PURPOSE AND IMPORTANCE OF THE CASH FLOW STATEMENT

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KALIT SO'ZLAR:

Cash flow statement, operating cash flow, investing activities, financing activities, working capital.

ANNOTATSIYA:

This study examines the purpose and importance of the cash flow statement as a key financial reporting tool, focusing on its role in assessing liquidity, financial stability, and decision-making. Using a descriptive and analytical approach, the research analyzes secondary data from the annual financial statements of UzAuto Motors for 2023 and 2024. The study evaluates cash flows from operating, investing, and financing activities and applies a comparative method to identify changes between the two years. The findings reveal that the company maintains strong operating cash flow, indicating stable core business performance, although a slight decline is observed in 2024. Changes in working capital significantly affect final operating cash flow, demonstrating the importance of managing receivables, inventories, and payables. Investing activities remain positive in both years, mainly driven by movements in bank deposits and capital expenditures, while financing activities show consistent

negative cash flow due to dividend payments and debt repayments.

Introduction.

A cash flow statement is one of the key financial reports prepared by an organization according to the article of Aghdas Jafari Motlagh (2013) . It describes the primary sources of cash inflows and the key areas where cash expenditures occur during a given timeframe. While it can be made every three months, it is usually created at least annually. This statement offers important information regarding how a business produces cash from its operations and its intentions for using that cash—whether to settle debts, distribute dividends, or reinvest in sustaining or growing its business endeavors. It also emphasizes financing activities, which encompass both borrowing and equity transactions, along with investments in fixed and current assets excluding cash. In simple terms, a cash flow statement presents different items and their amounts that cause changes in the cash balance between two balance sheet dates.[67]

This article is based on the practice followed and instruction for its preparation contained in the various text books for the guidance of the students and accountants.

Literature review.

According to researchers DJ Ali, HA Hamad (2021) the importance of the cash flow statement as a key financial report that shows how cash is generated and used during a period. Unlike accrual-based accounting, it focuses on actual cash movements, making it essential for understanding a company's liquidity and financial position. It highlights that improper or missing cash flow statements reduce the quality of financial information and negatively affect decision-making. The statement helps assess cash from operating, investing, and financing activities, predict future cash flows, evaluate management performance, and determine the ability to meet obligations and pay dividends. It can be prepared using direct or indirect methods, with the direct method being clearer. Overall, the cash flow statement is important for managers, investors, and creditors, as it supports financial planning and decision-making based on reliable information.[68]

1. [67] Motlagh, A. J. (2013). Accounting: Cash flow statement. *IOSR Journal of Business and Management*, *7*(4), 109-116.
2. [68] Ali, D. J., & Hamad, H. A. (2021). The role of the cash flow statement to provide accounting information for the financial decision-making process:(Case study International Islamic Bank of Kurdistan in the year 2018). *Qalaai Zanist Scientific Journal*, *6*(2), 870-887.

Another researcher BS Thomas (1982) stated that the cash flow statement is an important financial tool for understanding a company's liquidity and cash position. It shows how cash is generated and used through operating, investing, and financing activities, helping users make better economic decisions. It highlights that cash flow is different from profit and is essential for business survival. Strong cash flow improves a company's financial stability and attractiveness to investors. However, companies may sometimes manipulate cash flow figures to appear stronger. Additionally, the findings from a survey show that while many companies prepare cash flow statements, some still underestimate their importance. The main users are managers, investors, and stakeholders, who rely on this information for planning, evaluating performance, and making investment decisions. Overall, the cash flow statement is a valuable tool for analyzing financial health, predicting future cash flows, and supporting decision-making.[69]

Methodology.

The methodology of this study is based on a descriptive and analytical approach. The research uses secondary data from the annual financial statements of UzAuto Motors for 2023 and 2024. The cash flow statement is the main source of information used to analyze operating, investing, and financing activities. The study applies a comparative method to evaluate changes between the two years and assess the company's liquidity and financial performance. The analysis is based only on published reports, without using primary data such as surveys or interviews.

