

*How to Prepare?*  
**CASH FLOW STATEMENT / CASH FLOW ANALYSIS**  
*[As per Accounting Standard AS – 03]*

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Cash Flow Analysis or Cash Flow Statement is one which is prepared from the financial statements of an organization concentrating and giving significance to the inflow and outflow of cash. It is a financial statement where the aggregate of cash inflow and outflow are presented. Global standard IAS – 07 (International Accounting Standard – 07) manages the preparation of CFS and in India AS - 03 (Accounting Standard – 03) manages the same. Treatment varies between AS – 03 and IAS – 07 as for treating “Bank Overdraft” as a component of Cash and Cash Equivalent. The presented model is based on AS – 03. Cash flow statement mainly mirror’s a firm’s liquidity. The following can be taken as Why and for Whom CFA will be helpful?

- a. Effective Cash Management
- b. Internal Financial Management
- c. Discloses Movement of Cash
- d. Discloses success or failure of Cash Planning
- e. Will help Creditors, Investors, Directors, Shareholders, Contractors and Employees

There are two methods of preparing CFS, Direct and Indirect Method. The presented model is based on the Indirect Method where Balance of Profit and Loss account is considered as base and it is balanced considering the cash, non-cash and non-operating items from the financial statements in order to arrive “Net Cash Flow from Operating Activities”

Preparation of CFS as per AS – 03 is separated into three activities:

- ❖ Operating Activities
- ❖ Investing Activities and
- ❖ Financing Activities

[illegible]

<b>2</b>	<b>CASH FLOW FROM INVESTING ACTIVITIES:</b> Add: INFLOW a. Sale of Fixed Assets b. Dividend received / Interest received Less: OUTFLOW a. Purchase of Fixed Assets b. Purchase of Goodwill (Assumed if there is an increase)	         <b>xxx</b>         <b>xxx</b>	                  <b>xxx</b>
	<b>NET CASH FLOW FROM INVESTING ACTIVITIES - IA</b>		<b>xxx - 2</b>
<b>3</b>	<b>CASH FLOW FROM FINANCING ACTIVITIES:</b> Add: INFLOW a. Issue of Shares, Debentures b. Share Premium c. Increase in Loan / Borrowing Less: OUTFLOW a. Redemption of Shares b. Repayment of Loan / Borrowings c. Mortgage Loan repayment d. Interim Dividend Paid e. Dividend Paid f. Interest Paid	         <b>xxx</b>                  <b>xxx</b>	                           <b>xxx</b>
	<b>NET CASH FLOW FROM FINANCING ACTIVITIES - FA</b>		<b>xxx - 3</b>
	<b>NET CASH FLOW FROM OA, IA AND FA (Sum of 1, 2 and 3)</b>		<b>xxx</b>
	<b>Add: Opening Cash and Bank Balance (with Equivalents) **</b>		<b>xxx</b>
	<b>Closing Cash and Bank Balance (with Equivalents) **</b>		<b>xxx</b>