# English

# Title: Cash flow statement Objectives:

* Students will learn some concepts about the cash flow statement’s components: operating

activities, investment activities and financing activities.

* Students will learn how to record and report the movement of a companies’ cash in the cash flow statement.

# Introduction:

British and American companies produce a cash flow statement which gives details of cash flows – money coming into and leaving the business in a period of time relating to: operating activities, financing activities and investment activities.

The cash flow statement shows money actually coming into and going out of a company in a particular period: cash inflows and outflows.

**Types of cash flow**: there are three types of cash flow, net cash flow from operations, net cash flow from investment activities and net cash flow from financing activities.

**Net cash flow from operations** is the money generated by the sales of the company’s goods or services, minus the money spent on supplies, stuff salaries, etc. in the period.

**Net cash flow from investment activities** is the result of:

* Purchases of securities (bonds, shares, etc.) in other companies.
* Money received from sales of securities in other companies.
* Loans made to borrowers.
* Loans repaid and loan interest paid by borrowers.
* Purchases of land, building and equipment.
* Sales of land, buildings and equipment.

**Net cash flow from financing activities** is the result of:

* Money received through short-term borrowing.
* Money repaid in short-term borrowing.
* Money received through issuing new shares in the company.
* Money received through issuing new bonds in the company.
* Dividends paid to shareholders.

Adding and subtracting the figures above, the company calculates its net cash position at the end of the year. Investors check the cash flow statement to see how the company is obtaining

and using its cash – how much it made from its operations, how much it has raised through new share issues, etc.

# Summary:

The cash flow statement shows how effectively a company generates and manages cash through the different activities.