Analyzing the Statement of Cash flow

Student’s Name

Institution

The net income is the difference between the income, expenses and tax amounts. When preparing the statement of cash flows, the net income begins the process under cash flows from operating expenses (Palepu, & Healy, 2013).

. The difference between the net income and the cash flow from operating activities is that to arrive at the cash flows from operating activities, the non-cash items are added back to the net income. In addition, there is consideration of the changes in working capital including the deferred tax element.

The cash flow for Techno is classified into cash flows generated from operating, investing and financing activities. Changes in working capital characterize the cash movement during the year. From the cash flow statement, there are more credit customers increasing the value of receivable. This means that customers hold more cash for the business. Inventories increased in the current period. The increment signifies that the company purchased more goods. Hence, there is an increase in cash out flow. Accounts payable increased. Meaning that, the company purchased goods on credit: Cash remained in the business.

Investing activities increased in the current year. Property, plant and equipment increased implying that there were purchases during the year leading to increase in cash out flows.

Financing activities include purchase of stock, paying dividends, borrowing and repayment of loans. Purchasing treasury stock means that, there were cash out flows during the year. Similarly, payment of dividends increased the cash outflows during the financial period. The company made additions to long-term borrowings meaning a cash inflow occurred during the year. The repayment of long-term borrowings attracted a cash outflow.

Generally, there was an increase in cash and cash equivalent in the current period compared to the prior period. The company had more cash inflows compared to cash outflows. Aggregating the cash flows generated from different activities results to positive net cash flow during the year.

Reference

Palepu, K. G., & Healy, P. M. (2013). Business analysis and valuation: Using financial statements, text and cases.