

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

INTEL CORPORATION

December 29, 2007 10-K Report

Consolidated Statements of Cash Flows

Three Years Ended December 29, 2007

(In Millions)

	2007	2006	2005
Cash and cash equivalents, beginning of year	\$ 6,598	\$ 7,324	\$ 8,407
Cash flows provided by (used for) operating activities:			
Net income	6,976	5,044	8,664
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	4,546	4,654	4,345
Share-based compensation	952	1,375	—
Restructuring, asset impairment, and net loss on retirement of assets	564	635	74
Excess tax benefit from share-based payment arrangements	(118)	(123)	—
Amortization of intangibles and other acquisition-related costs	252	258	250
(Gains) losses on equity investments, net	(157)	(214)	45
(Gains) on divestitures	(21)	(612)	—
Deferred taxes	(443)	(325)	(413)
Tax benefit from employee equity incentive plans	—	—	351
Changes in assets and liabilities:			
Trading assets	(1,429)	324	1,606
Accounts receivable	316	1,229	(912)
Inventories	700	(1,116)	(500)
Accounts payable	102	7	303
Income taxes payable and receivable	(248)	(60)	797
Other assets and liabilities	633	(444)	241
Total adjustments	5,649	5,588	6,187
Net cash provided by operating activities	12,625	10,632	14,851
Cash flows provided by (used for) investing activities:			
Additions to property, plant and equipment	(5,000)	(5,860)	(5,871)
Acquisitions, net of cash acquired	(76)	—	(191)
Purchases of available-for-sale investments	(11,728)	(5,272)	(8,475)
Maturities and sales of available-for-sale investments	8,011	7,147	8,433
Investments in non-marketable equity instruments	(1,459)	(1,722)	(193)
Net proceeds from divestitures	32	752	—
Other investing activities	294	(33)	(118)
Net cash used for investing activities	(9,926)	(4,988)	(6,415)
Cash flows provided by (used for) financing activities:			
Increase (decrease) in short-term debt, net	(39)	(114)	126
Proceeds from government grants	160	69	25
Excess tax benefit from share-based payment arrangements	118	123	—
Additions to long-term debt	125	—	1,742
Repayments and retirement of debt	—	—	(19)
Repayment of notes payable	—	(581)	—
Proceeds from sales of shares through employee equity incentive plans	3,052	1,046	1,202
Repurchase and retirement of common stock	(2,788)	(4,593)	(10,637)
Payment of dividends to stockholders	(2,618)	(2,320)	(1,958)
Net cash used for financing activities	(1,990)	(6,370)	(9,519)
Net increase (decrease) in cash and cash equivalents	709	(726)	(1,083)
Cash and cash equivalents, end of year	\$ 7,307	\$ 6,598	\$ 7,324
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest, net of amounts capitalized of \$57 in 2007 and \$60 in 2006	\$ 15	\$ 25	\$ 27
Income taxes, net of refunds	\$ 2,762	\$ 2,432	\$ 3,218

See accompanying notes.

NATHANS FAMOUS INC
March 26, 2006 10K Report

Nathan's Famous, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Fifty-three weeks ended March 30, 2008	Fifty-two weeks ended March 25, 2007	Fifty-two weeks ended March 26, 2006
Cash flows from operating activities:			
Net income	\$ 6,555	\$ 5,543	\$ 5,677
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	766	791	812
Amortization of intangible assets	78	262	262
Amortization of bond premium	278	269	232
Amortization of deferred compensation	73	72	73
Gain on sale of subsidiary and leasehold interests	(2,489)	(400)	(2,919)
Gain on disposal of fixed assets	-	(29)	(66)
Loss on sale of available for sale securities	-	-	2
Share-based compensation expense	359	295	-
Provision for doubtful accounts	-	(6)	10
Income tax benefit on stock option exercises	-	-	394
Deferred income taxes	682	(180)	175
Changes in operating assets and liabilities:			
Notes and accounts receivable, net	(362)	(117)	(567)
Inventories	(32)	27	(129)
Prepaid expenses and other current assets	(526)	243	(223)
Other assets	(2)	32	(11)
Accounts payable, accrued expenses and other current liabilities	(904)	1,374	600
Deferred franchise fees	(76)	156	(119)
Other liabilities	452	(141)	(142)
Net cash provided by operating activities	4,852	8,191	4,061
Cash flows from investing activities:			
Proceeds from sale of available-for-sale securities	3,100	-	2,245
Purchase of available-for-sale securities	(1,089)	(5,972)	(7,877)
Purchase of intellectual property	-	(7)	(1,346)
Purchase of property and equipment	(972)	(539)	(795)
Payments received on notes receivable	239	88	350
Proceeds from sales of subsidiary and leasehold interest	1,691	400	3,621
Net cash provided by (used in) investing activities	2,969	(6,030)	(3,802)
Cash flows from financing activities:			
Principal repayments of notes payable and capitalized lease obligations	-	(39)	(827)
Repurchase of treasury stock	(1,928)	-	-
Income tax benefit on stock option exercises	632	1,079	-
Proceeds from the exercise of stock options and warrant	924	722	642
Net cash provided by (used in) financing activities	(372)	1,762	(185)
Net increase in cash and cash equivalents	7,449	3,923	74
Cash and cash equivalents, beginning of year	6,932	3,009	2,935
Cash and cash equivalents, end of year	\$ 14,381	\$ 6,932	\$ 3,009
Cash paid during the year for:			
Interest	\$ -	\$ 1	\$ 31
Income taxes	\$ 2,942	\$ 1,353	\$ 3,040
Noncash Financing Activities:			
Loan made in connection with the sale of subsidiary	\$ 2,150	\$ -	\$ -

The accompanying notes are an integral part of these statements.