

INTRODUCTION

The basic objective of a cash flow statement (CFS) is to provide relevant information as regards cash receipts and cash payments of an enterprise during the accounting period. CFS shows the movement of cash of an enterprise. It records all cash flows occurred during a particular period.

The Accounting Standard (AS)-3 is the relevant standard for preparing the cash flow statement. According to the AS-3, information about the cash flows of an enterprise is useful in providing users of financial statements with a basis to assess the ability of the enterprise to generate cash and cash equivalents and the needs of the enterprise to utilise those cash flows. The economic decisions that are taken by users require an evaluation of the ability of an enterprise to generate cash and cash equivalents and the timing and certainty of their generation.