Report TNB13: Cash Flow Statement

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In the Cash Flow Statment the relationship between profit (TNB 11) of 4.27 mEUR and cash (TNB 12) is shown:

	mEUR
Net Income/ Net Loss	4.27
+ Depreciation on Fixed Assets	7.15
+ Increase in Pension Reserves	1.87
Traditional Cash-Flow	**13.30**
+ Increase (-) / Reduction (+) Inventories of Materials	4.59
+ Increase (-) / Reduction (+) Inventories of Finished Products	5.93
+ Increase (-) / Reduction (+) Inventories of Accounts Receivable	-7.96
A. Operating Cash-Flow	**15.85**
+ Investments in Production Lines	-1.50
B. Cash-Flow from Investment Activities	**-1.50**
+ Capital Increases	0.00
+ Payment Dividends from Prev. Period	-1.00
+ Increase (-) / Reduction (+) of Securities	0.00
+ Increase (+) / Reduction (-) of Bank Liabilities	-13.00
C. Cash-Flow from Financing Activities	**-14.00**
D. Change in Cash Position (A+B+C)	**0.35**
Free Cash-Flow (A+B)	14.35

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Step 1: Traditional Cash Flow.

•All costs that don’t directly lead to a cash out (depreciation, reserves) will be added.

•Depreciation: The sum of all depreciation costs are added (see TNB7)

•Pension reserve: The 5% of salaries that are booked to a different account, but not payed out if employees not get retired. (see TNB6)

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A. Operating Cash-Flow	**15.85**

Step 2: Calculation of Operation Cash Flow

- Value difference of raw materials is considered: The value of the initial inventory was 12.5 mEuro and just 7.91 mEUR for the final inventory. In consequence the value of 4.59 mEUR had not to be payed (and no cash out was necessary) (see TNB5)
- Value difference of finished goods (that was already considered as expenses in the P/L statement. Initial inventory of finished goods was 16.16 mEUR and the value of final inventory was 10,23 mEUR. The value difference of 5.93 mEUR did not lead to a cash out and can be added.
- In the P/L the total revenue is considered. Due to the customer payment pattern, you did not receive the total revenue in cash. In period 0 cash of 25.8 mEUR did not “arrive” (20% of the revenue) and in period -1 the accounts receivable (cash that you have not got yet) were 17.84 mEUR. So, there was 7.96 mEUR less cash available.

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D. Change in Cash Position (A+B+C)	$\boxed{\mathbf{0.35}}$
Free Cash-Flow (A+B)	14.35

Step 3: Cash Flow Differences of Investments, Financing and Cash Accounting are considered

- Investment in Production lines: 1.5 mEUR to increase the environmental damage indicator (this leads to a complete cash out, but in the costs accounting and P/L just the depreciation is considered)
- Payment of dividends: you decided to spend 1 mEUR as dividends that have to get payed and lead to a cash out
- Increase / decrease of Bank liabilities (In period 0 you had a short-term loan of 27 mEUR and in period -1 it was 40 mEUR. Therefore, less cash was available. (TNB 15)
- Initial cash balance as 0.5 mEUR and the final cash balance was 0.85 mEUR. So, 0.35 mEUR of cash was “earned”.