

Contents

Foreword	xi
Preface	xiii
About the Authors	xv
1 Seeking Sustainable Cash Flow	1
An Artificial Boost to Operating Cash Flow	3
Classifying Cash Flow	5
Sustainable Cash Flow	9
Creative Cash Flow Reporting	18
Ignoring the Statement of Cash Flows	29
Cash Flow Analysis	30
Plan of This Book	32
Summary	33
2 Structure of the Statement of Cash Flows	37
Historical Background	38
Arrival of the Statement of Cash Flows	49
Non-GAAP Measures of Cash Operating Performance	68
International Differences in the Statement of Cash Flows	73
Summary	74
3 Is It Operating or Investing Cash Flow?	81
Investing Cash Flow	86
GAAP Flexibility: Is It Operating or Investing Cash Flow?	91
Beyond the Boundaries of GAAP	114
Summary	116
4 Is It Operating or Financing Cash Flow?	121
Financing Cash Flow	125
GAAP Flexibility: Is It Operating or Financing Cash Flow?	131

	Beyond the Boundaries of GAAP	154
	Summary	155
5	Income Taxes and the Statement of Cash Flows	159
	Tax Reporting Essentials	160
	Classification of Tax-Related Cash Flow	166
	Nonrecurring Income Tax Cash Flows	180
	Summary	203
6	Nonrecurring Sources and Uses of Operating Cash Flow	209
	Characteristics of Nonrecurring Items of Operating Cash Flow	211
	Examples of Nonrecurring Cash Sources and Uses	211
	Management Identification of Nonrecurring Operating Cash Flow	213
	Locating Nonrecurring Items of Operating Cash Flow	218
	Cash Flow Tracking	231
	Summary	235
7	Measuring Sustainable Operating Cash Flow	241
	Sustainable Operating Cash Flow	242
	Calibrating Operating Cash Flow Adjustments	244
	Measuring Sustainable Operating Cash Flow	252
	Completed Sustainable Operating Cash Flow Worksheet	257
	Frequency and Size of Adjustment Items	262
	Summary	265
8	Using Operating Cash Flow to Detect Earnings Problems	269
	Relationship between Earnings and Operating Cash Flow	271
	Earnings Supported by Artificial Means	284
	Excess Cash Margin	290
	Summary	300
9	Analyzing Operating Cash Flow	305
	Cash Flow Analysis Statement	308
	Using the Cash Flow Analysis Statement	314
	Cash Flow Drivers	325
	Closer Look at Core Operating Cash Flow	336
	Summary	341
10	Understanding Free Cash Flow	345
	Uses of Free Cash Flow	348
	What Is Free Cash Flow?	358

Free Cash Flow to Common Equity: A Closer Look	362
Capital Expenditures	370
Acquisitions and Free Cash Flow	375
Summary	375
Glossary	379
Subject Index	395
Company Index	409

