

MEASURING THE PERFORMANCE THROUGH CASH FLOW RATIOS - A STUDY ON CMC

Somnath Das

Assistant Professor, Department of Commerce, Rabindra Mahavidyalaya, Champadanga, Hooghly, West Bengal, India.

Email: somnath211@yahoo.co.in

Abstract

Cash flow ratios of a company help its financial users to get relevant information regarding its financial resources for a given period. Cash flow ratios are now being randomly used by the researchers, rather than traditional ratios. It is more effective and justified. Cash flow-based ratios are especially surprising. This is because they do not only play a significant role in the credit rating of evaluation, but also forecast the failure of a corporation. In this study, we considered the company CMC for analysis. From the study, it is clear that the liquidity and solvency position of the company is moderate, whereas the company maintained low profitability. On the other hand, the efficiency ratios and sufficiency ratios the study gives us provide a new look of financial judgement.

Keywords: Liquidity, Solvency, Profitability, Efficiency, Sufficiency Ratios

INTRODUCTION

Cash flow ratios mean those ratios which are computed from information of cash flow statement as per AS-3. Cash flow statement helps us to know the relevant information of inflow and outflow of financial resources (Rose, 2007). We all know that cash flow statement provide us information of operating activity, activity of investment in business and financial activity (Macve, 1997).

The ratios which we frequently use for measuring the performance are not free from limitations. One of the examples of such traditional ratios is return on assets. In this ratio, we incorporate the information which is prepared on accrual basis of accounting (Albrecht, 2003). On the other hand, cash flow ratios are computed so scientifically that it can be used for measuring performance of the organisation in competitive environment or in emerging economy (Pereiro, 2002).

Generally, financial ratios are computed for not only measuring the performance of the organisation but also to protect fraud, falsification etc. Therefore, financial ratios can be identified as a significant tool to detect the loopholes of the organisation from accounting perspective (Wells, 2005; Albert, 2003).

In liquidity analysis, cash flow ratios are more preferable rather than traditional ratios computed from income statement or balance sheet, because information of balance sheet are static in nature and income statement considers non-cash

expenses like depreciation or amortisation (Albrecht, 2003).

In credit rating, cash flow ratios are successfully and prominently used by the users like bondholders etc. to ascertain risk in their investment (Paterson & Drake, 1999). Cash flow ratios are also used in measuring the corporate failure of the organisation. It does not mean that traditional ratios are irrelevant. Traditional ratios are also very significant (Macve, 1997).

In practice, auditors are bound to use the information stated in income statement and balance sheet (Epstein & Jermakowicz, 2007) rather than cash flow information. They highly depend on current and quick ratio (McClure, 2008) rather than cash flow ratios.

Sometime it is observed that the business has negative cash flows. In such situation, it is not possible for a business to pay off its current debts. So, cash flow data with traditional ratios provide a better picture of the concern (Carslaw & Mills, 1991). Till now the cash flow ratios are not so much popular though cash flow statement as per AS-3 is mandatory. Educators and researchers are not giving too much importance to cash flow ratios. They are giving emphasis on traditional ratios like current ratio (Bodie, Kane, & Marcus, 2004).

Cash flow ratios play a vital role in capital market, share market, mutual funds etc. Hence, many investors, creditors, stakeholders of various business units support, use and appreciate cash flow ratios in addition to traditional ratios.

LITERATURE REVIEW

Many scholars (Barth, Cram & Nelson 2001; Stammerjohan & Nassiripour 2000/2001) applied a moderate model of time series in a bid to account for the relationship between future cash flows and accrual accounting of a firm. After the study, they reached a decision that individual aspect of accrual accounting of the earnings provided different information as regards the future projections of the cash flows of a firm.

In contrast, Stammerjohan and Nassiripour (2000/ 2001) made a research study on cash flow ratios in 2000. They opined that total accruals and cash flows are correlated and they helped to forecast future cash flows.

Ahmed, Billings, Morton, and Stanford-Harris (2002) made a study on evaluation of credit worthiness. In their study, they used operating cash flows to measure the credit worthiness. Cash flows are prepared in such a way that it can evaluate the financial position of the business.

Jones (1997) made a study on financial statement. The objective of the study was to assess what information of financial statement could be prime important for interested parties like investors, managers, and creditors. He found that the response of creditors is higher than that of managers and investors in order to reach sustainable decision.

