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RESEARCH ON IMPACTS OF THE LISTING COMPANIES' CASH FLOW STATEMENT ON INDIVIDUAL' LENDING DECISION

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ABSTRACT

The lenders always consider one of the main subjects using the financial statements of the companies. According to some studies on the users of financial statements, the cash flow statement was introduced after the balance sheet and income statement so the users pay less interest in the cash flow statement than the two said ones. Enterprises are reviewed mainly via its balance sheets and income statement rather than the cash flow statement. Creditors fail to see this if they only pay attention to the balance sheet or income statement of the business. The work collects the views and opinions of 160 individuals who make short-term and long-term lending decisions to listed companies with and without information on cash flow statement. From the individual survey results, the authors view the impact of cash flow statement on the individuals' lending decision to the companies listed on the stock exchange of Vietnam.

Keywords: *Cash Flow Statement; Listed Companies; Lending Decision.*

Introduction

The belief in these two financial statements has been severely depressed as WT Grant Company fell into bankruptcy while profits from business operations were good, with annual profits reaching over \$ 40 million. This is explained by the researchers that the amount of money paid by the firm was not enough to cover its expenses to cause negative cash flow for five consecutive years. When it does not meet the demand for the business pre-collapse, it is only the matter of time.

Cash flow statement is an important financial statement that the lenders are based on. Jay Taparia, Fund Director of Sanskar Investments based in Chicago thinks that those using financial statements for lending decisions need to look at cash flow statement to determine the health status of the enterprise. Therefore, the individual use of cash flow statement for lending decision should be interested and whether the individual lenders have paid sufficient attention to the information provided in the cash flow statement or not.

Overall review and research design

Overall review

¹One research direction of the authors around the world is towards the use of information on the cash flow statement of the users including the lenders. Helfert Erich A (2001) argues that cash flow statement are extremely important to assess a business's solvency, which is very useful for creditors. In addition, the cash flow statement assesses the ability of a business to pay dividends and meet its debt obligations, gives lenders more information to make the decision. However, the method of scientific research of the author is not convincing. Helen Kwok (2002) continues to direct the creditors to the cash flow statement and advises them to rely on this report rather than income statement or balance sheets to determine to grant the loans or not. The cash flow



statement will help creditors see how well the borrowers are able to repay their loans in general, how to use and control the loans throughout the process. He uses the quantitative research method to demonstrate the effectiveness of using cash flow statement, to clearly state the effectiveness of cash flow, better anticipate an enterprise's solvency rather than its earnings before interest & tax (EBIT) or earnings before interest, taxes, depreciation, and amortization (EBITDA) that most securities analysts use.

Cash flow statement has an important role to play in providing information. However, Slogan (1996) argues that users of ineffective financial statement information are less likely to react to change in information on cash flow statement of a firm in a market. An effective market when stock prices change according to publicly available information of the business. In contrast, when the market is inefficient, the information provided by the listed companies does not affect the decision of the information user. This is also the view of Barth (1998) on the effective information market. Stock prices of companies according to the research of the author reflect with the information on the corporate profits, however, with information on the cash flow statement, securities prices are not always affected. In an inefficient market, stock prices, dividends paid to shareholders are mainly related to the company's earnings targets such as net income, basic earnings per share. Research shows that although information on cash flow is not good indicating that the business is not able to pay in the future, the investors continue to buy their shares and creditors still lend money to them. For inefficient markets, profit targets are the most important indicator. Information on the cash flow statement is publicly disclosed, but both the lenders and the investors are not interested in the information on the reports. Confirming this and adding information about the use of cash flow statement, Mill and Yamamura (1998) argue that users of information such as investors and lenders in an inefficient information market often lack the skills and knowledge relevant to the signs relating to the cash flow of the business. Research shows that securities analysts or auditors use less cash flow indicators to analyze the perception of the business. Users of information on financial statements pay more attention to business profitability than information on cash flows. If the information on the business situation is good, the information on the cash flow statement is be often less interested by the users. According to the author, even in the major accounting courses, there are often arrangements for the cash flow statement in the final chapters of the book. This can be found in the recent book "Accounting Principles" by Keiso et al (2012). Cash flow statement is arranged in chapter 23 out of 24 chapters of the book. Scholars often do not emphasize the important role, the usefulness of cash flow statement in decision-making, which makes information users less likely to use information on cash flow statement to make decision.

