
A Study on Cash Flow Statement Analysis

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ABSTRACT:

Cash flow statement is an important tool to analyze the cash position of a business firm. It can denote changes in cash position during two financial years. It also provides information about the cash receipts and the payments of a business for a given period. It provides notable information that compliments the profit and loss account and balance sheet. cash flow statement analysis is statement which provides a complete explanation for the change in a firm's cash during a particular period by specify the firm sources and uses of cash during the period from operating, investing and financing activities. It provides convenient information about an entity's activities in generating cash from operations. It informs about programme to repay debt distributed dividends or reinvest to conserve or enlarge its operating capacity. It provides information about its financing activities both debt and equity and about its investment in both fixed assets or current assets other than cash. This Article is based on the practice followed and instruction for its preparation contained in the various text books for the guidance of the students and accountants. It is hoped that the content of this Article would help the readers to understand Cash-flow statement properly.

KEYWORDS: *Cash operating activities, investing activities, financial activities*

INTRODUCTION:

In financial accounting cash flow statement is a financial statement that shows a company inflows and outgoing cash during a period of time. The cash flow statement showing the movement of cash inflow and outflow of business in a given year. Cash flow statement reports shows business sources and uses of cash and the beginning and ending values for cash and cash equivalents each year. The cash flow management is a concern which should prepare a cash flow statement and should present it for a period of time. This cash flow statement shows the changes in difference between two balance sheet dates.

Cash flow statement are prepared guidance with AS-3(Accounting standards-3) of the Institute of Chartered Accountants of India (ICAI), all the registered companies whose financial year ends on march 1996 and thereafter will be required to give cash flow statement along with balance sheet and profit and loss account

REVIEW OF LITERATURE:

Healy et al (1992) use cash flow analysis to traverse the post-merger presentation using a sample of largest 50 mergers in America industries. The results shows that the improved productivity due to mergers superior to higher cash flow returns. And the cash flow returns are appreciably positive related to abnormal stock returns at merger announcement.

Kubr, Marchesi, ilar, Kienhuis, 1998. Starting up. MCKinley & Company

Figuring money streams after the anticipating time frame is a great deal more infuriating and unobjective, and along these lines the hazards consider, ascends with each extra years into what's to come. The proceeding with esteem is an answer that says to the money streams after figure period.

OBJECTIVES OF THE STUDY

- 1.To examine the statement of information of Eidiko Systems Integrators pvt Ltd by means of a cash flow statement which classified cash flow during the period from operating, investing, and financing activities.
- 2.To review growth and working of Eidiko Systems Integrators (P) Limited.
- 3.To Evaluate and analyze the financial performance of the company.

HYPOTHESIS FORMULATION:

H0: There is no critical effect of operating, financing and investing activities.

H1: There is a critical effect of operating, financing and investing activities.

RESEARCH METHODOLOGY:

This investigation was led by utilizing necessary and elective information with the day and age of 5 years 2012-13 to 2016-17. In this examination, for the most part additional information is gathered. Additional information has been obtain from the accompanying sources yearly reports, diaries, money streams, other related sites.

SAMPLE SELECTION:

For the purpose of the study two companies Eidiko systems integrators (p)ltd and Tanla solutions ltd have been selected.

PERIOD OF STUDY:

The study is conducted for a period of five (5) financial years i.e. from 2013 to 2017.

STATISTICAL TOOLS:

The fact based investigation method is chosen to break down the income explanations of the organizations under study there are different fact based apparatuses used to break down the information

Changes in working capital, standard deviation, mean, t-test.

DATA ANALYSIS AND HYPOTHESIS TESTING:

The data in table 1 shows the usage rate of Eidiko Systems Integrators pvt ltd (operating, investing and financing activities). The data were used the t-test paired two sample for means (t-test) formula. The examination is done between two company's i.e. Eidiko and Tanla solutions ltd.