DeFond and Hung (2003) conducted a study on future performance of a company. They opined that the analysts have tendency to forecasts on operating cash flows when earnings per share could not prove reliable for evaluating the future of the organisation. So, in volatile earnings and in poor financial health, it is necessary to assess cash flows.

From the findings of many studies, it is observed that the quality with which a firm is operating in a given economy tends to greatly affect the valuation of such companies. Tobin's Q is one of the indicators for measurement (Gompers, Ishii, & Metrick, 2003; Bebhuk & Cohen, 2005; Cremers & Nair, 2005). These studies emphasise the connection of cash flow ratios with the valuation of a firm.

According to Rose (2007), cash flow is considered as a useful tool through which we can easily understand the sources and application of cash (as avital resources). Therefore, management of cash is of great importance.

Atieh (2014) made a study to examine the liquidity position of the Jordanian pharmaceutical sector using the traditional ratios as compared to the cash flow ratios. He collected data for a period from 2007 to 2012 i.e. six years in this study. He found that the decisions taken on the basis of traditional liquidity ratios sometime may be misleading. He also opined that the traditional ratios must be compared with cash flow ratios before reaching any conclusion of the liquidity position of the organisation.

RESEARCH GAP

As per Giacomino and Mielke (1993), cash flow ratios are used as benchmark of the companies in regard to their performance. These ratios are of two types, efficiency ratios and sufficiency ratios. In other studies, two or three ratios are used, but in this study, we used efficiency ratios, sufficiency ratios along with liquidity ratio, solvency ratios, and profitability ratios.

OBJECTIVES OF THE STUDY

Cash flow ratio analysis is not a simple procedure. For determining cash flow ratios, we have to consider the nature and type of business as well as the judgement of the manager. Cash flow ratio analysis is, to some extent, risk analysis. Traditional methods of ratio analysis are not feasible for decision making. The traditional methods of financial analysis that the companies are using for a long term to judge their financial performance are faced by a number of drawbacks.

More specifically, the objectives of the study are as under:

- 1) To measure the different efficiency ratios from five different sectors,
- 2) To measure the different sufficiency ratios from five different sectors,
- 3) To measure the performance of the selected companies from five different sectors,
- 4) To measure the relationship between CFO and CR, ITR, DTR and ICR, and
- 5) To judge the influence of RONW, size of the organisation, and shareholders' fund on CFO.

DATA & SAMPLE DESIGN

The data of CMC Ltd. for the period from 2004 to 2016 used in this study have been taken from the secondary sources i.e. Capitaline Corporate Database of Capital Market Publishers (I) Ltd. Mumbai. The data have been selected on the basis of purposive sample.

METHODOLOGY OF THE STUDY

From the past studies, it is clear that the measurement of performance through conventional ratios is no longer feasible in the competitive environment. In this study, we used liquidity ratio, solvency ratio, and profitability ratios by using cash flow from operating activity.

1. **Liquidity Ratio:** Liquidity ratio can be constructed by dividing the operating cash flow by current liability. It can be used in exchange of current liability.

$$\text{Liquidity Ratio} = \frac{\text{Operating Cash Flow}}{\text{Current Liability}}$$

This ratio allows us to tell if a business is generating enough cash from operations to meet these liabilities. Higher the ratio, better the liquidity position of the company.

- 2. Solvency Ratio:** It is the ratio of cash flow from operating activity to total liabilities. Company's ability to cover its total debt from its operating cash flows is tested by this ratio. The formula of this ratio is

$$\text{Solvency Ratio} = \frac{\text{Operating Cash Flow}}{\text{Total Liabilities}}$$

The higher the percentage of the ratio, better the company's ability to carry its total debts.

- 3. Solvency Ratio:** It is the ratio of sum of cash flow from operating activity and interest paid to interest paid. With this ratio, it is judged how quickly a company pays its interest on outstanding debts. The formula of this ratio is

$$\text{Solvency Ratio} = \frac{\text{Operating Cash Flow} + \text{Interest}}{\text{Interest}}$$

It measures the margin of safety a company has for paying interest as well as financial strength of the company. Lower the solvency ratio, poorer the capacity of the organisation to its financial burden.