Throughout the overall study, research conducted in developed countries, the use of information on financial statements is often different from that of other countries with economies like Vietnam. That is why the author wants to investigate the effect of cash flow statement on lending decisions of individuals who are viewed as lacking the skills in assessing the business.

Research design

The author presents the questionnaire to 80 individuals buying bonds of listed companies on the stock market in accordance with Appendix A, which is the questionnaire for enterprises when information on the balance sheet, income



statements of two companies listed on the stock exchange is available but without cash flow statement. Likewise, 80 other individuals also made the purchase of bonds of listed companies on the stock market in accordance with Appendix B but with cash flow statement. The financial statements of the two enterprises are real and audited. These are two companies on the stock exchange. The author wants to learn about the short-term and long-term lending decisions of individual borrowers. Long-term lending decisions of individuals and corporates are inherently risky and different from short-term lending decisions.

The questions in the survey are:

Question

1. If you are a lender, should you offer the loan to the company for a period of one to two years? (1: Totally disagree to 5: Totally agree)

1 2 3 4 5

2. If you are a lender, should you offer the loan to the company for a period of five to seven years? (1: Totally disagree to 5: Totally agree)

1 2 3 4 5

For the first question, there are two enterprises in, which enterprise A has balance sheet and income statement, which emphasizes positive, and active business profit and rapid growth in the following year. The firm B only has a balance sheet and income statement in which the profit is negative, while its profit of the previous year is positive. Stock prices, business lines, book values, and P/E are also included in both assessments. Providing basic indicators helps lenders limit the amount of time it takes to focus on the questionnaire's contents. For the balance sheet, the basic norms are short-term assets and long-term assets. Short-term assets include cash and cash equivalents; other current assets. Long-term assets are defined as fixed assets and other long-term assets. For the capital on the balance sheet, the targets are payable debts (short-term and long-term debts) and owner's equity.

The business results of the enterprise are given the basic norms such as net revenue, cost of goods sold, gross profit, selling expense, enterprise management expense, net profit from business activities, other profit, profit before corporate income tax, profit after corporate income tax, basic earnings per share. Excluding too many indicators on the balance sheet and income statement is intended to help individual lenders avoid being disturbed when too much information is provided.

For the second question, there are also two enterprises A and B in the first assessment, but these two enterprises have added their cash flow statement. The firms have selected according to the very clear opposite pattern between profit and cash flow from operating. Cash flow statement has provided on all three cash flows including cash flow from operating activities, investing activities and financing activities. However, information on cash flow from operating activities is always the most important. For the profit targets are interested by the lenders, the enterprise A has a positive profit situation for two consecutive years, profit has tripled, but the cash flow from operating activities is negative in both survey years. The firm B has negative profit in the survey year, however, its cash flow from operating activities reflects positively. This is because the topic is to emphasize the difference between profit and cash flow from operating activities to see if the cash flow from operating activities influences the decision of the lender or not.



In the survey for the lenders listed in Appendix B, the author gives information on both cash flow statement but focuses primarily on the contrast between profit and cash flow from operating activity. According to the author, this is the main information to assess the cash flow of operating and it is closely related to each other to supplement information on the business results.

To compare differences in the lenders' decision, the author uses T-test to test the difference of individual lenders with or without information from the cash flow statement of the business

H₁: There is no difference in individuals' lending decision making with only balance sheet, income statement, and those with all balance sheet, income statement, and cash flow statement.

Outcome

The author uses Independent Samples T-test for two independent groups of individuals with and without information on cash flow statement.

- ***The first is a comparison of the lending decisions of the individuals who are in the author's survey to the firms with positive profit, no information on cash flow statement, and the firms with positive profit, cash flow statement showing negative cash flow from operating activities.***

We have two equal tests for the mean value of the two subjects from the information of the two independent samples in evaluation to make decision on whether to grant the short-term loan and long-term loan to the firms or not.

- For the first test of questioned individual's agreement on granting short-term loans

Where there is no information on cash flow statement, the mean of lenders about lending decisions is 3.9. When the author provides more information on the cash flow statement, the mean of the individuals for a short-term lending decision is just 3.83.

