**CASH FLOW STATEMENT**

***CASH FLOW STATEMENT is : a financial statement that summarizes the amounts of cash going IN and OUT in a company***

***>> Where is the money coming from and how is the money spent ?***

* It measures how well the company manages its cash position > how it generates cash to pay its debts and fund its operating expenses
* It does NOT include future cash
* Main components come from 3 areas:
  + Operating activities
  + Investing activities
  + Financing activities
* Cash flow is different from net income (e.g. sales ‘on credit’ are OUT)

*Let’s apply to a first example (Initial cash = €2,000,000)*

|  |  |
| --- | --- |
| **INITIAL CASH** | **2,000,000** |
| **INCOMES** | **18,000,000** |
| *Turnover* | *18,000,000* |
|  |  |
|  |  |
| **EXPENSES** | **11,244,990** |
| Purchase price | 6,000,000 |
| Customs | 180,000 |
| Advertising | 129,990 |
| Insurances | 1,100,000 |
| Transport | 360,000 |
| Salaries | 2,000,000 |
| Rep fixed | 650,000 |
| Rep variable | 450,000 |
| Interests | 375,000 |
|  |  |
| **FINAL CASH** | **8,755,010** |

* **INITIAL CASH + INCOMES – EXPENSES = FINAL CASH**

Cash Movement ? IN or OUT ?

60 Purchase price of the goods €6,000,000 OUT

60 Customs €180,000 OUT

61 Advertising €129,990 OUT

61 Insurances of commercial Building €1,100,000 OUT

61 Transport of goods €360,000 OUT

62 Salaries (administration staff) €2,000,000 OUT

62 Representative : Fixed €650,000 OUT

Variable 2.5 % of turnover OUT

63 Amortizations €1,100,000 NO cash movement

65 Interests on debts €375,000 OUT

70 Turnover 12,000u at €1,500 IN

*NOW… what if we have this extra info in addition to the initial situation?*

|  |  |
| --- | --- |
| **INITIAL CASH** | **2,000,000** |
| **INCOMES** | **19,000,000** |
| *Turnover* | *18,000,000* |
| ***Capital Increase*** | ***300,000*** |
| ***LT Loan*** | ***700,000*** |
|  |  |
| **EXPENSES** | **12,136,990** |
| Purchase price | 6,000,000 |
| Customs | 180,000 |
| Advertising | 129,990 |
| Insurances | 1,100,000 |
| Transport | 360,000 |
| Salaries | 2,000,000 |
| Rep fixed | 650,000 |
| Rep variable | 450,000 |
| Interests | 375,000 |
| **New interests** | **42,000** |
| **New machine** | **850,000** |
| **FINAL CASH** | **8,863,010** |

New investment in a new machine 850,000€

Long-Term Loan 7 years 700,000€

1st repayment next year

*(!! Interests will appear as they are paid; 6% /year !!)*

Capital Increase 300,000€

Bank balance *unchanged*

* AMORTIZATIONS ? NO !
* DEPRECIATIONS ? NO!
* PROVISIONS ? NO!
* LOAN ? YES, fully the year you get the money
* INTERESTS ? YES as you pay them (and register in your books)
* INVESTMENT ? YES, fully the year you make them