- 4. Profitability Ratio:** This ratio is computed by dividing the operating cash flow to total revenue. This ratio gives an idea of the company's ability to turn sales into cash. The formula of this ratio is

$$\text{Profitability Ratio} = \frac{\text{Operating Cash Flow}}{\text{Total Revenue}}$$

Greater the amount of operating cash flow, the better the position of the organisation. There is no standard guideline for the cash flow margin.

- 5. Profitability Ratio:** It is the ratio of operating cash flow to net income. Instead of P/E ratio we can use this ratio. The formula of this ratio is

$$\text{Profitability Ratio} = \frac{\text{Operating Cash Flow}}{\text{Net Income}}$$

In other words, a higher ratio means that the firm's earnings are of a higher quality. If this ratio remains below one for an extended period of time, it could be an indication that the company needs to raise money to fund its operations.

In this research study, we also used two special types of ratios. They are efficiency ratios and sufficiency ratios.

- 1. Efficiency Ratios:** Efficiency ratios can be defined as a standard of measurement for the quality of a particular businesses' receivables and the efficiency by which that business utilises its assets. In this study, we used three efficiency ratios which are cash flow to sales ratio, operations index ratio, and cash flow returns on assets.

- a) Cash Flow to Sales Ratio:** This ratio gives the cash flow as a percentage of the sales ratio. Here, we used cash flow from operating activity. Other two elements such as cash flow from investing activity and cash flow from financing activity are not considered in this study. Here, sales mean net sales. With the help of following formula, we can compute the said ratio.

$$\text{Cash Flow to Sales ratio} = \frac{\text{Operating Cash Flow}}{\text{Net Sales Revenue}}$$

From this ratio, we can easily determine the company's ability to earn money from its net operation.

- b) Operations Index:** This ratio is computed by dividing the operating cash flow to operating profit before income tax. The formula for the ratio is given below:

$$\text{Operations Index} = \frac{\text{Operating Cash Flow}}{\text{Operating Profit before Income Tax}}$$

This ratio highlights the changes in working capital which will affect the earnings of the organisation.

- c) Cash Flow Returns on Assets:** The formula displays the amount of cash that a company is generating in proportion to its asset. The formula of this ratio is given below:

$$\text{Cash Flow Return on Assets} = \frac{\text{Operating Cash Flow}}{\text{Total Assets}}$$

The indication of the cash flow return on assets allows us to assess the company's business decisions regarding capitalisation.

- 2. Sufficiency Ratio:** The ratio which measures the company's financial strength for meeting fixed financial charges is known as sufficiency ratio. Such fixed financial charges are payment of the company's long term debts, acquisition of assets and the payment of share holders' dividends etc.

These ratios are:

- a) Long Term Debt Payment:** This ratio measures the company's ability to pay off its long term debts. The formula of this ratio is

$$\text{Long Term Debt Repayment} = \frac{\text{Long Term Debt Payments}}{\text{Operating Cash Flow}}$$

Greater the ratio deemed from the above calculation, it is concluded that the company has the capacity to withstand the possibility.

- b) Dividend Pay-out:** It is the ratio of dividend per share and earnings per share. This ratio measures how the company paying back the company's profit to shareholders through dividends.

$$\text{Dividend Pay-out Ratio} = \frac{\text{Dividends per Share}}{\text{Earnings per Share}}$$

The ratio used by investors to determine if the company will generate a return on their investments for long term duration.

- c) Cash Flow Adequacy Ratio:** This ratio measures how sufficiently a company meets its current commitments, particularly in the area of asset acquisition, payment of dividend, and payment of financial obligations. The formula is shown below:

$$\text{Cash Flow Adequacy Ratio} = \frac{\text{Operating Cash Flow}}{\text{Fixed Assets Long-term Debt paid} + \text{Cash Dividend}}$$

From past experience, a ratio exceeding the value of 1 indicates that the company has good financial health, while a ratio less than 1 might indicate that the company has liquidity problems.