The test results sig = 0.213 > 0.05 so there is no basis to confirm information from the cash flow statement will affect the individuals' lending decision. The individuals will not change long-term lending decisions when more information about cash flow from operating activities are generated from cash flow statement even though the information is not good, opposed to the business situation.

Table 1: The result interaction of cash flow statement to individuals' decision on short-term loans with positive profit, negative operating cash flow

| Group Statistics | | | | | | |
|---------------------------------|-------|----------------------------|----------|-------------|--------------------------------|------------------------------------|
| | | Cash flow statement | N | Mean | Std. Deviation | Std. Error Mean |
| Short term loans | No | | 80 | 3.90 | .341 | .038 |
| | Yes | | 80 | 3.83 | .414 | .046 |
| Independent Samples Test | | | | | | |
| | | | | | Short term loans | |
| | | | | | Equal variances assumed | Equal variances not assumed |
| Levene's Test | for F | | | | 6.111 | |



| | | | | |
|------------------------------|---|-------|-------|---------|
| Equality of Variances | Sig. | | .014 | |
| | T | | 1.250 | 1.250 |
| | Df | | 158 | 152.427 |
| | Sig. (2-tailed) | | .213 | .213 |
| t-test for Equality of Means | Mean Difference | | .075 | .075 |
| | Std. Error Difference | | .060 | .060 |
| | 95% Confidence Interval of the Difference | Lower | -.044 | -.044 |
| | | Upper | .194 | .194 |

Source: The analytical results of author.

- For the test against the individuals' long-term loans, the mean of long-term lenders in the absence of information on the cash flow statement is 2.66, while in the case where that with the information on the cash flow statement is 2,56. However, the level of significance in observation (sig) = 0.197 > 0.05 is not the basis to confirm that the information on the cash flow statement affects the long-term lending decision of individuals if the enterprise's profit is positive.

Table 2: The result interaction of cash flow statement to individuals' decision on long-term loans with positive profit, negative operating cash flow

Group Statistics

| | Cash flow statement | N | Mean | Std. Deviation | Std. Error Mean |
|-----------------|---------------------|----|------|----------------|-----------------|
| Long term loans | No | 80 | 2.66 | .476 | .053 |
| | Yes | 80 | 2.56 | .499 | .056 |

Independent Samples Test

| | | Long term loans | |
|---|---|-------------------------|-----------------------------|
| | | Equal variances assumed | Equal variances not assumed |
| Levene's Test for Equality of Variances | F | 5.825 | |
| | Sig. | .017 | |
| | t | 1.297 | 1.297 |
| | df | 158 | 157.638 |
| | Sig. (2-tailed) | .197 | .197 |
| t-test for Equality of Means | Mean Difference | .100 | .100 |
| | Std. Error Difference | .077 | .077 |
| | 95% Confidence Interval of the Difference | Lower | -.052 |
| | | Upper | .252 |

Source: The analytical results of author.

The second is the comparison of the lending decision of the questioned individuals for the enterprises with negative profit, without the information on cash flow statement and those with negative profit but positive cash flow from operating activities as reported.



We have two equal tests for the mean value of the two subjects from the information of the two independent samples in evaluation to make decision on whether to grant the short-term loan and long-term loan to the firms or not.

For the test of questioned individual's agreement on granting the short-term loans in case of borrower's negative profit, as there is no information on the cash flow statement, the mean given by the individual about the lending decision is 2.25. However, when there is information on the cash flow statement of the company, especially the opposite information on cash flow from operating activities over the business profit, the mean increases by 2.29

The results of the test have significant in the observation for the cases with negative profit, with and without information on the cash flow statement ($\text{sig} = 0.745 > 0.05$) so there is no basis to confirm the information from the cash flow statement will affect the individuals' lending decisions.

