

Statement of Cash Flows (Meaning) (كشف التدفق النقدي (المعنى)

Relevance of Cash صلة النقد

1. A Cash flow statement deals with the inflow and outflow of cash between two balance sheet dates.
2. Cash flow statement aims at listing the various items which brings about changes between two balance sheet dates and therefore any items which affects the business cash either by increasing or decreasing it is included in this statement.
3. Cash flow statement is more useful in short-term planning.
4. Cash flow statement indicates simply cash receipts and cash payments and does not take into consideration other current assets.
5. Cash flow statement highlights the changes in cash and cash equivalents during the course of the year due to various cash flows.

Objectives of Cash Flow Statement أهداف كشف التدفق النقدي

1. Efficient Cash Management كفاءة إدارة النقد
 - To manage the cash resources in such a way that adequate cash is available for meeting the expenses.
 - To plan and co-ordinate the financial operations of the business
2. Internal Financial Management الإدارة المالية الداخلية
To provide a clear picture of cash flows from operations.
3. Projected Cash Flow التدفق النقدي المتوقع
To help management to know the projected cash inflows and cash outflows.
4. Tool of Analysis أداة التحليل
To act as an effective analysis tool for short-term decisions.
5. Success or Failure of Cash Planning نجاح أو فشل التخطيط للنقد

To help management to know the success or failure in cash management by comparison of actual and budgeted cash flow statements

Sources of Cash مصادر النقد

The following are the sources of cash :

- a) internal Sources المصادر الداخلية
- ✓ Cash generated from operations
 - ✓ The net profit as shown by the Profit and Loss Account

(b) External Sources

1. issue of New Shares إصدار اسهم جديدة
2. Raising of Term Loans حصول قروض طويلة الأجل
3. Purchase of Fixed Assets شراء موجودات ثابتة
4. Short-term Borrowings اقتراض قصير الأجل
5. Sale of Fixed Assets, Investments etc.: بيع موجودات ثابتة، استثمارات

Application of Cash استخدام النقد

The following items result in applications of cash or cash outflows :

- a) Purchase of Fixed Assets شراء موجودات ثابتة
- b) Payment of Long-term Loans دفع قروض طويلة الأجل
- c) Redemption of Preference Shares and Buy Back of Equity Shares
التضحية باسهم ممتازة وشراء اسهم ملكية
- d) Payment of Income Tax دفع ضريبة دخل
- e) Payment of Dividend دفع توزيعات أرباح
- f) Decrease in Unsecured Loans, Deposits etc. نقص في القروض والودائع غير المضمونة

g) Loss from Operations خسارة من العمليات

Format of Cash Flow Statement: Cash Flow Statement For The Year Ended on

Particulars	Amount(IQD)
Opening Balance : Cash Bank	
Add : Sources of Cash :	
Issue of Shares	
Raising of Long-term Loans	
Sale of Fixed Assets	
Short-term Borrowings	
Cash from Operations	
Total Cash Available (1)	
Less : Applications of Cash :	
Redemption of Preference Shares Buy Back of Equity Shares	
Redemption of Long-term Loans	
Purchase of Fixed Assets	
Decrease in Deferred Payment Liabilities	
Loss from Operations	
Income Tax Paid	
Dividends Paid	
Decrease in Unsecured Loans, Deposits etc.	
Total Applications (2)	
Closing Balance : Cash Bank	

Methods of Cash Flow Statement طرائق كشف التدفق النقدي

(a) Direct Method (الطريقة المباشرة)

1. Under this method, major classes of gross cash receipts and gross cash payments are obtained from the records for determination of cash flow from operating activities.
2. Various items in the P & L Account are adjusted for changes in related items in current assets and current liabilities in order to decide P & L Account on cash basis.

3. The balancing figure in P & L Account reveals cash from operating activities.

بموجب هذه الطريقة ، يتم الحصول على البنود الرئيسية لإجمالي الإيرادات النقدية والمدفوعات النقدية الإجمالية من السجلات لتحديد التدفق النقدي من الأنشطة التشغيلية.

Particulars	Amount
Cash Sales	
Add : Cash collection from Debtors	
Gross Cash Receipts from Operations	
Less : Cash Operating Expenses	
Net Cash Generated by Operations	

(b) Indirect Method الطريقة غير المباشرة

1. Under this method, cash from operating activities is calculated by adjusting net profit and loss instead of individual items, disclosed in the P & L Account.

بموجب هذه الطريقة يتم احتساب النقد من الأنشطة التشغيلية بتعديل صافي الربح والخسارة بدلا ، من البنود الفردية ويتم الإفصاح عنها في حساب الأرباح والخسائر

2. Net Profit and Loss is adjusted in the light of changes during the period.
3. After ascertaining Net Operating Profit, adjustments regarding changes in current assets and current liabilities are made as per the following table :

Adjustment of Changes in Current Assets and Liabilities :

Current Assets and Current Liabilities	Adjustments to be made to Net Profit	
	Add	Deduct
Trade Debtors	Decrease	Increase
Stock	Decrease	Increase
Prepaid Expenses	Decrease	Increase
Trade Creditors	Increase	Decrease

Expenses Payable	Increase	Decrease
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Analysis Implications of Cash Flows:

- a) Short-term Planning of Business** التخطيط قصير الأجل للأعمال
- b) Useful in Internal Financial Management** مفيدة في الإدارة المالية الداخلية
- c) Useful in Capital Budgeting Decisions** مفيدة في قرارات الموازنة الرأسمالية
- d) Focusing on Trend of Movement** التركيز على اتجاه الحركة
- e) Planning in Replacement of Outdated Assets** التخطيط لاستبدال الموجودات القديمة