Financial Statements Analysis and Reporting
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Lecture – 55
Cash Flow Statement-Further Analysis Part-1

Welcome students. So, we were discussing the preparation of the cash flow statement. And in this process, we completed the first step that is the preparation of basic cash flow statement which is simply, you can call it as say taking the opening cash balance and in that making adjustment that how much inflow is there, and how much outflow is there and what is the closing cash balance. And that cash balance must be tallying with the balance sheet. So, we have seen that we started with 2.75 lakhs as opening balance of the cash in case of the Skylines in India and this was the cash and bank balance.

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Investments		
Long term	99.00	105.00
Short term	43.50	21.75
	142.50	126.75
Current Assets, Loans and Advances		
Inventories	28.00	78.00
Sundry Debtors	85.00	72.50
Cash and Bank Balances	10.00	2.75
Interest receivables	5.00	2.00
Loans and advances	12.00	15.00
	140.00	170.25
Less: Current Liabilities and Provisions		
Current liabilities:		
• Sundry creditors	16.50	94.50
• Interest payable	2.50	5.00
Provisions:		
• Current income tax (Net of advance tax paid	3.00	5.00
• Proposed dividend	15.00	12.50
• Corporate dividend tax	1.80	1.50
	38.80	118.50
Net Current Assets	101.20	51.75
Miscellaneous Expenditure (To the extent not w/o)	16.00	5.00
TOTAL	366.20	228.50

So, we saw it that it was 10, 2.75 is opening balance. And then we added the inflows and then the subtracted the outflows then we could find out we could verify that yes cash and bank balance closing balances 10 lakhs in the year 2007, and that amount is verifiable from the balance sheet. So, see that why it is important, because as I told in means previous lecture also that earlier when we were not having the cash flow statements. See for example, you forget for a second that you forget the cash flow statement, you do not prepare the cash flow statement and you only believe in the profit and loss account and balance sheet.

So, what will happen that we would not be able to know that; how much if firm is reporting the profit. Now, if you look at the balance sheet of Videocon, Onida, and these companies are reporting profit, and people who miss sometime. If the IP of these companies come up in the market, then they can say same is entice the people that say we are the profit ma making company and people should subscribe to the shares of that company. But you see that the main source of the profit is the other activities in the operations. And if it is electronics manufacturing company then certainly the profit should come from the electronics business not from investing or the financing activities. So, for that reason, say it to verify that yes, the cash profit is there and the profit is coming from operations, because if any company is generating sufficient profits and returns from the operation then it has a good feature, otherwise it does not have.

And another important aspect is that if you are talking about the say the balance sheet when we are preparing, in the balance sheet you are showing that we have this much of the opening balance of cash we started the business in the current year in the beginning of the year. And at the end of the year of the cash balance is this much, so that has to be verified. Number one, the verification is done in two ways: one is that the charted accounted, you see that I tell you that will be discussing in the reporting part also. Next part then we will discussing the reporting of the financial statements; under that part is see that these financial statements have no value, no importance, no sustainability until and unless they are audited by the certified charted accountants.

So, certified charted accountants means first of all we will prepare the financial statements or their finance department, their accounting in department will be prepare these financial statements and then these financial statements have to be audited by the certified charted accountants who are qualified charted accounts who are certified charted accountants in India. Or may you see Indian form or maybe it is a multinational and the Indian charted accountants are working there. So, they have to these financial statements have to presented before the charted accountants, and they have to certify that yes, the financial statements of this company are true. They depict is they will go through each and every item there go through each and every time all the expenses and incomes in the income statement that is in the profit and loss then they will go through all the asset and liability position in the balance sheet. And for that they last the detailed questions queries and they like to satisfy themselves that yes, what is the profitability position, what is the financial position being depicted by this balance sheet is this income statement is that is correct.

So, after their say certification, their verification and certification, the financial statements of the firm have the value, and they have say global acceptability. Now, here the point of concern is that for example, that if any firms says that they have the total balance means just to show the balance sheet as a balanced document, they can say that this is our liability position, this much funds they have rise from the market and this is our asset position. And for example, if the assets are following short of the liabilities then they can say that the balance is the cash in hand and the cash at bank. So, in that because physical if you talk about the land plant building machinery, they can be seen that where are these assets. And they can easily say that yes are remaining is the cash and that is in the bank. So, miss that can be you can call it as they can be used as the plug in figure, if there is a short fall if the liabilities are more and assets are less.

