

Statement of Cash Flows

Topics to be discussed

- Objectives of statement of cash flow
- Cash and cash equivalents
- Basic approach
- Classifications
 - Operating activities
 - Financing activities
 - Investing activities
- Schedule of noncash financing and investing activities

Objectives of Statement of Cash Flow

FASB Statement of Accounting Concepts #1 - Objectives

Purpose

- ☛ provide information about cash receipts and cash payments
- ☛ disclose information about financing and investing activities
- ☛ help users make assessments
 - ▶ ability to generate future net cash flows
 - ▶ ability to meet obligations and pay dividends
 - ▶ reasons for differences between income and associated cash receipts and payments
 - ▶ both cash and noncash aspects of entity's investing and financing activities

Cash and Cash Equivalents

Cash and cash equivalents include short-term, highly liquid investments that are

- ☛ readily convertible to known amounts of cash and
- ☛ are so near their maturity (three months or less) that they present negligible risk of changes in value
- ☛ examples
 - ▶ treasury bills, commercial paper, money market funds

Basic Approach

Assets = Liabilities + Stockholders' Equity

Cash + Noncash Assets = Liabilities + Paid-in Capital + Retained Income

Cash = Liabilities + Paid-in Capital + Retained Income - Noncash Assets

Any change in cash must be accompanied by a change in one or more items on the right side to keep the equation in order to balance

Classifications

- Operating Activities
- Financing Activities
- Investing Activities

CLASSIFICATION**OPERATING ACTIVITIES****CASH INFLOWS**

- ▶ RECEIPTS FROM SALE OF GOODS OR SERVICES
- ▶ RETURNS ON LOANS (INTEREST)
- ▶ RETURNS ON EQUITY SECURITIES (DIVIDENDS)

CASH OUTFLOWS

- ▶ PAYMENTS FOR INVENTORY
- ▶ PAYMENTS TO EMPLOYEES
- ▶ PAYMENT OF TAXES
- ▶ PAYMENTS TO SUPPLIERS FOR OTHER EXPENSES
- ▶ PAYMENTS OF INTEREST

INVESTING ACTIVITIES**CASH INFLOWS**

- ▶ PRINCIPAL COLLECTIONS FROM LOANS
- ▶ SALE OF LOANS MADE BY THE ENTITY
- ▶ SALE OF LONG-TERM DEBT OR EQUITY SECURITIES
- ▶ SALE OF PROPERTY, PLANT, AND EQUIPMENT
- ▶ SALE OF A BUSINESS UNIT

CASH OUTFLOWS

- ▶ LOANS MADE
- ▶ PURCHASE OF LONG-TERM DEBT OR EQUITY SECURITIES
- ▶ PURCHASE OF PROPERTY, PLANT, AND EQUIPMENT
- ▶ PURCHASE OF A BUSINESS
- ▶ PURCHASE LOANS FROM ANOTHER ENTITY

FINANCING ACTIVITIES**CASH INFLOWS**

- ▶ PROCEEDS FROM ISSUING STOCK
- ▶ PROCEEDS FROM ISSUING DEBT (SHORT-TERM OR LONG-TERM)

CASH OUTFLOWS

- ▶ PAYMENT OF DIVIDENDS
- ▶ REPURCHASE OF ENTITY'S OWN STOCK
- ▶ REPAYMENT OF DEBT PRINCIPAL (SHORT-TERM OR LONG-TERM)

COMPANY X
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 20x1

NET CASH FLOW FROM OPERATING ACTIVITIES:

NET CASH FLOW FROM OPERATING ACTIVITIES		XX
CASH FLOWS FROM INVESTING ACTIVITIES		
INFLOWS	XX	
OUTFLOWS	(XX)	
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		XX
CASH FLOWS FROM FINANCING ACTIVITIES		
INFLOWS	XX	
OUTFLOWS	(XX)	
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		<u>XX</u>
NET INCREASE (DECREASE) IN CASH		XX
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>XX</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>XX</u>

SCHEDULE OF NONCASH FINANCING
AND INVESTING ACTIVITIES

ASSETS FOR LIABILITIES AND/OR EQUITY	<u>XX</u>
LIABILITIES AND/OR EQUITY FOR ASSETS	<u>XX</u>

Net Cash Flow From Operating Activities

	Income Statement
Sales	10,000
Cost of Goods Sold	<u>4,000</u>
Gross Margin	6,000
Operating Expenses	
Wages Expense	1,000
Utilities Expense	500
Depreciation Expense	<u>2,000</u>
Net Income	2,500

Format (Indirect Method)

- Cash flows from operating activities
 - Net income (from the income statement)
 - Adjustments to reconcile net income to net cash provided by operating activities
 - Net cash provided by operating activities

Investing Activities

- Cash Inflows
 - Sale of Long-Term Assets
 - L-T Investments
 - Plant Assets
- Cash Outflows
 - Purchase of Long-Term Assets
 - L-T Investments
 - Plant Assets

Financing Activities

- Cash Inflows
 - Issue Debt
 - Issue Stock
- Cash Outflows
 - Retire Debt
 - Retire/Reacquire Stock
 - Payment of Dividends

