



# Six Blocks – Structure

---

## Block 1 – Adjust Net Profit

(from Income Statement)

Write:

Net profit after tax (NPAT)  
+ Financial expenses (if any)  
= Net Operating Profit After Taxes (NOPAT)

---

## Block 2 – Add Non-cash Expenses

(These do NOT affect cash)

+ Depreciation  
+ Amortization  
+ Loss on sale of fixed assets  
- Gain on sale of fixed assets  
= Cash Operating Profit After Tax (COPAT)

---

## Block 3 – Net Change in Working Capital

(Compare current assets & current liabilities between years)

Rules:

- Increase in **current assets** → (-)
- Decrease in **current assets** → (+)
- Increase in **current liabilities** → (+)
- Decrease in **current liabilities** → (-)

Format:

-/+ Change in receivables  
-/+ Change in inventory  
-/+ Change in payables  
= Cash After Core Operations (CACO)

---

## Block 4 – Financing Used for Operations

- Interest paid (financial charges)  
= Cash Before Long-Term Use (CBLTU)

(If there is no interest → skip it)

---

## **Block 5 – Investing Activities (Capital Expenditure)**

(Changes in fixed assets)

Formula to calculate cash paid for fixed assets:

Net change in fixed assets = ( $\Delta$  Net fixed assets) + Depreciation

Always shown as **cash outflow (-)**

- Net change in fixed assets  
= Cash Before Financing (CBF)

---

## **Block 6 – External Financing**

(Deals with shareholders and long-term funding)

Items:

- + Loans received
- - Loan repayment
- + Issue of stock
- - Dividends paid

Formula to compute dividends if not given:

Dividends = Beginning Retained Earnings + Net profit – Ending Retained Earnings

Format:

-/+ Change in loans  
- Dividends paid  
= Net increase (decrease) in cash

---

## **Final Step – Reconcile Cash**

Beginning cash balance  
+ Net change in cash  
= Ending cash balance

---

## **Quick Memory Hint**

**Block 1 → Profit**

**Block 2 → Non-cash**

**Block 3 → Working capital**

**Block 4 → Interest (financing for operations)**

**Block 5 → Fixed assets (investing)**

**Block 6 → Dividends & loans (external financing)**