Table 3: The result interaction of cash flow statement to individuals' decision on short-term loans with negative profit, positive operating cash flow

Group Statistics

| | | Cash flow statement | N | Mean | Std. Deviation | Std. Error Mean |
|------------------|-----|---------------------|----|------|----------------|-----------------|
| Short term loans | No | | 80 | 2.25 | .666 | .074 |
| | Yes | | 80 | 2.29 | .783 | .088 |

Independent Samples Test

| | | | | Short term loans | |
|---|---|-------|--|-------------------------|-----------------------------|
| | | | | Equal variances assumed | Equal variances not assumed |
| Levene's Test for Equality of Variances | Test | for F | | 5.673 | |
| | Sig. | | | .018 | |
| | t | | | -.326 | -.326 |
| | df | | | 158 | 154.030 |
| | Sig. (2-tailed) | | | .745 | .745 |
| t-test for Equality of Means | Mean Difference | | | -.038 | -.038 |
| | Std. Error Difference | | | .115 | .115 |
| | 95% Confidence Interval of the Difference | Lower | | -.264 | -.264 |
| | | Upper | | .189 | .189 |

Source: The analytical results of author.

For the test of questioned individual's agreement on granting the long-term loans as there is no information on the cash flow statement, the mean given by the individual about the lending decision is 1.86. However, when there is information on cash flow statement of the borrowers, especially the opposite information on cash flow from operating activities over the business profit, the mean increases by 1.89. However, the test results are significant for observation in the case of negative profit, with and without information on the cash flow statement ($\text{sig} = 0.794 > 0.05$) so there is no basis to confirm that the information from the cash flow statement will affect the lending decision of the individuals.



Table 4: The result interaction of cash flow statement to individuals' decision on long-term loans with negative profit, positive operating cash flow

| Group Statistics | | | | | | |
|-------------------------|-----|----------------------------|----------|-------------|-----------------------|------------------------|
| | | Cash flow statement | N | Mean | Std. Deviation | Std. Error Mean |
| Long term loans | No | | 80 | 1.86 | .522 | .058 |
| | Yes | | 80 | 1.89 | .675 | .075 |

| Independent Samples Test | | | | | | |
|---|---|--------------------------------|------------------------------------|--|---------|-------|
| | | Long term loans | | | | |
| | | Equal variances assumed | Equal variances not assumed | | | |
| Levene's Test for Equality of Variances | F | 5.044 | | | | |
| | Sig. | .026 | | | | |
| | t | -.262 | | | -.262 | |
| | df | 158 | | | 148.546 | |
| | Sig. (2-tailed) | .794 | | | .794 | |
| t-test for Equality of Means | Mean Difference | -.025 | | | -.025 | |
| | Std. Error Difference | .095 | | | .095 | |
| | 95% Confidence Interval of the Difference | Lower | -.213 | | Upper | -.213 |
| | | | .163 | | | .163 |

Source: The analytical results of author.

The tests show the fact that individual lenders are not often impacted by the information on cash flow statement to make short-term and long-term lending decisions. Although the information provided on the cash flow statement may be contrary to the profit in the income statement, the individuals have still paid attention to the business situation only.

Recommendations

The survey results show the fact that the individuals' lending decisions are not impacted by the information on the cash flow statement as the borrowers' profit are positive and their growth is stable. For the information on negative profit, the results from positive cash flow will not affect the decision of the individual lenders. Concerning only the business profitability may lead to the lenders' mistake in the decision-making process. It is the lenders' interest in profit targets and the high profitability to help the firms to get loans easier. Hence, the enterprises' profit are often adjusted by regulators before they can no longer be adjusted. Cash flow from cash flow statement of enterprises often reflects the weakness of corporate finance before their income statement. The enterprises often face with financial hardship when they fail to generate sufficient cash flow from their operating activity meet the cash demands for their operations.

As compared to the financial statements of listed companies on the stock exchange of Vietnam, it is quite clear. Cash flow statement is usually an indicator of impaired business before the indicators on the income statement. A typical example of the lender's loss is the case of Vien Dong Pharmaceutical Joint Stock Company. Vien Dong Pharmaceutical Joint Stock Company has made the stock prices with a plan to acquire one of the largest pharmaceutical joint stock companies, Ha Tay Pharmaceutical