Schedule of Noncash Financing and Investing Activities

Example of Statement of Cash Flows

Wal-Mart Stores, Inc. January 31, 2009 Annual Report

Consolidated Statements of Cash Flows

(Amounts in millions)	Fiscal Year Ended January 31,		
	2009	2008	2007
Cash flows from operating activities:			
Net income	\$ 13,400	\$ 12,731	\$ 11,284
(Income) loss from discontinued operations, net of tax	(146)	132	905
Income from continuing operations	13,254	12,863	12,189
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Depreciation and amortization	6,739	6,317	5,459
Deferred income taxes	581	(8)	89
Other operating activities	1,268	910	1,311
Changes in certain assets and liabilities, net of effects of acquisitions:			
(Increase) in accounts receivable	(101)	(564)	(214)
(Increase) in inventories	(220)	(775)	(1,274)
(Decrease) increase in accounts payable	(410)	865	2,132
Increase in accrued liabilities	2,036	1,034	588
Net cash provided by operating activities of continuing operations	23,147	20,642	20,280
Net cash used in operating activities of discontinued operations	—	—	(45)
Net cash provided by operating activities	23,147	20,642	20,235
Cash flows from investing activities:			
Payments for property and equipment	(11,499)	(14,937)	(15,666)
Proceeds from disposal of property and equipment	714	957	394
Proceeds from (payments for) disposal of certain international operations, net	838	(257)	610
Investment in international operations, net of cash acquired	(1,576)	(1,338)	(68)
Other investing activities	781	(95)	223
Net cash used in investing activities of continuing operations	(10,742)	(15,670)	(14,507)
Net cash provided by investing activities of discontinued operations	—	—	44
Net cash used in investing activities	(10,742)	(15,670)	(14,463)
Cash flows from financing activities:			
(Decrease) increase in commercial paper	(3,745)	2,376	(1,193)
Proceeds from issuance of long-term debt	6,566	11,167	7,199
Payment of long-term debt	(5,387)	(8,723)	(5,758)
Dividends paid	(3,746)	(3,586)	(2,802)
Purchase of Company stock	(3,521)	(7,691)	(1,718)
Payment of capital lease obligations	(352)	(343)	(340)
Other financing activities	267	(622)	(510)
Net cash used in financing activities	(9,918)	(7,422)	(5,122)
Effect of exchange rates on cash	(781)	252	97
Net increase (decrease) in cash and cash equivalents	1,706	(2,198)	747
Cash and cash equivalents at beginning of year ⁽¹⁾	5,569	7,767	7,020
Cash and cash equivalents at end of year ⁽²⁾	\$ 7,275	\$ 5,569	\$ 7,767

THE HERSHEY COMPANY
December 31, 2008 10K Report

THE HERSHEY COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, In thousands of dollars	2008	2007	2006
Cash Flows Provided from (Used by) Operating Activities			
Net income	\$ 311,405	\$ 214,154	\$ 559,061
Adjustments to reconcile net income to net cash provided from operations:			
Depreciation and amortization	249,491	310,925	199,911
Stock-based compensation expense, net of tax of \$13,265, \$10,634 and \$14,524, respectively	23,583	18,987	25,598
Excess tax benefits from exercise of stock options	(1,387)	(9,461)	(9,275)
Deferred income taxes	(17,125)	(124,276)	4,173
Business realignment and impairment charges, net of tax of \$61,553, \$144,928 and \$4,070, respectively	119,117	267,653	7,573
Contributions to pension plans	(32,759)	(15,836)	(23,570)
Changes in assets and liabilities, net of effects from business acquisitions and divestitures:			
Accounts receivable—trade	31,675	40,467	(14,919)
Inventories	7,681	45,348	(12,461)
Accounts payable	26,435	62,204	(13,173)
Other assets and liabilities	(198,555)	(31,329)	275
Net Cash Provided from Operating Activities	519,561	778,836	723,193
Cash Flows Provided from (Used by) Investing Activities			
Capital additions	(262,643)	(189,698)	(183,496)
Capitalized software additions	(20,336)	(14,194)	(15,016)
Proceeds from sales of property, plant and equipment	82,815	—	—
Business acquisitions	—	(100,461)	(17,000)
Proceeds from divestitures	1,960	—	—
Net Cash (Used by) Investing Activities	(198,204)	(304,353)	(215,512)
Cash Flows Provided from (Used by) Financing Activities			
Net change in short-term borrowings	(371,393)	195,055	(163,826)
Long-term borrowings	247,845	—	496,728
Repayment of long-term debt	(4,977)	(188,891)	(234)
Cash dividends paid	(262,949)	(252,263)	(235,129)
Exercise of stock options	36,996	50,497	37,111
Excess tax benefits from exercise of stock options	1,387	9,461	9,275
Repurchase of Common Stock	(60,361)	(256,285)	(621,648)
Net Cash (Used by) Financing Activities	(413,452)	(442,426)	(477,723)
(Decrease) Increase in Cash and Cash Equivalents	(92,095)	32,057	29,958
Cash and Cash Equivalents as of January 1	129,198	97,141	67,183
Cash and Cash Equivalents as of December 31	<u>\$ 37,103</u>	<u>\$ 129,198</u>	<u>\$ 97,141</u>
Interest Paid	\$ 97,364	\$ 126,450	\$ 105,250
Income Taxes Paid	197,661	253,977	325,451

The notes to consolidated financial statements are an integral part of these statements.