So, here two important things are there one is that means, charted accountant verifies the balance sheet, he is going to ask the firm that you are saying that this much of the amount, this much of the assets are in the form of cash at bank. So, please show me the passbook. So, we will ask for the bank passbook. And if we are not even satisfy we can ask for the bank latest statement of the bank also, and taken enquiry even for the bank also that firm has this much of the cash in the bank or not. And at the same time, we will be verifying that, we second thing is going to verify because if the cash is there is fine that the firm has the sufficient amount of the cash.

What is being shown for example, in this case they are showing that their cash balance is 10. So, it means 10 lakh of the cash can be found in the bank all of that date or in the date of the balance sheet the cash was there in the bank and 10 lakh rupees for the passbook to showing, the bank statement is showing that this much of the cash was there. So, it means it is verifiable. But second important thing is it means the job of your profit and loss account in the balance sheet is over. Now, here the another point of concern is that if you are finishing the job by simply preparing the income statement and in the balance sheet then there is no issue, then yes people are satisfied.

But you see after especially after these say developments over the say financial landscape all around the world, now, it was quite necessary that to protect the investment is from a say being enticed by the different kind of the business organizations. It will be better if it is verified that the firm has a cash one; and second thing is firm where the cash is flowing in and this balance closing balancing of the cash is come from where. So, one job the charted accountants where doing in the past also that they where verifying the balance of the cash being shown in the balance sheet with the bank statement that was one that was being done for long.

But second thing is that after 1994 around world and in after in 1997 in India then we started asking from the cash flow statement and then the cash flow statement became a mandatory document, statutory document in that case. Now, it is also is good that the firms have to certify from where the cash is flowing in. So, that is the very important objective and that is why we are preparing the cash flow statement under the three heads that is operations, investing and the financing sources of the cash flow.

So, till in my last lecture, I talked to you that how to prepare the cash flow statement and as I discuss with you I told you that say process has three steps one is first prepare the basic cash flow statement. The statement as your preparing in the past then this say cash flow statement under different three sets of the activities was not required before 1997 in India. So, first we have to prepare that is cash flow statement, starting with the opening balance of cash, adjusting the inflows and outflows, and finding out was verifying the closing balance of the cash done.

After that now when will have to prepare the final cash flow statement under the three heads that is operating, investing and financing activities, in that case we will have to say now follow a process. So, the second step is that carrying out a detailed analysis of inflows and outflows; and then from that analysis, those figures will go out at the next level and that is in the final cash flow statement. So, you see the generally the cash flow statement is prepared from the balance sheet. Sometime, it is miss some profit and loss account figures we have also using, but largely we depend upon the balance sheet. So, when which was a basic cash flow statement largely the figures we used for from the balance sheet, but in the final cash flow statement both the statements income statement and the balance sheet are going to you met use.

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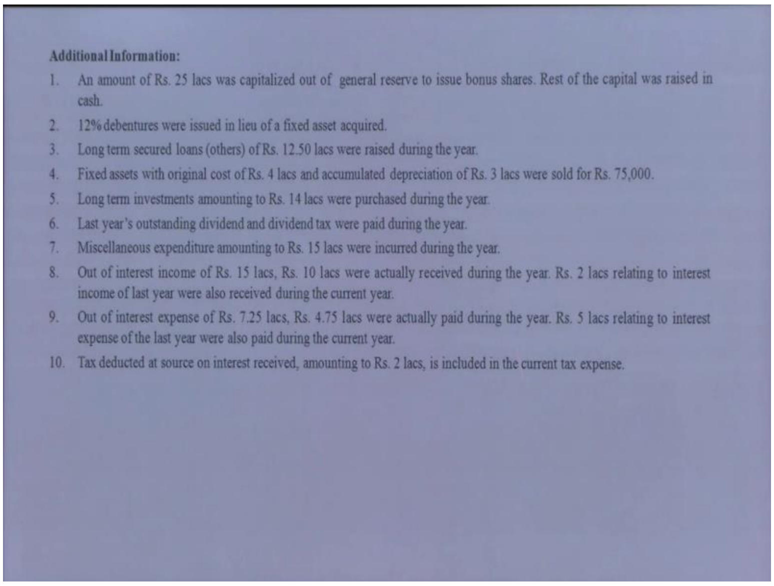