Joint Stock Company. According to Pham Thi Thuy and Nguyen Thi Lan Anh (2013), the stock price of the company has increased from VND 50,000 / share to VND 115,000 / share within 5 months from June 2010, then it reached the peak of VND 144,000 / share. Indicators on the firm's income statement were very positive, gross profit was doubled, profit after tax increased from VND 25,006,523,318 in 2008 to VND 108,747,967,606 in 2009. According to data from the State Securities Commission of Vietnam, the company's stock price declined by VND 3,500 / share in September 2011. In September 2011, the company declared bankruptcy because it failed to pay its due debt to its creditors. At this time, the company's debts were nearly 600 billion VND, while the cash of Vien Dong Pharmaceutical Joint Stock Company was almost exhausted with less than 1.6 billion VND. This caused the lenders of Vien Dong Pharmaceutical Joint Stock Company unexpected and the loss is significant when the loans were unrecoverable. As reviewing the firm's cash flow statement in 2009, analysts saw an indicator of negative cash flow from operating activities, negative cash flow from investments and only highly increasing cash flow from financing activities but it was in high risk as its assets in future failed to generate revenue as much as expected and it had to pay loans from financial activities. Even, now the information users only knew that the company had not submitted cash flow statement for 2010, the 1st quarter and 2nd quarter of 2011. The company has deliberately hidden its business information without opinion from the competent authorities on delays in the provision of information or accountability of government agencies or auditing firms.

Thus, the cash flow statement should play a more important role in the individuals' lending decision. The cash flow statement should be used as a mandatory information reference rather than as a secondary report that does not affect the decision-making process of the users. For the use of financial statements in general and cash flow statement in particular to provide information for the lenders' decision, the state's policy and management play a very important role. To better support the provision of information from the cash flow statement to users, the Ministry of Finance, the Accounting-Audit Department, the State Securities Commission of Vietnam should promote information on dissemination, seminars on financial statements, especially the cash flow statement to the enterprises and to the information users.

Conclusions

The author's work focuses on the effects of cash flow statement on individual's lending decisions. The survey shows the fact that the impact of cash flow statement on the decision of lenders is limited. The individual lenders do not change their lending decisions; even if more information is available from the cash flows statement is opposite to that in the income statement. The author recommends that individual lenders should pay more attention to the information in the cash flow statement to make accurate decisions.

APPENDIX A: QUESTIONNAIRE WITHOUT INFORMATION ON THE CASH FLOW STATEMENT

I am Nguyễn Đức Dũng - the lecture of the School of Accounting - Auditing, National Economics University. I am performing research on decision on personal lending based on the cash flow statement at companies listing on Vietnam securities market. I have built the below system of survey questionnaire for my research. Please answer following questions. I hereby declare that all your ideas and information shall be confidential and only for purpose of my research.



Personal information

| | | | | |
|------------------------|----------|--------------------------|---------------|--------------------------|
| Full name (optional) | | | | |
| Sex | Male | <input type="checkbox"/> | Female | <input type="checkbox"/> |
| Age | Under 25 | <input type="checkbox"/> | 36-45 | <input type="checkbox"/> |
| | 26-35 | <input type="checkbox"/> | 46-55 | <input type="checkbox"/> |
| Educational background | College | <input type="checkbox"/> | Post-graduate | <input type="checkbox"/> |
| | Graduate | <input type="checkbox"/> | Other | <input type="checkbox"/> |

I. For financial statement of company A. Company operates in the technological field

Par value of share: 20.5, the accounting value: 15.3, and P/E: 88.

The Balance sheet of Company A

Unit: VND

| Items | Year N | Year N-1 |
|------------------------------|------------------------|------------------------|
| Assets | | |
| Current assets | <u>785,679,655.692</u> | <u>528,923,411.784</u> |
| Cash and cash equivalents | 70,832,177.821 | 28,322,516.688 |
| Other current assets | | 366,909,842.397 |
| Long-term assets | <u>153,166,997.586</u> | <u>119,990,914.912</u> |
| Fixed assets | 63,133,732.500 | 37,126,001.809 |
| Other long-term assets | | |
| Total assets | 938,846,653.538 | 648,914,326.696 |
| Source of funds | | |
| Liabilities | <u>651,508,361.897</u> | <u>375,931,281.906</u> |
| Short-term liabilities | 651,508,361.897 | 375,931,281.906 |
| Long-term liabilities | - | - |
| Owner's equity | 287,338,291.641 | 272,983,044.790 |
| <i>Total source of funds</i> | 938,846,653.538 | 648,914,326.696 |

