



Startup

ANDERS STARTUP AND ENTREPRENEURIAL SERVICES

STRESS-FREE FINANCIAL STATEMENT GUIDE: STATEMENT OF CASH FLOWS

Having a good understanding of your startup or new businesses' financial statements is vital to attracting investors, keeping your company up and running, and driving your growth strategy. The Statement of Cash Flows shows how the changes in your balance sheet accounts and your P&L accounts impact cash balance.

The statement refers to how your company is producing cash (inflow) and how the company is consuming cash (outflow), and is organized into four sections to show how cash is produced and consumed within the company: operating activities, investing activities, financing activities, and supplemental information

OPERATING ACTIVITIES

Operating activities relate to your daily activities such as cash received from sales, cash paid for cost of production such as raw materials, inventory and freight and other operating expenses such as advertising and salaries.

INVESTING ACTIVITIES

Investing activities will include cash outflows due to large purchases that would be included in your fixed assets such as land, building, and equipment or payment on loans made with vendors. It will also include cash inflows due to sale of fixed assets or payments received from customers

who have a loan, and dividends received.

FINANCING ACTIVITIES

Financing activities involve transactions related to financing the company, such as a cash inflow received from investors, other long-term liabilities like a line of credit from a bank, or cash outflows such as dividends paid to a shareholder.

SUPPLEMENTAL INFORMATION

The final section, supplemental information, relates to non-cash activities. This includes transactions such as an exchange of a non-cash asset for another non-cash asset or converting debt to equity.

Managing cash is essential to the success of your business.

Being in budget does not equate with having cash. In the real world, your monthly budget may be in balance but expected income may be received later than expenses that are due. Therefore, in the short-term you may have a cash flow shortage.

On the flip side, being profitable does not equate with having cash, especially in the startup phase. Many startups will reinvest money back into the business through R&D or fixed assets during their growth phase that may strap the company's cash flow, even if the bottom line shows something different.

To discuss your startup's financial statements or arrange meeting with our team, please contact:

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