

*The first 5 numbers to look
at in a cash flow statement*

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Here's the scenario:
the client has just
given you the financial
statements for the
business and you
have to say something
quickly – here's what
to look at in the cash
flow statement with
some questions to ask



A cash flow statement is never an easy document to read, that's why we want to focus on these three main points to keep it simple and to give you an idea of what happened to the cash in the business during the period



How much cash was left at the end of the period (usually a year)?

Was the change in the amount of cash left positive or negative from the previous year?

What happened to the cash in each of the three sections of the cash flow statement - operating, investing and financing?

1st number Cash at end of year

Q.

Has the number gone up from previous year or gone down?

Q.

Is the trend likely to continue in the current year?

2nd number Net change in cash

Q.

Has the number gone up from previous year or gone down?

Q.

Which section of the cash flow statement contributed most to the change?

3rd number

Net cash flow - financing activities

Q.

Has the total number gone up from previous year or gone down?

Q.

Did the change in short-term liabilities generate cash (more risk) or utilise cash (less risk)?

Q.

Are increases in long-term liabilities matched by increases in non-current assets in cash from investing activities section?

4th number

Net cash flow - investing activities

Q.

Has the number gone up from the previous year or gone down?

Q.

Were non-current assets disposed of to generate cash? Were they productive assets?

Q.

Are new investments productive?

5th number

Net cash flow - operating activities

Q.

Has the number gone up from the previous year or gone down?

Q.

Is the cash flow from operations positive?
If not, how will that be reversed in the current year?

Q.

How did changes in working capital (stock and trade debtors) affect cash flow?