And more important information here is this additional information. This additional information is a important information which will be adjusted, and we will have to check that firm is saying that say for example, an amount of 25 lakhs was capitalized out of general reserve to issue the bonus shares. Rest of the capital was raised in cash. So, it means we have to verify that out of the total capital appreciation, what was there capital closing balance of the capital in the previous year, what is in the current year, how much increase in the capital has taken place then if 25 lakh is out of the general reserves it means from the internal sources. So, only from the external the inflow is only to the tune of 12.5 lakhs. So, we have to verify that whether it is the same figure or not.

Similarly, here we have it is given to us that 12 percent debentures were issued in leave of the fixed assets. It means when we are showing that debentures have increased and the debentures balance in the firm, firm's balance sheet has increased. So, if the debentures have been increased it means only debentures have increased, but in leave of the debentures is not the cash which has come in, but the fix assets have been purchased. So, the supplier has applied the fixed assets and we have increased the cash, we have to check for that.

Then similarly we talk about the next item that is the long term secured loans of rupees 12.5 lakhs where raised during the year. So, we will have to check this information also then whether loans where raised during the year or not because in the basic cash flow statement we only depended upon the balance sheet. We did not check this additional information, we did not do any kind of the adjustments, we did not do any kind of the analysis. So, we will have to check here that is that loans other loans of 12.5 lakhs are issued; and if they are issued they are being justified by the cash flow statement, because cash must have common, loans are being say taken. So, it means the cash must have been increased for the loan because of the loan the cash must have flown in to the tune of it is a financing activity Under financing activity the loan must have increase the cash by 12.5 lakhs.

Similarly, fixed asset with the original cost of 4 lakhs and accumulated appreciation of 3 lakhs where sold for 75,000 rupees it means we also have to adjust for it. Number one, we will to verify that the total sale of the 4 lakh worth of rupee assets as taken place 3 lakh rupees as gone to a depreciation fund, and only 75,000 rupees were received as a sale and 25 percent of the asset value is a loss. And that loss we will have to verify that where it was posted how it was a recovered and whether it has become the inflow of the funds or not. So, with that say another important question.

Similarly, we talk about the say long-term investments amounting to is 14 lakhs for purchase during the year. So, investments have gone up it means cash must have flown out 14 lakhs of the cash has flown out. So, under investing activities there must be outflow of the 14 lakhs and we will have to verify it. Last year outstanding, dividend dividend tax per pay during the year. So, if it the dividend taxes being paid which was outstanding it means there it must cause a cash outflow, so that cash outflow we will have to how much was the outstanding amount and how much cash is flown out we will have to verify by preparing the doing the a detailed analysis.

And then it is the miscellaneous expenditure amounting to rupees 15 lakhs, but incur during the year. So, it means it must cause a outflow. So, when is there is a in miscellaneous expenditure is incurred, fresh expenditure is incurred, it means it must cause a outflow of the 15 lakhs. Out of the interest income that is point number 8, out of the interest income of 15 lakhs rupees, 10 lakhs were actually received during the year rupees 2 lakhs relating to interest income of the last year have also received during the current year. So, it means we will have to check that how much is the total cash received and how much it has flown in on account of the interest income.

Similarly, out of the interest expense 7.25 lakhs rupees lakhs rupees 4.75 lakhs were actually paid during the year and rupees 5 lakhs relating to interest expense of the last year also paid during the year. So, it means how much is the total outflow is it 9.75 lakhs or not that will have to check. And finally, tax deducted at source is 2 lakh rupees. So, maybe we will have to check; what is the total outflow of the tax on account of the tax. So, total tax paid by the firm. So, out of the total minus 2 lakhs will be on a count of operations and 2 lakh rupees is the on account of the dividend tax which is not paid by this firm on behalf of this firm somebody as paid. So, actual cash flow on account of the tax should be of something, the total amount we will calculate minus 2 lakhs. So, it means all these things we have to verify. And after this verification and detained analysis, we will have to move to the last step that is preparation of the say that the final cash flow statements.