- d) Reinvestment Ratio:** This ratio tells us that how quickly the company ploughing back its cash in business. The formula is

$$\text{Reinvestment Ratio} = \frac{\text{Inc. in fixed assts.} + \text{Inc. in WC}}{\text{Net income} + \text{Non cash Exp.} - \text{Non cash sales} - \text{Div}}$$

- e) Depreciation – Amortisation Ratio:** This ratio depicts the real state of the profitability of the company.

$$\text{Depreciation – Amortisation Ratio} = \frac{\text{Depreciation expenses} + \text{Amortisation Expenses}}{\text{Operating Cash Flow}}$$

- f) Debt Coverage Ratio:** This ratio measures the capability of the company to pay the annual interest and principal

on its debt. It is important for those companies who practically depend upon only debts. This ratio is the least analysed one, as most of the companies did not have this component.

$$\text{Debt Coverage Ratio} = \frac{\text{Total Operating Income}}{\text{Total Debt Service}}$$

In this research work, we established the relationship between cash flow from operations (CFO), current ratio (CR), inventory turnover ratio (ITR), debtors turnover ratio (DTR), and interest coverage ratio (ICR).

Profitability, size of the organisation, and cumulative profitability can influence the cash flow from operations of the organisation. In this study, profitability has been measured by return on net worth (RONW), size of the organisation has been represented through the amount equal to the log value of total assets. Shareholders fund has been selected in this study as cumulative profitability which consists of equity share capital and reserve surpluses. We used the log value for getting the continuously compounded relation or growth of companies' assets and shareholders' fund.

For analysing the data, statistical tools like arithmetic mean, standard deviation coefficient of variation etc. have been applied at appropriate places. We collected data for 13 years, so the chance of multicollinearity and heteroscedasticity is not present in the data.

FINDINGS OF THE STUDY

From Table 1 (see Appendix), it is found that the ratio between cash flow from operating activity and current liabilities of CMC is highest (0.828) in the last year of our study period i.e. 2013 and lowest (-0.062) in the starting year of our study period i.e. 2004. On an average, the value comes to be 0.380, whereas its SD is 0.355 and COV is 93.593. It implies that throughout the study period, CMC maintained a low and volatile liquidity ratio which is not at all desirable for the organisation.

The ratio between cash flow from operating activity and total liabilities of CMC is highest (0.27) in the year 2009 and lowest (-0.078) in the year 2004. On an average, it is 0.126, whereas its SD is 0.122 and COV is 96.779. It implies that throughout the study period, CMC maintained a low volatile solvency ratio and which is not consistent throughout the study period.

The solvency ratio i.e. the ratio between cash flow from operating activity plus interest expenses to interest expenses of CMC is highest (88.38) in the year 2010 and lowest (-4.78) in the year 2005. On an average, it is 34.579, whereas its SD is 30.925 and COV is 89.434. It implies that during the first half of the study period, the company maintained a low and

sometimes negative solvency ratio, but during the second half of the study period, the company maintained high ratio. The volatility of the ratio is low, but from consistency point of view, it is quite inconsistent.

From Table 1, it is found that the profitability ratio i.e. the ratio between cash flow from operating activity and total revenue of CMC is highest (0.216) in the end of our study period i.e. 2016 and lowest (-0.019) in the starting year of our study period i.e. 2004. On an average, it is 0.106. It shows poor investment qualities of the organisation. Its SD is 0.099 and its COV is 93.29. It implies that the volatility in the ratio is very negligible, but the ratios are quite inconsistent throughout the study period.

The profitability ratio of CMC is highest (0.225) in the last year of our study period i.e. 2016 and lowest (-0.02) in the starting of our study period i.e. 2004. On an average, it is 0.109. It implies the poor earning capability of the concern. Its SD is 0.102 and its COV is 93.57. It signifies that such ratio is less volatile but very inconsistent.

From Table 1, it is observed that the cash flow to sales ratio of CMC is highest (0.22) in the year 2016 and lowest (-0.02) in the year 2004. On an average, it is 0.109. It implies that the company's investment decisions as well as management's decisions relating to variable cost are not at all significant. Its SD is 0.102 and its COV is 93.57. It signifies that the ratio is less volatile and inconsistent throughout the study period.

The operations index ratio i.e. the ratio between cash flow from operating activity and operating profit before tax of CMC is highest (1.734) in the year 2009 and lowest (-0.217) in the year 2004. Negative cash flow ratio is probably due to negative cash flow from operating activity. On an average, it is 0.616. It depicts the failure of the company for taking quality business decisions. We can also say that the accounting policies and standards adopted by the company are not at all impressive. Its SD is 0.569 and COV is 92.39. It implies the low volatility and high inconsistency in the ratio.

