

# DPBS(PG) College, Anoopshahr

## BCA II Semester

### Subject: Financial Accounting & Mangemant

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### Cash Flow Statement

It shows the changes in the cash position, that means Inflows and outflows, of a firm. It is an analytical reconciliation statement which explains the reasons for the differences between the opening and closing cash balances over a period. On the other hand, **Fund Flow statement** is a statement that shows the ups and downs of the financial position or the changes in working capital of the entity between the two financial years.

The financial position of any company can be better understood with the help of a cash flow statement and fund flow statement, along with the Balance Sheet and Income statement. These two statements helps stakeholders to know the sources and application of cash or funds. So, take a glance of the given article to understand the difference between cash flow and fund flow statement.

A cash flow statement shows the inflows and outflows of cash and cash equivalents. Cash includes cash in hand and demand deposits with the banks while cash equivalents are highly liquid investments i.e. they can be readily converted into cash like marketable securities, commercial papers, and short-term government bonds. It explains the changes in the cash in hand and cash at bank at the beginning and the end of the accounting period.

Accounting standard – 3 deals with the cash flow statement. It has been classified into three broad categories:

- **Operating Activities** – representing movements of money due to regular business operations like the purchase, sale, production, etc. of goods.
- **Investing Activities** – representing the movement of cash due to the purchase or sale of assets or any other investment activities of the business.

- **Financing Activities** – accounts for the funds raised through the issue of shares or debentures, long term loans, etc. and utilised for the redemption of shares or debentures and payment of dividend, etc.

## Fund Flow Statement

Funds refer to the working capital of the company, so fund flow statement is a statement that studies the changes in the working capital of the business between two accounting years. It shows the additions in the working capital through various sources like issuing shares, debentures or raising loans, etc. and reduction in it through different applications like the redemption of shares or debentures, repayment of loans, purchase of fixed assets, etc.

Fund Flow Statement explain the reasons for the change in the working capital of the business between two Balance Sheet dates through various Non-Current Assets and Non-Current Liabilities, which are responsible for the increase or decrease in the working capital. A fund flow statement displays the financial status of an organisation, which ensures easy comparison and analysis between two accounting periods. It is helpful in understanding the variability in the assets, liabilities and equity of the company.

### Difference between Cash Flow Statement and Fund Flow Statement

BASIS FOR COMPARISON	CASH FLOW	FUND FLOW
Meaning	A cash flow statement is a statement showing the inflows and outflows of cash and cash equivalents over a period.	A fund flow statement is a statement showing the changes in the financial position of the entity in different accounting years.
Purpose of Preparation	To show the reasons for movements in the cash at the beginning and at the end of the accounting period.	To show the reasons for the changes in the financial position, with respect to previous year and current accounting year.
Basis	Cash Basis of Accounting.	Accrual Basis of Accounting.
Analysis	Short Term Analysis of cash	Long Term Analysis of

	planning.	financial planning
Discloses	Inflows and Outflows of Cash	Sources and applications of funds
Opening and closing balance	Contains opening and closing balance of cash and cash equivalents.	Does not contains opening balance of cash and cash equivalents.
Part of Financial Statement	Yes	No