

HMS 2401

Finance, Accounting and Tax Systems

**Chapter 3-3 Financial Statement-
Cash Flow**

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Topics

Financial Statements :

1. Balance Sheets.

2. Income Statements.

3. Cash Flow Statements.

Topics

Financial Statements :

1. Using the cash flow statement in real life.
2. Cash Flow Statement.
3. Three types of activities of CFS.
4. Read the Footnotes.
5. Profit and Loss Statement (P&L)

Cash flow

- Cash flow statements report a company's inflows and outflows of cash.
- A company needs to have enough cash on hand to pay its expenses and purchase assets.
- While an income statement can tell you whether a company made a profit, a cash flow statement can tell you whether the company generated cash.

Using the cash flow statement in real life

- The cash flow statement tells you how much cash you collected and paid out over the year.
- To help you predict future cash surpluses and shortages, and help you plan to have enough cash on hand to cover rent or pay the heating bill.

Using the cash flow statement in real life

- A balance sheet might show you have \$2,000 in accounts receivable, and your income statement shows you earned \$2,000 of revenue. **But if your clients haven't paid you that money yet, you don't have the cash on hand.**
- So the cash flow statement “corrects” line items—for instance, deducting that \$2,000 from your cash on hand, since it's not yet available to cover your costs.

<https://bench.co/blog/accounting/financial-statements/>

Cash Flow Statement

The cash flow statement (CFS) measures how well a company generates cash to pay its debt obligations, fund its operating expenses, and fund investments.

- The Cash Flow Statement
- The cash flow statement (CFS) measures how well a company generates cash to pay its debt obligations, fund its operating expenses, and fund investments. The cash flow statement complements the [balance sheet](#) and [income statement](#).

Data From the Cash Flow Statement

- The CFS allows investors to understand how a company's operations are running, where its money is coming from, and how money is being spent.
- The CFS are divided into three main parts. Each part reviews the cash flow from one of three types of activities: (1) operating activities; (2) investing activities; and (3) financing activities.

Three types of activities of CFS

1. Operating activities
2. Investing activities
3. Financing activities.

Operating Activities

- The first part of a cash flow statement analyzes a company's cash flow from net income or losses.
- Reconciles the net income (as shown on the income statement) to the actual cash the company received from or used in its operating activities.

Investing Activities

→ The second part of a cash flow statement shows the cash flow from all investing activities, which generally include purchases or sales of long-term assets, such as property, plant and equipment, as well as investment securities.

→ If a company buys a piece of machinery, the cash flow statement would reflect this activity as a cash outflow from investing activities because it used cash.

→ If the company decided to sell off some investments from an investment portfolio, the proceeds from the sales would show up as a cash inflow from investing activities because it provided cash.

Financing Activities

- The third part of a cash flow statement shows the cash flow from all financing activities.
- To include cash raised by selling stocks and bonds or borrowing from banks. Likewise, paying back a bank loan would show up as a use of cash flow.

Likewise = moreover

Read the Footnotes

It's so important to *read the footnotes*. The footnotes to financial statements are packed with information.

1. Significant accounting policies and practices – Companies are required to disclose the accounting policies that are most important to the portrayal of the company's financial condition and results.
2. Income taxes – The footnotes provide detailed information about the company's current and deferred income taxes.
3. Pension plans and other retirement programs – The notes contain specific information about the assets and costs of these programs, and indicate whether and by how much the plans are over- or under-funded.
4. Stock options – To include the method of accounting for stock-based compensation and the effect of the method on reported results.

<https://www.sec.gov/reportspubs/investor-publications/investorpubsbegfinstmtguidehtm.html>

บริษัท ซื่อตรง จำกัด
งบกระแสเงินสด
สำหรับงวด 1 ปีสิ้นสุดวันที่ 31 ธันวาคม 2563

Suetong Company
Cash Flow statement
Fiscal year, As of December 31'2020

กระแสเงินสดจากกิจกรรมดำเนินงาน

เงินสดรับจากลูกค้า		1,310,000
เงินสดจ่ายค่าซื้อสินค้า	654,000	
เงินสดจ่ายค่าใช้จ่ายดำเนินงานต่าง ๆ	368,450	
เงินสดจ่ายค่าดอกเบี้ย	75,000	
เงินสดจ่ายค่าภาษีเงินได้	10,926	
เงินสดจ่ายค่าใช้จ่าย	<u>-1,108,376</u>	
กระแสเงินสดสุทธิจากกิจกรรมดำเนินงาน		201,624

กระแสเงินสดจากกิจกรรมลงทุน

เงินลงทุนระยะยาว	-183,000	
ซื้อที่ดิน	-632,500	
ซื้อเครื่องจักรและอุปกรณ์	<u>-110,000</u>	
กระแสเงินสดสุทธิจากกิจกรรมลงทุน		-925,500

กระแสเงินสดจากกิจกรรมจัดหาเงิน

เงินกู้ธนาคารระยะยาว	139,700	
ทุนหุ้นสามัญ	600,000	
ส่วนเกินมูลค่าหุ้นสามัญ	<u>60,000</u>	
กระแสเงินสดสุทธิจากกิจกรรมจัดหาเงิน		799,700
เงินสดสุทธิลดลง		75,824
บวก เงินสดคงเหลือต้นงวด		<u>25,000</u>
เงินสดคงเหลือปลายงวด		<u>100,824</u>

Operating Activities

Cash receipts from customers		1,310,000
Cash paid to suppliers and employees	654,000	
Cash generated from operations	368,450	
Interest paid	75,000	
Income taxes paid	10,926	
Cash for operating	<u>-1,108,376</u>	
Net cash flows from operating activities		201,624

Investing Activities

Long-Tearm investing activities	-183,000	
Land	-632,500	
Purchase of equipment	<u>-110,000</u>	
Net cash flows from Investing activities		-925,500

Financing Activities

Change in short-term investment	139,700	
Change in common stock	600,000	
Change in share premium	<u>60,000</u>	
Net cash flows from financing activities		799,700
Net increase in cash and cash equivalents		75,824
Plus Cash and cash equivalents, beginning of year		<u>25,000</u>
Cash and cash equivalents, end of year		<u>100,824</u>

Profit and Loss Statement (P&L)

- The profit and loss (P&L) statement is a financial statement that summarizes the revenues, costs, and expenses incurred during a specified period, usually a fiscal quarter or year.
- The P&L statement is synonymous with the [income statement](#). These records provide information about a company's ability or inability to generate profit by increasing revenue, reducing costs, or both.

Q & A