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# Cash Flow Analysis

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## Overview

This module demonstrates intensive, case-based application of cash flow analysis to a wide-ranging set of business scenarios.

## Learning Outcome Statements

- Connect quantitative cash flow analysis with qualitative, non-financial factors, such as strategic business issues
- Compare the results of cash flow analysis using various formats
- Analyse debt service coverage using various approaches
- Structure credits that effectively address the underlying drivers of cash flow
- Connect underlying industry characteristics and business strategies with cash flow results
- Detect early warning signals from analysis of cash flow and debt service coverage
- Evaluate the adequacy of a corporation's cash flow through an analytical process
- Construct a cash flow statement in a recognised format
- Use cash flow statement in the credit analysis process
- Analyse a company's cash flow dynamics using cash flow ratios
- Calculate a company's debt capacity
- Use budgets and forecasts and also demonstrate how they are prepared in practice
- Build a forecasting model
- Evaluate budgets and forecasts using sensitivity and break-even analysis

## Key Contents

- Need for Cash Flow analysis
- Needs, Sources and Uses - Statement of Cash Flows
  - Operating
  - Investing
  - Financing Activities
- Cash conversion cycle
  - Inventory >> Accounts Payable >> Cash >> Sale >> Accounts Receivable >> Cash
  - Services provided >> 'similar approach'
- Preparation of CF statement
  - Direct Method
  - Indirect Method
- Analysing Cash flow statements
  - Free Cash Flow
  - Cash Flow to Net Income Ratio
  - Cash to Monthly Cash Expense Ratio
- Competing needs for borrowers' cash flows

- Indications of healthy cash flows
- Stages of company and cash flow patterns
- Interpretation of a company's cash flow based ratios
- Cash exaggerations
- Recognizing non-recurring cash flows
- Projecting cash flows
- Critical factors affecting projections
- Strategic influences on projections
- Structuring of loans
- Assessing risk through sensitivity analysis
- Balance sheet based lending vs. cash flow based lending
- Cash flow based lending for services sector