The Income Statement of Company A

Unit: VND

| Items | Year N | Year N-1 |
|-------------------------------------|-------------------|-------------------|
| Net revenue | 3,322,664,335.541 | 2,414,986,003.562 |
| Cost of goods sold | 3,322,664,335.541 | 2,170,654,909.064 |
| Gross profit | 348,783,560.643 | 244,331,094.498 |
| Sales expenses | 287,991,131.168 | 216,282,045.179 |
| General and administrative expenses | 40,005,532.657 | 23,005,085.155 |
| Operating income | 16,467,793.821 | 7,502,847.467 |
| Other profit | 2,284,737.081 | (2,444,640.312) |
| Profit before tax | 18,752,530.902 | 5,058,207.155 |
| Profit after Corporate Income Tax | 14,587,065.032 | 3,940,651.529 |
| Earnings per share | 646 | 175 |



Questions:

1. If you are a lender, should you offer the loan to the company for a period of one to two years? (1: Totally disagree to 5: Totally agree)

1 2 3 4 5

2. If you are a lender, should you offer the loan to the company for a period of five to seven years? (1: Totally disagree to 5: Totally agree)

1 2 3 4 5

II. For financial statement of company B. Company operates in the material field..

Par value of share of the year N: 11.3, the accounting value: 12.8, P/E: (20)

The Balance sheet of Company B

Unit: VND

| Items | Year N | Year N-1 |
|------------------------------|--------------------------|--------------------------|
| Assets | | |
| Current assets | 982,213,215.489 | 1,395,237,010.656 |
| Cash and cash equivalents | 187,437,538.246 | 128,624,328.196 |
| Other current assets | 794,775,677.243 | 1,266,612,682.460 |
| Long-term assets | 766,171,221.938 | 874,562,199.473 |
| Fixed assets | 605,018,101.623 | 702,739,594.803 |
| Other long-term assets | 161,153,120.315 | 171,822,604.670 |
| Total assets | <i>1,748,384,437.427</i> | <i>2,269,799,210.129</i> |
| Source of funds | | |
| Liabilities | 1,145,120,842.076 | 1,614,637,737.188 |
| Short-term liabilities | 1,145,120,842.076 | 1,529,496,917.223 |
| Long-term liabilities | - | 85,140,819,965 |
| Owner's equity | 603.263.595.351 | 655,161,472.941 |
| <i>Total source of funds</i> | <i>1,748,384,437,427</i> | <i>2,269,799,210.129</i> |

The Income Statement of Company B

Unit: VND

| Items | Year N | Year N-1 |
|-------------------------------------|-------------------|-------------------|
| Net revenue | 3,102,704.319.115 | 3,763,246,697.233 |
| Cost of goods sold | 2,946,376,838.639 | 3,513,835,715.883 |
| Gross profit | 156,327,480.476 | 249,410,981.350 |
| Sales expenses | 53,893,187.909 | 67,254,942.286 |
| General and administrative expenses | 74,177,065.721 | 56,760,173.601 |
| Operating income | (50,162,533.274) | 19,826,145.977 |
| Other profit | (1,735,34.316) | 3,877,204.674 |
| Profit before tax | (51,897,877.590) | 23,703,350.651 |
| Profit after Corporate Income Tax | (51,897,877.590) | 23,703,350.651 |
| Earnings per share | (1.054) | 482 |

Questions:

1. If you are a lender, should you offer the loan to the company for a period of one to two years? (1: Totally disagree to 5: Totally agree)

1 2 3 4 5

2. If you are a lender, should you offer the loan to the company for a period of five to seven years? (1: Totally disagree to 5: Totally agree)

1 2 3 4 5



APPENDIX B: QUESTIONNAIRE CONTAINING INFORMATION ON THE CASH FLOW STATEMENT

I am Nguyễn Đức Dũng - the lecture of the School of Accounting - Auditing, National Economics University. I am performing research on decision on personal lending based on the cash flow statement at companies listing on Vietnam securities market. I have built the below system of survey questionnaire for my research. Please answer following questions. I hereby declare that all your ideas and information shall be confidential and only for purpose of my research.

