

Accounting Cash Flow

Wydział Ekonomiczny



Cash Flow (CF)

Cash flows are inflows and outflows of cash and cash equivalents.

- Core Inflows:
revenue from the sale of products
investment income
- Basic expenses:
outlays and costs of the initial stage
expenditure on tangible fixed assets
expenses for the creation of net working capital reserves

Each inflow and outflow of cash in a given period has a plus or minus effect on the balance of cash held by a given entity.

Cash rule

- Receipt
- Expences

CASH

Three types of business activity

- Operating activities
- Investment activity
- Financial activity

Methods of preparing cash flow statement

- Direct method
- Indirect method

They differ only in the presentation of operating activities.

Direct method

inflows and outflows shown in operating activities by basic titles:
receipts from recipients,
payments for deliveries,
payments to and on behalf of employees;

Inflows - outflows = cash

Indirect method

cash flows determined as an adjustment to the **net financial result**,
visible relationship of cash flows with balance sheet and profit and loss
account items,
does not require expansion of accounting records.

Operating activities of the company

In particular, it includes:

proceeds from the sale of products, goods and materials, royalties, copyrights, fees,

- ✓ expenses for payment for delivered goods, materials, raw materials, energy, services,
- ✓ expenses for salaries and other benefits,
- ✓ receipts and expenses for social and health insurance,
- ✓ expenses for income tax,
- ✓ other taxes and public law payments.

Operating activities – direct method

A. Cash flows from operating activities

I. Inflows:

Sale; Other income from operating activities

II. Outflows:

1. Deliveries and services
2. Net salaries
3. Social and health insurance and other benefits
4. Public law taxes and fees
5. Other operating expenses

III. **Net cash flows from operating activities** (I - II)

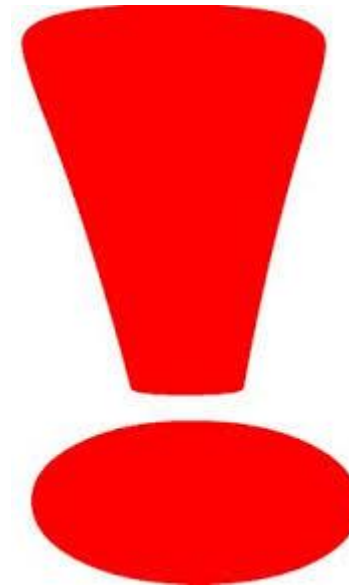
Operating activities– indirect method

A. Cash flows from operating activities

- I. Net profit (loss).
- II. Total adjustments:
 1. Depreciation
 2. Foreign exchange gains (losses).
 3. Interest and share in profits (dividends)
 4. Profit (loss) from investing activities
 5. Change in reserves
 6. Stock change
 7. Change in receivables
 8. Change in current liabilities (except for loans and borrowings)
 9. Change in accruals status
 10. Other adjustments
- III. **Net cash flows from operating activities** (I +/- II)

Methodology

Regardless of the type method used final value net cash flows from operating activities remains the same



Investment activity of the company

B. Cash flows from investing activities

I. Inflows:

1. Sale of intangible assets and tangible fixed assets
2. Sale of investments in real estate and intangible assets
3. From financial assets (in related entities and in other entities)
4. Other investment incomes

II. Outflows:

1. Acquisition of intangible assets and tangible fixed assets
2. Investments in real estate and intangible assets
3. For financial assets
4. Other investment expenses

III. **Net cash flows from investing activities** (I - II)

Financial activity of the company

In particular, it includes:

- ✓ proceeds from the issuance of shares,
 - ✓ shares and other capital instruments,
 - ✓ payments to owners of stocks or shares,
 - ✓ proceeds from the issue of debt financial instruments,
 - ✓ incurring and repaying credits and loans,
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- ✓ profit distribution expenses,
 - ✓ finance lease expenses,
 - ✓ interest paid, commissions and other costs.