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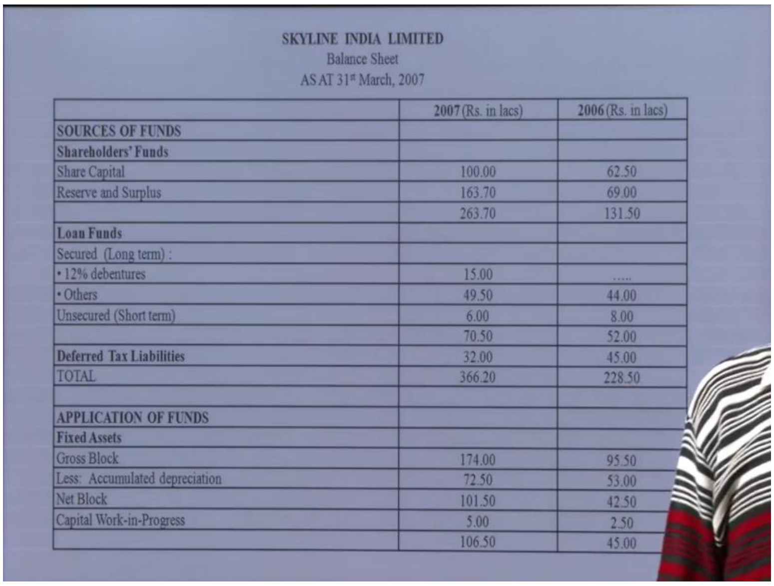

SKYLINE INDIA LIMITED
Balance Sheet
AS AT 31st March, 2007

	2007 (Rs. in lacs)	**2006** (Rs. in lacs)
SOURCES OF FUNDS		
Shareholders' Funds		
Share Capital	100.00	62.50
Reserve and Surplus	163.70	69.00
	263.70	131.50
Loan Funds		
Secured (Long term) :		
• 12% debentures	15.00	.....
• Others	49.50	44.00
Unsecured (Short term)	6.00	8.00
	70.50	52.00
Deferred Tax Liabilities	32.00	45.00
TOTAL	366.20	228.50
APPLICATION OF FUNDS		
Fixed Assets		
Gross Block	174.00	95.50
Less: Accumulated depreciation	72.50	53.00
Net Block	101.50	42.50
Capital Work-in-Progress	5.00	2.50
	106.50	45.00

So, now let us learn did say how to do that analysis. So, first we will start the analysis of reserve and surpluses, reserve and surplus. So, it means if you look at the reserve and surplus figure then what was the increase in the reserve and surplus. If you look at the basic cash flow statement or when you look at these figures the reserve and surplus is 69 lakhs here, opening balance; closing balance has become 263.70 lakhs, it means the total increase in the reserve and surpluses.

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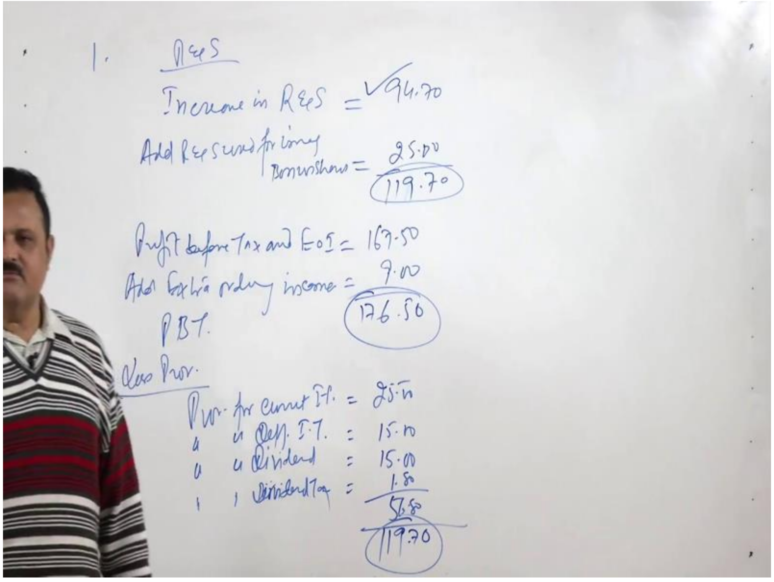