Results and discussions.

Cash flows from operating activities	2024	2023
Profit before income tax	377,522	395,391
Adjustments for:		
Share of results of associates	(173)	(654)
Depreciation of property, plant and equipment	63,029	59,813
Amortisation of intangible assets	671	597
Gain on disposal of property, plant and equipment	(301)	(1,309)
Expected credit (gain)/losses on trade receivables	10,272	(691)

3. [69] Thomas, B. S. (1982). Reporting cash flow information. *Journal of Accountancy (pre-1986)*, *154*(000005), 98.

Loss on decrease of ownership in associate	4,239	-
Net foreign exchange loss	25,609	82,284
Finance income	(65,562)	(44,325)
Finance cost	45,698	35,819
Operating cash flows before working capital changes	**461,004**	**526,925**

Table 1. Cash flow from operating activities before net changes.[70]

The analysis of UzAuto Motors shows that the company generated a strong operating cash flow before working capital changes in both 2024 and 2023, which indicates that its core business activities remain profitable and stable. In 2024, the operating cash flow before working capital changes was 461,004 thousand USD, while in 2023 it was higher at 526,925 thousand USD. Although there is a slight decrease in 2024, the level of cash generation remains strong and positive in both years. This suggests that the company continues to generate substantial cash from its main operations even before considering changes in working capital components such as receivables, inventories, and payables. The analysis of UzAuto Motors shows that the company generated a strong operating cash flow before working capital changes in both 2024 and 2023, which indicates that its core business activities remain profitable and stable.

Net change in:	**2024**	**2023**
Trade and other receivables	(263,898)	(23,311)
Advances paid to suppliers	62,792	75,500
Inventories	195,664	(159,371)
Restricted deposits	231,220	(89,754)
Restricted cash	(5,072)	55,359
Other non-current assets	23,163	7,669
Trade and other payables	(205,721)	270,230
Contract liabilities	(428,883)	(838,439)
Taxes and related charges payable	(3,992)	(3,553)
Other liabilities	(2,296)	(6,665)
Operating cash flows after working capital changes	**63,981**	**(185,410)**

4. [70] https://uzautomotors.com/documents/uzautomotorsifrsreportfy2024-30-may.pdf

Table 2. Net changes (Working capital).

The net changes in working capital have a significant impact on the operating cash flow of UzAuto Motors, as they directly affect how much cash is actually generated from core business activities after initial operating results. In this section, the main influencing factors include changes in trade receivables, inventories, and trade payables. An increase in receivables reduces cash flow because more sales are made on credit, meaning cash is not immediately collected. Similarly, an increase in inventories also reduces cash flow since it reflects cash tied up in unsold goods. On the other hand, an increase in trade payables improves cash flow because it means the company is delaying payments to suppliers, temporarily retaining cash within the business.

Interest:	**2024**	**2023**
Interest paid on borrowings	(27,946)	(17,622)
Interest paid on trade payables	(17,226)	(13,297)
Interest received	46,806	8,729
Income tax paid	(63,502)	(42,114)
Net cash from/(used in) operating activities	**2,113**	**(249,714)**

Table 3. Net Cash from Operating Activities

After working capital changes, interest-related items become important in shaping the final operating cash flow of UzAuto Motors. Interest paid reduces cash flow because it represents the actual cash outflow used to service the company's borrowings, while interest received increases cash flow as it reflects income earned from financial assets or deposits. These items are classified separately because they are linked to financing decisions rather than core operating activities, but they still directly affect the final cash position.