From Table 1, it is found that the cash flow returns on assets ratio i.e. the ratio between cash flow from operating activity to total assets of CMC is highest (0.272) in the year 2009 and lowest (-0.039) in the year 2004. On an average, it is 0.122. It signifies the poor business decision regarding capitalisation. We can say the efficiency or productivity of the company is not at all impressive. Its SD is 0.11 and COV is 91.105. It implies the low volatility but the ratios are inconsistent.

The long term debt payment ratio i.e. the ratio of long term debt payment to cash flow from operating activity of CMC is highest (29.15) in the year 2006 and lowest (-4.62) in the year 2005. On an average, it is 3.65. It signifies the poor debt management of the organisation. It enhances the debt forfeiture of the organisation. This reason may insist the

organisation to take more current debts for the safety of the organisation. Its SD is 9.72 and COV is 266.36. The ratio is volatile and very inconsistent.

From Table 1, it is found that the dividend pay-out ratio i.e. the ratio between dividend per share to earnings per share of CMC is highest (0.345) in the year 2013 and lowest (0.164) in the year 2005. On an average, it is 0.22. It signifies the company is able to generate a return on their investment for long run. It helps the company to increase the stock price in the market. Its SD is 0.056 and COV is 24.78. It implies that the volatility in the ratio is low and the company is quite consistently maintained the ratio during the study period.

The cash flow adequacy ratio of CMC is highest (1.737) in the year 2009 and lowest (-0.121) in the year 2004. On an average, it is 0.724. It signifies poor financial health of the company. The liquidity problem of the organisation is also exists during the study period. Its SD is 0.665 and COV is 91.88. It portrays the low volatility and high inconsistency in the ratio over the study period.

From Table 1, it is observed that the reinvestment ratio of CMC is highest (0.909) in the year 2011 and lowest (-0.684) in the year 2009. On an average, it is 0.187. It signifies that the reinvestment in business is poor during the study period. It also depicts the poor management decision on the part of the organisation regarding its reinvestment. Its SD is 0.474 and COV is 252.90. It implies the lower volatility in the ratio. It also depicts high inconsistency presents in the ratio during the study period.

From Table 1, it is found that the depreciation-amortisation expenses ratio of CMC is highest (3.859) in the year 2006 and lowest (-0.725) in the year 2005. On an average, it is 0.439. This ratio is too large. Normal limit of the ratio is 0.05. Hence, the ratio signifies the financial inefficiency of the company. So, steps should be taken immediately to protect wearing of capital. Its SD is 1.256 and COV is 286.09. It implies that the volatility in the ratio is low, but high inconsistency presents in the ratio.

The debt coverage ratio of CMC is highest (55.68) in the year 2009 and lowest (9.49) in the year 2007. On an average, it is 22.34. It depicts that the company successfully covered the financial obligation. We can say that the company adequately managed its assets to cover the payments and the operating expenditures. Its SD is 12.141 and COV is 54.35. It implies that the volatility and inconsistency in the ratio throughout the study period.

Table 2 (see Appendix) depicts that the correlation coefficients between CFO and CR in CMC is 0.828 which is significant at 1% level. It implies the positive association between CFO and CR. Generally, a negative relationship is observed. The table shows that the correlation coefficient between CFO

and ITR in CMC is 0.566. It implies the positive association between CFO and ITR. Table 2 exhibits that the correlation coefficient between CFO and DTR in CMC is 0.673, which is statistically significant at 5% level. The table shows that the correlation coefficient between CFO and ICR in CMC is 0.533. It implies the positive association between CFO and ICR.

In Table 3 (see Appendix), an attempt has been made to assess the influence of profitability, size of the organisation, and cumulative profitability on cash flow from operating activity (CFO). In this study, return on net worth (RONW) has been taken as the measure of owners' profitability, log value of total assets has been taken as the measure of the size of the organisation, and shareholders' fund has been taken as the measure of cumulative profitability. The linear regression equation fitted in this study is

$$\text{CFO} = a_0 + a_1 \text{RONW} + a_2 \text{Size of Org.} + a_3 \text{Shareholders' Fund,}$$

where, a_0 is the value of intercept term (constant) and a_1 , a_2 and a_3 are the slope of the line i.e. regression coefficient of CFO on RONW, size of the organisation, and shareholders' fund. This regression equation has been tested by 't' test.

