Cash Flow Analysis

15.511 Corporate Accounting

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Why focus on a cash flow statement?

- In the absence of operating cash flow, cash from other sources can be used to cover cash requirements.
- For example, cash can be obtained from on-hand balances or nonrecurring asset sales, new debt or equity financing.
- These non-operating sources of cash flow can be relied upon only in the short run.
- In the long run, operating cash flow is the only reliable source of cash available to meet recurring needs.

Balance Sheet as at December 31, 1997

Assets	Amount	Liabilities and Owners' Equity	Amount
Cash	6,000	Loans Payable	3,000
Receivables	4,000	Contributed Capital	10,000
Equipment	5,000	Retained Earnings	2,000
Total Assests	**$15,000**	**Total Liabilities and Owners' Equity**	**$15,000**

Income Statement
For the year ended December 31, 1997

Revenues:	**Fees earned for service**	**$12,000**
Expenses:	**Wages, interest, maintenance**	**$ 9,000**
Net income		**$ 3,000**

American Consumer Products, Inc

Net Income And Positive Operating Cash Flow
A Mature firm

American Consumer Product, Inc.
Years Ending December 31, 1990-1994

	1990	1991	1992	1993	1994
Revenue	$92,911	$95,361	$99,189	$102,734	$106,748
Net income from continuing operations	1,240	517	1,217	317	421
Cash provided in operating activities	2,646	2,293	2,659	2,108	4,053

Note : thousands of dollars

Data sources: American Consumer Products, Inc. *1994 Annual Report*. 1995.

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