Cash flows from investing activities	**2024**	**2023**
Purchase of property, plant and equipment	(45,744)	(73,882)
Proceeds from sale of property, plant and equipment	3,367	3,446
Cash outflow on disposal of subsidiary	-	(138)
Purchase of intangible assets	(1,002)	(382)
Loans issued	(122)	(122)
Repayment of loans issued	8,921	1,117
Bank deposits placements	(427,109)	(181,325)

Proceeds from matured bank deposits	555,944	404,650
Net cash from investing activities	**94,255**	**153,364**

Table 4. Net Cash from Investing Activities

The investing cash flow of UzAuto Motors shows mixed movements over the two years. In 2024, the company recorded a positive investing cash flow of 94,255 thousand USD, while in 2023 it was also positive but higher at 135,364 thousand USD**.** The main drivers of this section are movements in long-term investments and property, plant, and equipment (PPE). In both years, cash inflows mainly came from the reduction or recovery of bank deposits and other financial investments. At the same time, cash outflows were linked to capital expenditures, especially investments in fixed assets used for production. The decrease in 2024 compared to 2023 suggests that the company reduced its net investment inflows or increased its capital spending on long-term assets.

Cash flows from financing activities	**2024**	**2023**
Proceeds from borrowings	-	150,649
Repayment of borrowings	(26,786)	(890)
Gain on sale of new share issuance	-	5,824
Purchase of own shares	-	(827)
Dividends paid	(80,841)	(84,701)
Charity and sponsorship in accordance with orders of state regulatory and supervisory authorities	(18,329)	(8,309)
Net cash (used in)/from financing activities	**(125,956)**	**61,746**
Net decrease in cash and cash equivalents	(29,588)	(41,038)
Cash and cash equivalents at the beginning of the year	55,522	96,560
Effect of exchange rate changes on cash and cash equivalents	21,324	(907)
The effect of translation to presentation currency	(4,446)	(5,527)
Cash and cash equivalents at the end of the year	**42,792**	**55,522**

Table 5. Net Cash from Financing Activities

The financing cash flow of UzAuto Motors shows a negative trend in both years, indicating that more cash was used than generated from financing activities. In 2024, financing cash flow was –125,956 thousand USD, which is more negative compared to 2023. This outflow is mainly driven by dividend payments to shareholders and repayment of borrowings, which reduce the company's available cash. It suggests that the company is returning value to investors while also managing its debt obligations. In 2023, the financing cash flow was less negative, meaning lower cash outflows from dividends or debt repayments compared to 2024. The worsening position in 2024 indicates increased pressure from financing obligations, especially higher dividend distributions or stronger repayment activity. Overall, this section shows that the company is actively reducing liabilities and distributing profits, but at the cost of lowering its overall cash position.

Conclusion.

The research determines that the cash flow statement of UzAuto Motors offers significant information regarding the company's financial performance and liquidity status. The analysis indicates that operating cash flow is robust, reflecting consistent core business performance, despite minor variations between 2023 and 2024. Investment activities exhibit slight alterations, primarily concerning long-term investments and asset management, whereas financing activities continue to be negative owing to dividend distributions and debt repayments. In general, the company shows reliable operational performance, proactive investment oversight, and steady financing expenditures.

The cash flow assessment indicates that the firm retains financial stability, yet its total cash stance is affected by financing choices. Thus, the cash flow statement is crucial for grasping actual liquidity and aiding in sound financial decision-making.

References

1. Motlagh, A. J. (2013). Accounting: Cash flow statement. *IOSR Journal of Business and Management*, *7*(4), 109-116.

2. Ali, D. J., & Hamad, H. A. (2021). The role of the cash flow statement to provide accounting information for the financial decision-making process:(Case study International Islamic Bank of Kurdistan in the year 2018). *Qalaai Zanist Scientific Journal*, *6*(2), 870-887.

3. Thomas, B. S. (1982). Reporting cash flow information. *Journal of Accountancy (pre-1986)*, *154*(000005), 98.

4. JSC “UZAUTO MOTORS” Consolidated Financial Statements for the year ended 31 December 2024 and Independent Auditor’s Report https://uzautomotors.com/documents/uzautomotorsifrsreportfy2024-30-may.pdf