Personal information

| | | | | |
|------------------------|----------|--------------------------|---------------|--------------------------|
| Full name (optional) | | | | |
| Sex | Male | <input type="checkbox"/> | Female | <input type="checkbox"/> |
| Age | Under 25 | <input type="checkbox"/> | 36-45 | <input type="checkbox"/> |
| | 26-35 | <input type="checkbox"/> | 46-55 | <input type="checkbox"/> |
| Educational background | College | <input type="checkbox"/> | Post-graduate | <input type="checkbox"/> |
| | Graduate | <input type="checkbox"/> | Other | <input type="checkbox"/> |

I. For financial statement of company A. Company operates in the technological field

Par value of share: 20.5, the accounting value: 15.3, and P/E: 88.

The Balance sheet of Company A

Unit: VND

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|------------------------------|------------------------|------------------------|
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| Total assets | 938,846,653.538 | 648,914,326.696 |
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| Short-term liabilities | 651,508,361.897 | 375,931,281.906 |
| Long-term liabilities | - | - |
| Owner's equity | 287,338.291.641 | 272,983,044.790 |
| <i>Total source of funds</i> | 938,846,653.538 | 648,914,326.696 |

The Income Statement of Company A

Unit: VND

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|-------------------------------------|-------------------|-------------------|
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| Profit before tax | 18,752,530.902 | 5,058,207.155 |
| Profit after Corporate Income Tax | 14,587,065.032 | 3,940,651.529 |
| Earnings per share | 646 | 175 |



The cash flow statement

| Items | Year N | Year N-1 |
|---|-------------------------|--------------------------|
| Cash flow from operating activities | | |
| Receivables from customers | 3,656,754,659.182 | 2,644,453,471.933 |
| Advanced payments to suppliers | (3,604,417,293.075) | (2,654,346,407.940) |
| Payables to employees | (118,127,151.246) | (82,043,800.645) |
| Paid interests | (7,411,254.068) | (1,849,698.515) |
| Paid Income Tax | (755,827.429) | (327,349.993) |
| Other proceeds from operating activities | 13,662,927.138 | 21,771,079.953 |
| Other payments from operating activities | (28,516,052.458) | (28,129,808.992) |
| Net cash flow from operating activities | (88,809,991.956) | (100,472,514.199) |
| Cash flow from investing activities | | |
| Acquisition and construction of fixed assets and other non-current assets | (51,950,933.333) | (36,002,545.941) |
| Proceeds from disposal of fixed assets and other non-current assets | 3,516,914.906 | 800,000.000 |
| Deposit with term over 3 months | (6,467,691.692) | (24,030,666.666) |
| With drawal of deposit with term over 3 months | 25,698,358.358 | 15,500,000.000 |
| Proceeds from deposit | 1,954,764.428 | 2,372,139.698 |
| Net cash flows from investing activities | (27,248,587.333) | (41,361,072.909) |
| Cash flow from financing activities | | |
| Proceeds from share issuance, capital contribution | | 30,048,766.947 |
| Capital redemption and payments for purchase of treasury shares | (150,000.000) | (70,000.000) |
| Drawdown of borrowings | 646,463,614.412 | 278,851,104.627 |
| Repayments of borrowings | (469,894,637.459) | (208,694,150.529) |
| Dividends paid to shareholders | (17,768,918.350) | |
| Expenses of payment of common share issuance | (81,818.181) | |
| Net cash flow from financing activities | 158,568,240.422 | 100,135,721.045 |

Questions:

1. If you are a lender, should you offer the loan to the company for a period of one to two years? (1: Totally disagree to 5: Totally agree)

1 2 3 4 5

2. If you are a lender, should you offer the loan to the company for a period of five to seven years? (1: Totally disagree to 5: Totally agree)

1 2 3 4 5

II. For financial statement of company B. Company operates in the material field..

Par value of share of the year N: 11.3, the accounting value: 12.8, P/E: (20)