How much we have seen here that is say increase in our reserve and surplus increase in, so we have making the analysis of reserve and surplus. This is the first note, first schedule increase in reserve and surplus is how much this amount is if this take this amount into account and this works out as 94.70 lakhs, but and we have shown that in the say basic cash flow statement also. But you see that this increases still adjusting in the balance sheet it means this much of the reserve and surplus is there from 69 to 163.7, it means and here in the additional information it shows that an amount of 25 lakhs was capitalized out of the general reserves to issue the bonus shares. It means the total increase should be that is 94.70 lakhs plus 25 lakhs that should be the total increase in the reserve and surplus, but we are finding that in the balance sheet only there is a increase is 94.70. So, it means we have to check that how much is the total reserve and surplus.

And if it is a total reserve and surplus is this, so here we will have add reserve and surplus used for issuing bonus shares. And if you look at this then how what this amount is 25 lakhs, it means total figure of the reserve and surplus should be how much this is 4, then it is 0, 1 and it is this. So, it should be sorry this is total figure is 25 lakhs not 25 lakhs. So, it is going to be how much this amount will be 0 7, then it is 9, so it should be 119.70. Is there the actual increases reserve and surplus is 119.70, because 94.70 is existing in the balance sheet and here if you look at then it is saying that 25 lakh rupees have been used directly from the balance sheet to issue the bonus shares. So, it means the total reserve and surplus should be 119.7, is it there we have to verify this if it is not they have then it means there is something fizzy about it. So, we will have to check for this.

So, for this we will also say that profit will have to take the profit before profit before profit before tax and extra ordinary incomes. How much is that figure if you look at that figure from this profit and loss account, you will find the figure is 167.5 lakhs. And in this case, you have to add the extraordinary incomes. So, this income is how much this income is 9 lakhs. So, we will find that income from the extraordinary income is 9 lakhs. So, in this case total amount works out as 0 5 this 6 1 then it is seven and it is this. So, it is 176.5. And if it is total that is a profit before tax you can call it as PBT - profit before taxes 176.5.

And if this is the amount then in this case will have to less the provisions less provisions. Now, provisions are say provision for current income tax, this is one; provision for deferred income tax deferred income tax this is the second. And then it is a dividend provision for divined you will have to because dividend is also paid and then it is a provision for dividend tax. So, these are the different provisions we have made. We will have to subtract these four items and then check the balance is 119.7 or not. So, we will have to see here, so what is the 176.5 is a total profit before tax and the now after extraordinary incomes. Now, provisions are current income tax how much it is there it is 25.

Then you talk about the next thing is the differed tax is 15 and it is a dividend is 15 and then it is 1.8. So, this total amount is how much it is 56.80 this works out as 56.80 and if you subtracts this figure this works out as how much this is 0 then this 7 then it is then it is 9 and then it we take it as a total amount. So, it is 5 6 minus 1, 119.7, it is verifiable. We can easily verify that this is the total balance of this amount and this balance is how much it is 119.7. So, it is verifiable that total reserve and surplus is the total amount on account of the reserve and surplus is 119.7, which was their 94.7 is existing in the balance sheet and 25 lakhs have been converted in to the share capital. So, total reserve and surplus should be 119.7. So, we have checked it.

And when you try to verify you could have seen that profit before taxes and extraordinary income was 167.5, add extraordinary incomes 9 and then profit before tax is 176.5. And then if this is a total profit before tax then we have to make the provision for the tax and dividend. And when we made the provision for tax and dividend, we could verify that yes the total increase in the reserve and surplus is not 94.7, but it is the under 119.70 lakhs, so that is the difference in the final cash flow statement and the basic cash flow statement. In the basic cash flow statement, we satisfied ourselves that is 94.7 is the reserve and surplus, and we have to take this into account while adding into the say opening cash balance the say inflow is on account of the first item that is the reserve and surplus and that is 94.7.

