

Cash Flow Integration

The income statement, statement of position, and cash flow statement along with other disclosures are presented in the financial statement. The cash flow statement is presented separately and the readers of the financial statement have to analyze the income statement, balance sheet, and cash flow all together. Even the auditors, external/internal auditor analyze these three statements individually.

In this article, the discussion is not on why the cash flow statement is presented separately, when the cash/bank is the lifeblood of the Business, it has to be incorporated together in the income and balance sheet statements.

Consider the following elements of elements of the income and balance sheet with and without the cash flow

Income Statements

Without Cash Flow Disclosure		With Cash Flow Disclosure		
Revenue	USD	Revenue	USD	Net Cash Flow
Sales	100	Sales	100	80%
Other Income	20	Other Income	20	15%

Without Cash Flow Disclosure		With Cash Flow Disclosure		
Expenses	USD	Expenses	USD	Net Cash Flow
COS	55	COS	55	-75%
Direct and Indirect Expenses	10	Direct and Indirect Expenses	10	-13%

The net cash flow of 80% and 15% of the income components, could be analyze as 20% of the sales are tied up in the receivable, or provision for bad debts or book entry.

The net cash flow of 75% and 13% of the expense's components, could be analyze as 25% of the COS is tied up in the payables/provisions, or book entry.

Balance Sheet

Without Cash Flow Disclosure		With Cash Flow Disclosure		
Assets	USD	Assets	USD	Net Cash Flow
Fixed Assets	90	Fixed Assets	90	20%
Current and Other Assets	40	Current and Other Assets	40	80%

Without Cash Flow Disclosure		With Cash Flow Disclosure		
Liabilities	USD	Liabilities	USD	Net Cash Flow
Equity	80	Equity	80	100%
Debt	50	Debt	50	-30%

The net cash flow of 20% and 80% of the balance sheet could be due to sale of assets and realization of receivables

The net cash flow of 100% and -30% of the balance sheet could be due to equity subscription and payment of debts.

The presentation of cash movement +/- along with elements of income and balance sheet will provide the readers/users of the financial position better and clear understanding of financial statement and irregularities in the books of accounts.