Financial activity

C. Cash flows from financial activities

I. Inflows

- Net proceeds from the issuance of shares (issue of shares) and other equity instruments and capital contributions
- Credits and loans Issuance of debt securities
- Other financial receipts

II. outflows

- Dividends and other payments to owners
- Other profit distribution expenses
- Repayment of credits and loans
- Redemption of debt securities
- Other financial expenses

III. **Net cash flows from financing activities** (I - II)

Balance

D. Total net cash flow (A. III +/- B. III +/- C. III)

E. Balance sheet change in cash, including - change in cash due to exchange differences

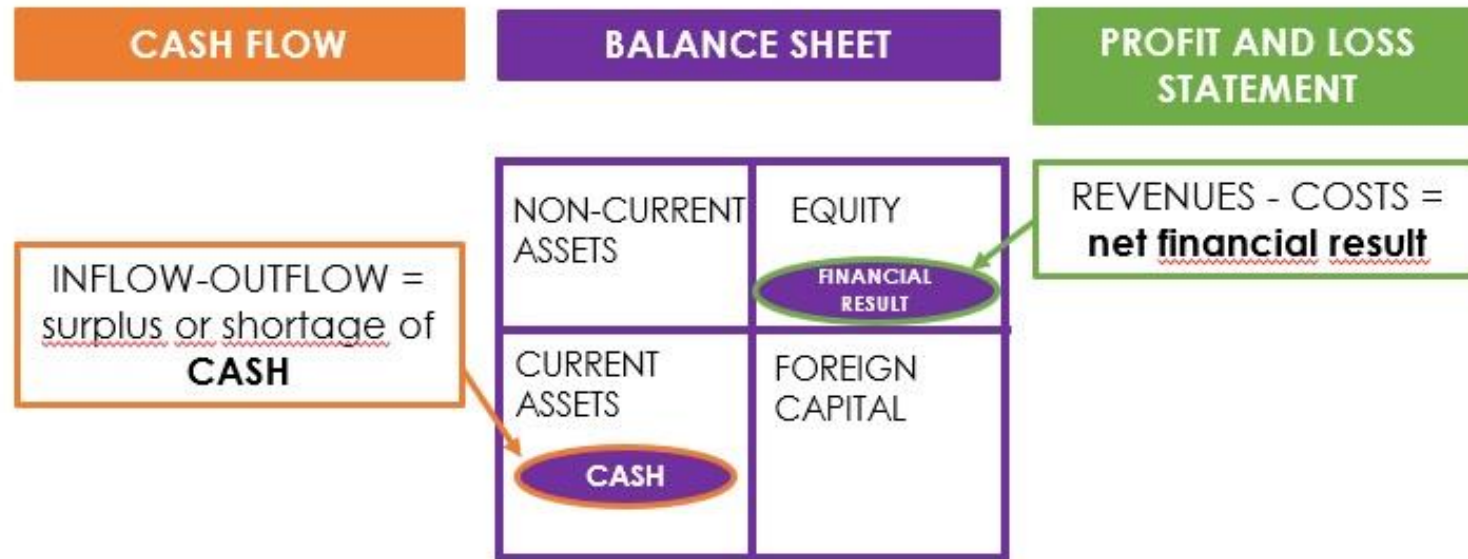
F. Cash at the beginning of the period

G. Cash at end of period (F +/- D)

Variants

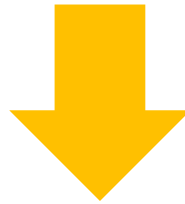
	variants							
Type of activity	1	2	3	4	5	6	7	8
Operational activity	+	+	+	+	-	-	-	-
Investment activity	+	-	+	-	+	-	+	-
Financial activity	+	-	-	+	+	+	-	-

Relationships between report items



What is the CF for?

CF is about **how a company uses cash** and cash equivalents



- To make mandatory payments
- To ensure payments from profit (dividends) to its investors (owners - shareholders, shareholders) and for reinvestments