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

CFS MODEL AS PER AS – 03 (ACCOUNTING STANDARD – 03) INDIRECT METHOD

S. No	PARTICULARS	AMOUNT	AMOUNT
1	CASH FLOW FROM OPERATING ACTIVITIES:		
	Net Profit for the Year or	XXX	
	(Closing Balance minus Opening Balance of Profit and		
	Loss a/c)		
	Add:		
	a. Depreciation		
	b. Transfer to Reserve		
	c. Goodwill, Preliminary Expenses Written-off		
	d. Patents, Trademarks, copy rights Written-off		
	e. Discount on Shares and Debentures	XXX	
	f. Loss on sale of Fixed Assets		
	g. Foreign Exchange Loss		
	h. Interim Dividend Paid		
	i. Provision for Tax		
	j. Proposed Dividend		
	k. Decrease in Current Assets (Except Cash and Bank)		
	Increase in Current Liabilities		
	Less:		
	a. Tax / Income Tax Paid	XXX	
	b. Profit on sale of Fixed Assets		
	c. Dividend received / Interest received		xxx
	d. Increase in Current Assets (Except Cash and Bank)		
	e. Decrease in Current Liabilities		
	NET CASH FLOW FROM		XXX - 1
	OPERATING ACTIVITIES - OA		

b. D. Less: OU a. P b. P ir 3 CASH F Add: INF a. Is b. S c. Ir Less: OU a. R b. R c. M d. Ir e. D f. Ir	Sale of Fixed Assets Dividend received / Interest received	xxx	
b. D. Less: OU a. P b. P ir 3 CASH F Add: INF a. Is b. S c. Ir Less: OU a. R b. R c. M d. Ir e. D f. Ir	Dividend received / Interest received UTLOW Purchase of Fixed Assets	xxx	
Add: INF a. Is b. S c. Ir Less: OU a. R b. R c. M d. Ir e. D f. Ir	UTLOW Purchase of Fixed Assets	XXX	
a. P b. P ir 3 CASH F Add: INF a. Is b. S c. Ir Less: OU a. R b. R c. M d. Ir e. D f. Ir	Purchase of Fixed Assets		
b. P ir 3 CASH F Add: INF a. Is b. S c. Ir Less: OU a. R b. R c. M d. Ir e. D f. Ir			
3 CASH F Add: INF a. Is b. S c. Ir Less: OU a. R b. R c. M d. Ir e. D f. Ir	Purchase of Goodwill (Assumed if there is an		
3 CASH F Add: INF a. Is b. S c. Ir Less: OU a. R b. R c. M d. Ir e. D f. Ir	·	XXX	
Add: INF a. Is b. S c. Ir Less: OU a. R b. R c. M d. Ir e. D f. Ir	ncrease)		xxx
Add: INF a. Is b. S c. Ir Less: OU a. R b. R c. M d. Ir e. D f. Ir	NET CASH FLOW FROM		XXX - 2
Add: INF a. Is b. S c. Ir Less: OU a. R b. R c. M d. Ir e. D f. Ir	INVESTING ACTIVITIES - IA		
a. Is b. S c. Ir Less: OU a. R b. R c. M d. Ir e. D f. Ir	FLOW FROM FINANCING ACTIVITIES:		
b. S c. Ir Less: OU a. R b. R c. M d. Ir e. D f. Ir	FLOW		
c. Ir Less: OU a. R b. R c. M d. Ir e. D f. Ir	ssue of Shares, Debentures		
Less: OU a. R b. R c. M d. Ir e. D f. Ir	Share Premium	XXX	
a. R b. R c. M d. Ir e. D f. Ir	ncrease in Loan / Borrowing		
b. R c. M d. Ir e. D f. Ir	UTFLOW		
c. M d. Ir e. D f. Ir	Redemption of Shares		
d. Ir e. D f. Ir	Repayment of Loan / Borrowings		
e. D	Mortgage Loan repayment	XXX	
f. Ir	nterim Dividend Paid		
	Dividend Paid		
NET CA	nterest Paid		xxx
NET CA	NET CASH FLOW FROM		XXX - 3
NET CA	FINANCING ACTIVITIES - FA		
	ASH FLOW FROM OA, IA AND FA (Sum of 1,	2 and 3)	XXX
Add: Op		*	XXX
Closing	pening Cash and Bank Balance (with Equivalents) *		XXX