

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, 2011 Annual Report

Consolidated Statements of Cash Flows

(Amounts in millions)	Fiscal Years Ended January 31,		
	2011	2010 As Adjusted	2009 As Adjusted
Cash flows from operating activities:			
Consolidated net income	\$ 16,993	\$ 14,883	\$ 13,880
Loss (income) from discontinued operations, net of tax	(1,034)	79	(146)
Income from continuing operations	15,959	14,962	13,734
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Depreciation and amortization	7,641	7,157	6,739
Deferred income taxes	651	(504)	581
Other operating activities	1,087	318	752
Changes in certain assets and liabilities, net of effects of acquisitions:			
Accounts receivable	(733)	(297)	(101)
Inventories	(3,086)	2,213	(184)
Accounts payable	2,557	1,052	(410)
Accrued liabilities	(433)	1,348	2,036
Net cash provided by operating activities	23,643	26,249	23,147
Cash flows from investing activities:			
Payments for property and equipment	(12,699)	(12,184)	(11,499)
Proceeds from disposal of property and equipment	489	1,002	714
Proceeds from disposal of certain international operations, net	—	—	838
Investments and business acquisitions, net of cash acquired	(202)	—	(1,576)
Other investing activities	219	(438)	781
Net cash used in investing activities	(12,193)	(11,620)	(10,742)
Cash flows from financing activities:			
Net change in short-term borrowings	503	(1,033)	(3,745)
Proceeds from issuance of long-term debt	11,396	5,546	6,566
Payments of long-term debt	(4,080)	(6,033)	(5,387)
Dividends paid	(4,437)	(4,217)	(3,746)
Purchase of Company stock	(14,776)	(7,276)	(3,521)
Purchase of redeemable noncontrolling interest	—	(436)	—
Payment of capital lease obligations	(363)	(346)	(352)
Other financing activities	(271)	(396)	267
Net cash used in financing activities	(12,028)	(14,191)	(9,918)
Effect of exchange rates on cash and cash equivalents	66	194	(781)
Net increase (decrease) in cash and cash equivalents	(512)	632	1,706
Cash and cash equivalents at beginning of year	7,907	7,275	5,569
Cash and cash equivalents at end of year	\$ 7,395	\$ 7,907	\$ 7,275
Supplemental disclosure of cash flow information			
Income tax paid	\$ 6,984	\$ 7,389	\$ 6,596
Interest paid	2,163	2,141	1,787
Capital lease obligations incurred	49	61	284

See accompanying notes.

THE HERSHEY COMPANY
December 31, 2010 10K Report

THE HERSHEY COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS

<u>For the years ended December 31,</u> In thousands of dollars	<u>2010</u>	<u>2009</u>	<u>2008</u>
Cash Flows Provided from (Used by) Operating Activities			
Net income	\$ 509,799	\$ 435,994	\$ 311,405
Adjustments to reconcile net income to net cash provided from operations:			
Depreciation and amortization	197,116	182,411	249,491
Stock-based compensation expense, net of tax of \$17,413, \$19,223 and \$13,265, respectively	32,055	34,927	23,583
Excess tax benefits from exercise of stock options	(1,385)	(4,455)	(1,387)
Deferred income taxes	(18,654)	(40,578)	(17,125)
Business realignment and impairment charges, net of tax of \$20,635, \$38,308 and \$61,553, respectively	77,935	60,823	119,117
Contributions to pension plans	(6,073)	(54,457)	(32,759)
Changes in assets and liabilities, net of effects from business acquisitions and divestitures:			
Accounts receivable—trade	20,329	46,584	31,675
Inventories	(13,910)	74,000	7,681
Accounts payable	90,434	37,228	26,435
Other assets and liabilities	13,777	293,272	(198,555)
Net Cash Provided from Operating Activities	<u>901,423</u>	<u>1,065,749</u>	<u>519,561</u>
Cash Flows Provided from (Used by) Investing Activities			
Capital additions	(179,538)	(126,324)	(262,643)
Capitalized software additions	(21,949)	(19,146)	(20,336)
Proceeds from sales of property, plant and equipment	2,201	10,364	82,815
Business acquisition	—	(15,220)	—
Proceeds from divestitures	—	—	1,960
Net Cash (Used by) Investing Activities	<u>(199,286)</u>	<u>(150,326)</u>	<u>(198,204)</u>
Cash Flows Provided from (Used by) Financing Activities			
Net change in short-term borrowings	1,156	(458,047)	(371,393)
Long-term borrowings	348,208	—	247,845
Repayment of long-term debt	(71,548)	(8,252)	(4,977)
Cash dividends paid	(283,434)	(263,403)	(262,949)
Exercise of stock options	92,033	28,318	36,996
Excess tax benefits from exercise of stock options	1,385	4,455	1,387
Contributions from noncontrolling interests in subsidiaries	10,199	7,322	—
Repurchase of Common Stock	(169,099)	(9,314)	(60,361)
Net Cash (Used by) Financing Activities	<u>(71,100)</u>	<u>(698,921)</u>	<u>(413,452)</u>
Increase (Decrease) in Cash and Cash Equivalents	631,037	216,502	(92,095)
Cash and Cash Equivalents as of January 1	253,605	37,103	129,198
Cash and Cash Equivalents as of December 31	<u>\$ 884,642</u>	<u>\$ 253,605</u>	<u>\$ 37,103</u>
Interest Paid	\$ 97,932	\$ 91,623	\$ 97,364
Income Taxes Paid	350,948	252,230	197,661

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