

# Example of report on in comparison of the cash flow statement of two football clu...

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## **Analysis of Cash Flow Statement**

### Cash Flow From Operating Activities:

#### i) Richmond Football Club:

The operating cash inflow for the company during 2012 was \$3451373 with an increase of 20.54% compared to 2011. The increase was attributed primarily to increase in earnings from operations of the company during the year that included receipts from football operations which stood at \$14296030, Receipts from market Operations which amounted to \$19404901 and finally receipts from Gaming and Other Social Operations that amounted to \$3774743. However, a substantial decrease in contribution from Jack Dyer Foundation Group and Interest received, offset some percentage of increase in operating cash flows for the company. However, the expanded operations helped the company in ending with increased net cash inflow.

#### ii) Port Adelaide Football Club:

The operating cash flow for the company during 2012 was \$175430 with a decrease of 80.42% compared to 2011. Without any doubts, the year of 2012 was a mere financial disaster for the company as though it managed to increase its earnings from members and sponsors by 3.84% from 2011, but a 50.41% decrease in grants received and a 27.87% decrease in interest received were the major contributors to the decrease in earnings from operations during 2012.

## **Cash Flow from Investing Activities:**

i) Richmond Football Club:

Investing Cash Outflow for the company during 2012 was \$(1871702) with a decrease of 72.66% compared to 2011. This substantial fall in investing cash outflow was attributed to decrease in cash outflow for the purchase of property, plant and equipment during the year which was 77.91% less as compared to purchases in 2011.

ii) Port Adelaide Football Club:

Investing Cash Outflow for the company during 2012 was \$(303842) with a decrease in cash outflow of 44.78% compared to 2011. However, as like operating cash flow of the company was not healthy, so is the investing cash flow because the decrease in cash outflow was primarily attributed to cash inflow from the sale of land and buildings amounting to \$290000.

## **Cash Flow from Financing Activities:**

i) Richmond Football Club:

Cash outflow from Financing Activities for the company amounted to \$1530000 with an increase of 53% compared to 2011. The increase in cash inflow was attributed to cash outflow relating to commercial bills whilst the proceeds from commercial bill stood same at \$1000000.

ii) Port Adelaide Football Club:

Cash outflow for the company amounted to \$(218504) recording a decrease of 69.42% compared to 2011. However, even this component of cash flow statement reveals ill financial health of Port Adelaide Football Club. The decrease in cash outflow was assisted with cash inflow from borrowings

executed by the company during 2012 amounting to \$90387. The decision of the club to execute borrowings even when its financial health is not good as analysed through the components of its cash flow statements is not justifiable.

## **Cash Position:**

### **i) Richmond Football Club:**

At the summary of its Cash Flow Statement, the cash held by the company at the end of 2012 was \$2679468 with 1.88% increase in cash position as compared to 2011. The increase was evident with increased operations of the company and also well managed investing and financing cash flow activities. The cash position of the company reveals some interesting facts that during the year 2011, company experienced net decrease of cash by \$(5105247) and during 2012, the increased operations and efficient management of the company helped in providing net increase in cash inflow of \$49671.

### **ii) Port Adelaide Football Club:**

At the summary of Cash Flow Statement, the cash held by the company at the end of the year was \$189827 showing decrease in liquidity position by as compared to 2011. The shortfall in cash position was attributed to substantial decrease in receipts of grants. Though the company received proceeds from sale of land and building but the funds must have been channelised to support ongoing operations of the club, ending the financial year of 2012 with 64.63% less cash reserves compared to 2011.

## **Consolidated Summary:**

The consolidated summary evidently proves that Richmond Football Club is large in its operations and is also a much financially stable entity . Company despite a huge cash shortfall during 2011, managed to improve its liquidity position and othe financial aspects. The operating cash flow increased by 20.54% solely on the basis of its improved operations.

On the contrary, Port Adelaide Football Club is going through financial crisis with deteriorated operating cash flows during 2012 and poor liquidity and increased borrowings. Also other components of cash flow statements proves that the company is not going through a good financial status. Company managed to decrease its cash outflow from investing activities in regard to proceeds from sale of land and building.

Thus, the decision making process should be favored for Richman Football Club as the company have sound financial status and better managed operations along with effective management with the proven ability to come out of financial crisis.

## **References:**

Richmond Football Club (2012) Richman Football Club Concise Financial Report, Melbourne: Richmond Football Club.

Port Adelaide Football Club (2012) Port Adelaide Football Club 2012 Annual Report, Adelaide: Port Adelaide Football Club Limited.