The Balance sheet of Company B

Unit: VND



| Items | Year N | Year N-1 |
|---------------------------|-------------------|-------------------|
| Assets | | |
| Current assets | 982,213,215.489 | 1,395,237,010.656 |
| Cash and cash equivalents | 187,437,538.246 | 128,624,328.196 |
| Other current assets | 794,775,677.243 | 1,266,612,682.460 |
| Long-term assets | 766,171,221.938 | 874,562,199.473 |
| Fixed assets | 605,018,101.623 | 702,739,594.803 |
| Other long-term assets | 161,153,120.315 | 171,822,604.670 |
| Total assets | 1,748,384,437.427 | 2,269,799,210.129 |
| Source of funds | | |
| Liabilities | 1,145,120,842.076 | 1,614,637,737.188 |
| Short-term liabilities | 1,145,120,842.076 | 1,529,496,917.223 |
| Long-term liabilities | - | 85,140,819,965 |
| Owner's equity | 603.263.595.351 | 655,161,472.941 |
| Total source of funds | 1,748,384,437,427 | 2,269,799,210.129 |

The Income Statement of Company B

Unit: VND

| Items | Year N | Year N-1 |
|-------------------------------------|-------------------|-------------------|
| Net revenue | 3,102,704.319.115 | 3,763,246,697.233 |
| Cost of goods sold | 2,946,376,838.639 | 3,513,835,715.883 |
| Gross profit | 156,327,480.476 | 249,410,981.350 |
| Sales expenses | 53,893,187.909 | 67,254,942.286 |
| General and administrative expenses | 74,177,065.721 | 56,760,173.601 |
| Operating income | (50,162,533.274) | 19,826,145.977 |
| Other profit | (1,735,34.316) | 3,877,204.674 |
| Profit before tax | (51,897,877.590) | 23,703,350.651 |
| Profit after Corporate Income Tax | (51,897,877.590) | 23,703,350.651 |
| Earnings per share | (1.054) | 482 |

The cash flow statement of the Company

| Items | Year N | Year N-1 |
|---|-------------------------|------------------------|
| Cash flow from operating activities | | |
| Profit after tax | (51,897,877.590) | 23,703,350.651 |
| Adjustments for | | |
| - Depreciation of fixed assets | 97,567,203.761 | 98,961,475.544 |
| - Provisions | 26,497,565.475 | 691,401.933 |
| - Unrealised foreign exchange gain/ (loss) | 141,905.319 | 127,613.896 |
| - Gain (loss) from investing activities | (569,932.877) | (1,201,943.988) |
| - Interest expenses | 150,073,694.443 | 103,216,277.625 |
| Profit from operating activities before changes in working capital | 150,073,694.443 | 225,498,175.661 |
| - Adjustment of account receivables | 39,842,240.696 | (84,711,591.713) |
| - Adjustment of inventory | 406,087,136.512 | 51,641,969.537 |
| - Adjustment of account payables | 16,457,045.342 | (22,966,312.389) |
| - Adjustment of prepaid expenses | 10,058,911.494 | 8,872,953.872 |
| - Paid interests | (80,268,443.188) | (105,627,502.672) |



| | | |
|--|--------------------------|--------------------------|
| - Paid Corporate Income Tax | - | - |
| - Other proceeds from operating activities | - | 1,253,680.228 |
| - Other payments from operating activities | (210,500.000) | (1,367,986.000) |
| Cash flow from operating activities | 542,040,085.299 | 72,593,386.524 |
| Cash flow from investing activities | | |
| 1. Acquisition and construction of fixed assets and other non-current assets | (193,159.113) | (200,660.136) |
| 2. Proceeds from disposal of fixed assets and other non-current assets | | 1,863,862.700 |
| 3. Cash recovered from investments in other entities | | 617,490.000 |
| 4. Interests, dividends and profits received | 558,851.767 | 2,155,346.210 |
| Net cash flow from investing activities | 365,692.654 | 4,436,038.774 |
| Cash flow from financing activities | | |
| 1. Proceeds from borrowings | 2,691,988,666.907 | 3,713,644,747.179 |
| 2. Repayments of borrowings | (3,175,582,927.266) | (4,009,281,159.241) |
| Cash flow from financing activities | (483,594,260.359) | (295,636,412.062) |

Questions:

1. If you are a lender, should you offer the loan to the company for a period of one to two years? (1: Totally disagree to 5: Totally agree)

1 2 3 4 5

2. If you are a lender, should you offer the loan to the company for a period of five to seven years? (1: Totally disagree to 5: Totally agree)

1 2 3 4 5

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