So, by this analysis detailed analysis these schedules have to be prepared by the firm and they have to be appended with the cash flow statement, so that when the chartered accountant wants to verify that how your cash reserve and surplus is this much. You are saying that your balance sheet is showing that your reserve and surplus is 94.7, and your saying that 25 lakh rupees has been used for issuing the bonus shares it means a total should be 119.7. And your balance sheet if I look at the balance sheet only it is showing that there is a increase in the reserve and surplus that is by 94.7 it means where the remaining amount has gone to. So, for that reason, they have to prepare the detailed schedules.

And if the chartered accountant ask for they will have to verify because it means because it is easily verifiable from the balance sheet that you are increase in the reserve and surplus is this much, this much you have used for issuing the share capital that is 25 lakh rupees. It means total inflow of the funds is 119.7 and if it is 119.7 then how it has come from where it has come from, whether it is from the operations only or some other inflows sources are also there. So, he has to check and with the help of this kind of detailed analysis by detailed scheduling, it can be done it can be checked, and we have approved it that, yes, the firm has the real reserve and surplus to the extent of to the tune of 119.7 not 94.7.

So, total amount is that is existing in the balance sheet even today under the head of reserve and surplus and then the second thing is that second part is that is the share capital means the bonus shares issued. So, everything can be found out, and can be verified because it is a quantitative process, and there is no problem in verifying any of the figures or any of the parts or any of the things.

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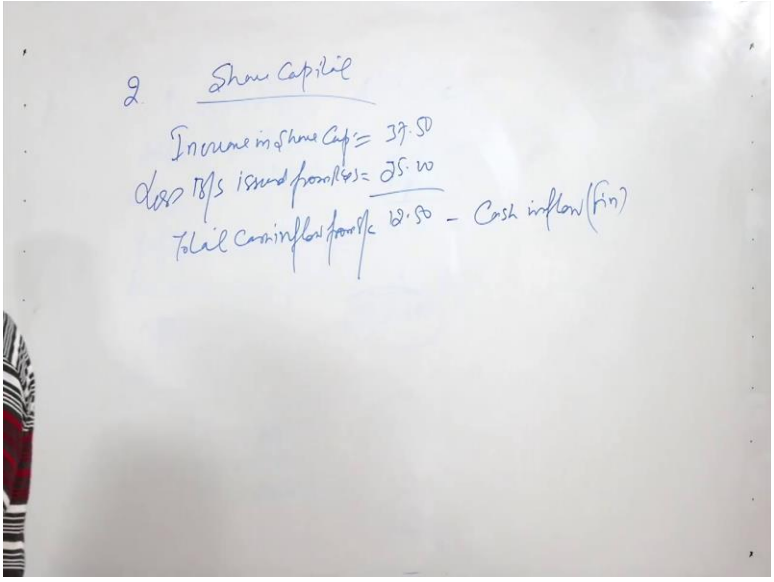

Now, we will move to the next part that is preparing the second schedule for the second note this is the second note. And second note we have preparing for the analysis of share capital we will have to do the analysis of share capital. We will have to analyze the share capital or do the analysis of share capital. So, if you look at the analysis of share capital, you see you will find here that hare capital is it was 62.5 lakhs this is the figure. And now in the at the end of year 2007, it has become 100 lakhs - 1 crore, it means there is a increase of the share capital by an amount of 37.50 lakhs.

But the last point says that share capital worth of rupees 25 lakhs has been issued by from the reserve and surplus it means firm has used their its existing internal sources and no funds have flown in on account of increased share capital. It means if it is, so we will check that how much it is that is the total increase in the share capital. Increase in share capital is how much that is total is 37.50 lakhs. And less bonus shares issued from reserve and surplus that is how much that is 25 lakhs; it means the total cash inflow from share capital from share capital is how much 12.5 lakhs.

We will have to note it down. We will have to check it that it is the cash inflow, and share capital is which activity that is financing cash inflow from the financing activities. And we have to see that when we go to the final cash flow statement, in the basic cash flow statement, we have shown the share capital increase by 37.5. But in the final cash flow statement we will show that the real cash inflow on account of the financing activity is 12.5 and not the 37.5 that is a difference between the basic cash flow statement and the final cash flow statement. We will have to check for this.

