

management reporting instead of reporting as mandated through financial regulation. In fact, greater attention is paid to cash flow analysis and presentations geared toward internal audiences. This focus is chiefly a consequence of context.

Financial analysis functions of the internal manager are conceptually different from financial analysis activities conducted by external parties. The analytical intents, for instance, are different. Internal analysis acts as a diagnostic tool to guide the firm's overall strategic objectives while external analysis is focused to judge the success of that same strategy. In other words, while external analysts endeavor to track the development of a firm's *overall* profit and value, internal analysts work to dissect the *pieces* of their firm's profit and value-producing functions in order to manage operations toward superior return. This fundamental distinction forces internal analysts to scrutinize the financial data-set in much more detail than is required by external analysts.

In other words, external audiences, such as shareholders and lenders, typically have a narrow focus on cash flow information. There is therefore a narrow amount of externally focused presentation material required for discussion in this book. Inside the firm, however, cash flow information serves broader and deeper functionality. That broader functionality justifies this book's expanded review of cash flow analysis and presentation templates designed for internal audiences versus the more limited amount of examples geared towards external audiences.

Chapter 1 initiates the discussion with a review of the two forms of cash flow reporting; the indirect cash flow statement and the direct cash flow statement. This is followed by Chapter 2, which reviews liquidity analysis and presentation formats designed for both external and internal audiences. Chapter 3 tackles more advanced concepts of cash flow data and its relationship to measures of return. This is followed by Chapter 4, which provides a guide to creating cash flow forecasts to support long- and short-term strategic purposes. Finally, Chapter 5 discusses cash flow analysis and presentation in the context of

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reviewing firm and investment value. Together, these chapters are designed to divulge the logic that is inherent to cash flow analysis and presentation styles for varied audiences and purposes.

This book will guide you through the standard constructs of cash flow analysis and related presentations. As you discover the common formats of cash flow presentation and consequently use that knowledge in your own work, you'll see that cash flow analysis and presentation is often more of an art than a science. This variability is normal as cash flow analysis, and certainly the related presentation, is adaptable to the environment.

The outlines presented in this guide are geared towards the most common uses of cash flow information. But the application of the templates described can and should be adjusted to accommodate the specific needs of your individual firm and unique audience. As long as you maintain integrity and accuracy in your output, you don't need to enforce rigor in presentation.

Instead, this book offers a foundation in sufficiently presenting cash flow data. The following explorations of cash flow analysis and presentation provide an outline. Your ability to apply company and audience specific adjustments will evolve as your comfort with each category of application advances.