



Cash Flow Statement

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Assets		Liabilities and Equity	
Cash	10.0	Short-term debt	10.0
Short-term investment	20.0	Finance leases	5.0
Accounts receivable	50.0	Accounts payable	45.0
Inventories	45.0	Taxes payable	10.0
Prepaid expenses	10.0	Accrued expenses	8.0
Other current assets	5.0	Notes payable	20.0
		Commercial paper	10.0
Total current assets	140.0	Total current liabilities	108.0
		Long-term debt	200.0
Net PP&E	300.0	Other long-term liabilities	80.0
Intangibles	50.0	Total liabilities	388.0
Goodwill	70.0	Common stock	30.0
Financial investments	10.0	Additional paid in capital	100.0
Deferred tax assets	15.0	Retained earnings	87.0
Other long-term assets	10.0	Treasury stock	(10.0)
Total assets	595.0	Total liabilities and equity	595.0

Operating flows	Investing flows	Financing flows
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Reconciling Two Balance Sheets to Net Cash

Balance Sheet		Yr 0	Yr 1		
Cash		10.0	20.0		
Accounts receivable		100.0	120.0	Operating	(20.0)
Inventory		80.0	100.0	Operating	(20.0)
Financial investments		20.0	30.0	Investing	(10.0)
Total assets		210.0	270.0		
Accounts payable		70.0	90.0	Operating	20.0
Debt		40.0	60.0	Financing	20.0
Equity		100.0	120.0	Financing	20.0
Liabilities and equity		210.0	270.0		

Assets up = cash down	
Assets down = cash up	

L&E up = cash up	
L&E down = cash down	

Cash Flow Statement	
(Inc) dec in accounts receivable	(20.0)
(Inc) dec in inventories	(20.0)
Inc (dec) in accounts payable	20.0
Cash from operations	(20.0)
(Inc) dec in investments	(10.0)
Cash from investing	(10.0)
Inc (dec) in debt	20.0
Inc (dec) in equity	20.0
Cash from financing	40.0
Beginning cash	10.0
Net cash flow	10.0
Ending cash	20.0

BASE – BS Items Impacted by Two CFS Items

Due to the complexity we ignore items which are difficult to forecast

	Land and buildings £m	Other ^(a) £m	Total £m
Cost			
At 25 February 2012	24,761	10,011	34,772
Foreign currency translation	428	173	601
Additions ^(a)	1,525	1,109	2,634
Acquired through business combinations	4	1	5
Reclassification	(104)	(28)	(132)
Classified as held for sale	(125)	(4)	(129)
Disposals	(734)	(116)	(850)
Transfer to disposal group classified as held for sale	(938)	(320)	(1,258)
At 23 February 2013	24,817	10,826	35,643
Accumulated depreciation and impairment losses			
At 25 February 2012	2,951	6,111	9,062
Foreign currency translation	64	98	162
Charge for the year	448	874	1,322
Impairment losses for the year	831	2	833
Reversal of impairment losses for the year	(5)	(1)	(6)
Reclassification	(6)	1	(5)
Classified as held for sale	(25)	(2)	(27)
Disposals	(182)	(98)	(280)
Transfer to disposal group classified as held for sale	(115)	(173)	(288)
At 23 February 2013	3,961	6,812	10,773

Additions to gross PP&E = capex

B Beginning PP&E
A Add Capex
S Subtract Dep'n
E Ending PP&E

Charge for the year = depreciation

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BASE – BS Items Impacted by Two CFS Items

B Beginning
A Add
S Subtract
E Ending

Net PP&E	
Beginning	
+ Capex (investing)	
- Depreciation (operating)	
= Ending	
Net Intangibles	
Beginning	
+ Purchases (investing)	
- Amortization (operating)	
= Ending	
Retained Earnings	
Beginning	
+ Net income (operating)	
- Dividends (financing)	
= Ending	

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Operating Working Capital

Cash Flow Statement			Cash Flow Statement	
(Inc) dec in accounts receivable	(10.0)	}	(Inc) dec in OWC	(20.0)
(Inc) dec in inventories	(25.0)		Cash from operations	(20.0)
Inc (dec) in accounts payable	15.0			
Cash from operations	(20.0)			
(Inc) dec in investments	(10.0)		(Inc) dec in investments	(10.0)
Cash from investing	(10.0)		Cash from investing	(10.0)
Inc (dec) in debt	20.0		Inc (dec) in debt	20.0
Inc (dec) in equity	20.0		Inc (dec) in equity	20.0
Cash from financing	40.0		Cash from financing	40.0
Net cash flow	10.0		Net cash flow	10.0

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Steps to a Cash Flow Statement

1. Categorize the BS accounts CFO, CFI, CFF
2. Calculate the changes in the BS items not captured by reconciliations
3. Do reconciliations and operating working capital calculations
4. Prepare the CFS

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