TABLE1:

	OPERATING		INVESTING		FINANCING	
	EIDIKO	TANLA	EIDIKO	TANLA	EIDIKO	TANLA
2013	16.88	8.24	-15.67	-31.22	0	0
2014	15.88	-34.08	10.33	11.23	0	22.28
2015	78.79	46.62	-51.55	-44.85	36.36	5.3
2016	28.74	18.63	-42.92	-5.56	0.27	6.02
2017	94.72	64.52	-75.23	-4.08	0.27	15.36

CALCULATION OF STANDARD DEVIATION:

	OPERATING		INVESTING		FINANCING	
	EIDIKO	TANLA	EIDIKO	TANLA	EIDIKO	TANLA
2013	16.88	8.24	-15.67	-31.22	0	0
2014	15.88	-34.08	10.33	11.23	0	22.28
2015	78.79	46.62	-51.55	-44.85	36.36	5.3
2016	28.74	18.63	-42.92	-5.56	0.27	6.02
2017	94.72	64.52	-75.23	-4.08	0.27	15.36
SD	37.07054	37.92225	26.70038	22.64084	16.20087	8.905645

Calculation of t-test for operating activities:

t-Test: Paired Two Sample for Means		
	Variable 1	Variable 2
Mean	47.002	20.786
Variance	1374.22472	1438.09668
Observations	5	5
Pearson Correlation	0.89503139	
Hypothesized Mean Difference	0	
Df	4	
t Stat	3.408098766	
P(T<=t) one-tail	0.013537352	
t Critical one-tail	2.131846782	
P(T<=t) two-tail	0.027074703	
t Critical two-tail	2.776445105	

INTERPRFETATION:

From the t-table, the hypothesis is rejected (calculated value of t for operating activities 3.408098766 is more than the table esteem (2.776445105). It implies that there is significant difference between the means of operating activities of selected companies.

Calculation of t-test for investing activities:

t-Test: Paired Two Sample for Means		
	EIDIKO	TANLA
Mean	-35.008	-14.896
Variance	1095.88482	512.6074
Observations	5	5
Pearson Correlation	0.285327594	
Hypothesized Mean Difference	0	

Df	4	
t Stat	-1.308745562	
P(T<=t) one-tail	0.130373667	
t Critical one-tail	2.131846782	
P(T<=t) two-tail	0.260747335	
t Critical two-tail	2.776445105	

INTERPRETATION:

From the t-table, it is observed that the calculated value of t for financing activities (-1.308374) is less than the table esteem (2.7764456). The hypothesis is accepted. It implies that there is no significant difference between the means of financing activities of selected companies.

Calculation of t-test for financing activities:

		<i>Variable 2</i>
Mean	7.38	9.792
Variance	262.46835	79.31052
Observations	5	5
Pearson Correlation	-0.282168438	
Hypothesized Mean Difference	0	
Df	4	
t Stat	-0.262173613	
P(T<=t) one-tail	0.403067805	
t Critical one-tail	2.131846782	
P(T<=t) two-tail	0.806135609	
t Critical two-tail	2.776445105	

INTERPRETATION:

From the t-table, it is observed that the calculated value of t for financing activities (-0.262173613) is very less than table value (2.776445105). The hypothesis is accepted. It indicates there is no significant difference between the means of financing activities of selected companies.

FINDINGS:

OPERATING ACTIVITIES

The company operating activities has been fluctuating every year wise in trend from 2013 to 2017. In the years 2015 and 2017 operating activities (78.79 and 94.72) are high comparing to other years. Net profit of company increased in every year. The company has a higher net profit even after adjustment for working capital changes, even though company has huge amounts of operating activities like inventories and borrowings, it resulted in positive net cash flow from operating activities which is satisfactory.

INVESTING ACTIVITIES:

The company investing activities has been positive in year 2014 i.e. 10.33 remaining all years negative. Which is not satisfactory. The company has a negative cash flow in investing activities, as they have been investing large amounts in rising of assets only.

FINANCING ACTIVITIES:

The company financing activities nil in 2013 and 2014 but increased to 36.36 in 2015 then fall down to 0.27 next two years. The company has a negative cash flow from financing activities, where the company has utilized the cash for repaying borrowing and their interest and has invested in rising investments.

OVERALL PERFORMANCE: Not Satisfactory.

CONCLUSION:

By analyzing the topic “CASH FLOW STATEMENT ANALYSIS”

I infer that the organization is concentrating more payables like acquiring the settled resources, Borrowing which is resulting in payments of interest for that loans, sundry payables but are Not able to turn cash from loans and advances given and sundry receivables.

Cash flows are huge in operating activities, which is decreasing working capital of the company and diminishing the net cash flow of the company influence the operational efficiency of the company.

This project report assist me to get good knowledge on analysis of cash flow statement and how to utilize the cash surplus in the business to improve the efficiency of the business

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