And if you talk about the reserve and surplus; so in the operating part miss we have already will be will not be taking that the reserve and surplus because we will be starting with the profit before extraordinary items and tax. So, from there, if you talk it means profit is already reserve and surplus, which is going to be automatically included in that. So, there but the share capital will be taking their into account is in the basic cash flow statement without verifying anything, we believe the balance sheet and from the balance sheet we look looked at the difference between the previous year and the current year. But in the cash flow statement final cash flow statement the real cash flow statement will be asking for that the real inflow is only of 12.5 and not the 37.5. It means we will have to check for that that yes that 12.5 is the real inflow or something more or less. So, this is the second scheduled.

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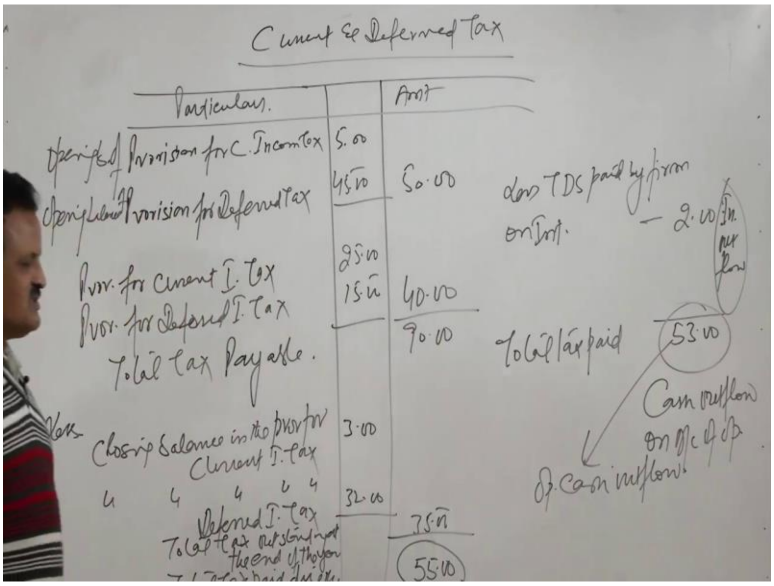

Now we will prepare the third schedule and that is schedule about the taxes that is the current and the deferred tax. This is a really very typical and interesting schedule. After reserve and surplus and the share capital schedules, now we are going to add the third schedule and that is the current at the deferred tax schedule for the current and deferred tax current and deferred tax. So, this is the next schedule, we are going to prepare. So, in this schedule we will be taking again if you talk about will have the columns like this?

This is the inner column and then we will be taking here all the things. So, we will be writing here particulars, and then it is amount.

So, now we will have to prepare this schedule. So, we will have to adjust for all the taxes current and the deferred tax. So, if you talk about the tax is given here, we will start with something like say what are the taxes in the balance sheet, we are given the provision for the taxes. And provision for the taxes, if we think about, if you try to find out the provision for taxes, this is given to us this information is given to us provisions for the current income tax. Opening balance is 5 lakh or crore, 5 lakhs and then the closing balance will be taking care of.

So, now we will be writing here provision for current income tax. And how much is that provision that provision given to us that is 5, then put it in the inner column that is the 5 lakhs. And what is the opening balance of the deferred tax opening balance of the deferred tax will be see we will have to go to the next part of the balance sheet and here it is the balance sheet deferred tax liabilities. So, if you look at the deferred tax liabilities, this is the 45 lakhs is the opening balance. So, will be writing here provision for provision for deferred tax and this is 45. So, total tax becomes that is 50 lakhs that is the current provisions; in this we will have to now say a make some addition that that was the opening balance.

So, provision for the current income tax that is the opening balance of we can write here opening balance of provision for current income tax and here it is the opening balance opening balance of provision for the deferred income tax that is 45 lakhs. So, total it is 50 lakhs. And in this, now we will be talking about the current taxes the provisions which we have made that are a current taxes provisions. And then what is the current taxes provision we have made here is that is in the profit and loss account and the current taxes given here are current income taxes 25 lakhs and then the deferred tax is 50 lakhs.

