at based on the observations made on the present study:-
Except of the first year (2018-19) the study period it is observed that the fund for operation is on loss. It generated the funds

in application of total funds. Except of the first year of the study of period, funds were utilized for financing the working capital need. The study revealed a mixed trend of application and sources of funds in respect of Secured and unsecured loans.

Financial; statement are the sources of information on the basis of which conclusions are drawn about the profitability and financial position of a concern. The primary objective of the financial statement is to assist in decision making to those who are interested in the financial affairs of the business enterprise. The Accounting Principles Board of America (APB) state that following objectives of financial statements.

- To provide reliable financial information about economic resource and obligation of a business firm i.e., cash inflows and cash outflows.
- To provide other needed information about changes in such economic resource and obligations.
- To provide a financial information the assist in estimating the earning of potentials of the business.
- To provide information about the working capital and other funds flow.
- To disclose, to the extent possible, other information related to the financial statements that is relevant to its users.

5. REFERENCES

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