So, we will have to add this say provision for current income tax that is 25 lakhs and then it is the provision for the deferred income tax is 15 lakhs. So, total amount works out as is 40 lakhs. So, so total tax which we have to make the provision is total tax is 90 lakhs total. And then in this case what is the closing balance left this means this total tax due is this much, total tax due, you can write here total tax due is 90 lakhs that is the 5 lakhs as opening balance of the provisions for the current income tax is a 5 lakh. And opening balance of pre deferred tax that was for the previous year which became the closing balance of the previous year which became the opening balance of the current year that was 5 plus 45 is a 50 lakhs.

Now, for the current years the taxes provision for the current income taxes 25 is the current income tax which is payable and provision for the deferred income tax is 50 lakhs. So, it means it is a 40 lakhs. Total tax due or total tax you can say is paid is total tax paid is or not paid. We will write here at total tax payable or the total tax due is 90 lakhs. But out of this some taxes still outstanding, which has not been paid and has been deferred for the next year that will be taking into account. And then how much is the tax paid that will be calculating. So, in this case, what we have to do is now the less we will have to subtract less closing balance for closing balance in the provision for current income tax that how much is the closing balance we are given here the closing balance and that is 3. Their closing balance is the 3 lakhs. So, closing balance in the provision for the current income tax that is the 3 lakhs and then the closing balance in the provision for deferred income tax is 32 lakhs.

So, it means finally, we see the total tax, we have to subtract and total tax which is total tax outstanding at the end of the year is how much is outstanding this is 35 lakhs. So, it means total tax paid during the year is 55 lakhs. This is the total outflow we should consider it as that this is the total outflow of the 55 lakhs tax. But you see out of this 50 lakhs tax, one important information is given to us in the additional information and that information is the tax deducted at source is 2 lakh rupees. So, what we have to do is tax deducted at resources that the agency who paid the interest to this form Skyline, they paid the interest for they deducted the tax worth rupees 2 lakh that is at source. It means they have paid the interest on the investment and that 2 lakh rupees tax that is on account of the investing outflow, so that will not be the operating outflow. So, for calculating the actually operating cash outflow from this 55 lakh rupees, we will have to now we will continue the statement here.

We will write here less tax TDS paid by the firm on interest, how much is that amount that is 2 lakh rupees. So, this is called as the investing outflow. So, we will subtract it here and we will count it in the investing outflow, when we will be talking about the investing outflow, we will take it here. So, actually the total tax paid or total tax or total out cash outflow on account of the total tax paid is that is 55 minus 2 is 53. And this particular amount 53 lakhs is called as the cash outflow on account of operations.

So, this is the operating cash flow, this you can call it as 53 lakh is the operating cash outflow. And 2 lakh rupees which was deducted as a tax at source by the firm who paid the interest to this Skyline that should not be considered as a operating outflow, means that is not the tax to be paid on the of income and out of the operations of the firm that tax is paid on account of the interest earned on investment. So, that should be considered as investing outflows we have subtracted that. So, total tax paid by the firm by the firm itself and as a TDS that is 55 lakh, but out of the total 55 lakhs, 2 lakh is paid has a TDS by the firm who has given the interest to Skyline. So, we have subtracted that considering it as the investing cash outflow. So, it means the actual tax paid on account of the operating activities or the operating cash out flow is that is only 53 lakhs.

So, this is we will be considering. we will be talking about will be taking care of the 53 lakh is that is a cash outflow on account of the operating activities, and 2 lakh is cash outflow on account of the investing activities. And the total tax which we have paid that is a total current and the deferred income tax that is say 55 lakhs, 2 lakh is TDS, and 53 lakh is paid by the firm in terms of the cash. So, cash outflow on account of operations is 55 lakhs and 2 lakhs is the cash outflow on account of investing activities.

So, now with this schedule means, this is the third schedule we have prepared, and we will be preparing the other schedules also. And then before preparing the final cash flow statement, we will have to prepare all the schedules. And then the total amount which is worked out on all these schedules that will be taken to the final cash flow statement and that balance which works out in the final cash flow statement will be tallied with the balance closing balance of the cash in the balance sheet. And then we will find it out that how this cash this flow has taken place and how this closing balance of the given in the balance sheet is equal to what we will worked out in the final cash flow statement.

So, both the amounts will be tallying and we will be verifying that how the cash flows in the form and out of the firm on account of the three different activities that is operating investing and the financing activities. So, the remaining part of the schedules and other related the process is we will be doing in the next class.

Thank you very much.