Table 3 depicts that in case of IT sector, for one unit increase in RONW the CFO of CMC stepped down by 1.272 units. The table also shows that for one unit increase in the size of the organisation, the CFO of CMC stepped down by 964.37 units which is statistically significant at 5% level. From the table, it is found that for one unit increase in shareholders' fund, the CFO is increased by 992.45 units which is statistically significant at 1% level. It implies that the influence of RONW and size of the organisation on CFO is negative, but the influence of shareholders' fund on CFO is positive. The coefficient of determination (R^2) makes it clear that 89.5% of the variation of the company's CFO is accounted for the variation in RONW, size of the organisation and shareholders' Fund.

CONCLUSIONS

In order to strengthen corporate governance view point, the auditors and accountant help us by showing the red flags or fraud signals for unusual and unexpected happenings in financial statement. For this purpose, ratio analysis is an effective approach for evaluating the information relating to financial statement because it reduces the financial data to a set of interlinked information that highlight operations and the results of a company's cash management practices. In our study, we find out different cash flow ratios. From the results of the liquidity and solvency ratio, we can conclude that CMC maintained a moderate level of liquidity and solvency during the study period. From the profitability ratio, we can conclude that the on an average the ratio is very low and

below the standard. The company maintained its efficiency ratio very moderately. Sufficiency ratios of the organisation are good enough to restore its financial health.

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APPENDIX

Table 1: Cash Flow Ratios of CMC

Year	Liquidity Ratio	Solvency Ratio	Solvency Ratio	Profitability Ratio	Profitability Ratio	Cash Flow to Sales Ratio	Operations Index Ratio	Cash Flow Returns On Assets Ratio	Long Term Debt. Payment Ratio	Dividend Pay Out Ratio	Cash Flow Adequacy Ratio	Reinvest-Ment Ratio	Dep-Amort. Ratio	Debt Coverage Ratio
2004	-0.062	-0.078	-3.586	-0.01962	-0.0203	-0.0203	-0.2171	-0.0390	-2.418	0.1801	-0.1207	0.2375	-0.7243	20.3612
2005	-0.061	-0.034	-4.781	-0.01804	-0.01826	-0.0182	-0.1958	-0.0302	-4.624	0.1635	-0.0978	0.8525	-0.7252	11.8447
2006	0.012	0.005	1.583	0.002971	0.003039	0.0030	0.03454	0.0057	29.154	0.1736	0.0174	0.6862	3.8590	11.2884
2007	0.021	0.009	1.870	0.005068	0.005118	0.0051	0.12048	0.0085	20.584	0.3059	0.0276	0.3731	2.3073	9.49180
2008	0.100	0.047	6.761	0.027862	0.028849	0.0288	0.39777	0.0436	2.805	0.2985	0.1852	0.2513	0.3805	12.3570
2009	0.524	0.270	38.169	0.147959	0.148841	0.1488	1.73409	0.2720	0.120	0.1881	1.7373	-0.6844	0.0559	55.6818
2010	0.324	0.159	88.384	0.091819	0.093001	0.0930	0.77602	0.1512	0.318	0.188	0.7967	-0.0068	0.0865	33.7777
2011	0.263	0.105	34.024	0.078987	0.080907	0.0809	0.511993	0.1016	0.519	0.2155	0.4765	0.9094	0.1399	23.7811
2012	0.694	0.223	55.095	0.207582	0.213243	0.2132	1.00211	0.2215	0.221	0.2387	1.1932	-0.5057	0.0667	21.069
2013	0.827	0.2305	59.166	0.211874	0.216051	0.2160	0.98597	0.2082	0.177	0.3448	1.3664	0.0165	0.0588	26.0397
2014	0.799	0.234	59.544	0.215016	0.221599	0.2215	0.96487	0.2137	0.191	0.2093	1.3152	-0.18439	0.0618	23.5677
2015	0.767	0.232	58.573	0.213855	0.221664	0.2216	0.95368	0.2138	0.2243	0.2221	1.2860	0.24785	0.06942	20.1075
2016	0.730	0.233	54.721	0.216329	0.225077	0.2251	0.94301	0.2180	0.2110	0.2197	1.2253	0.24810	0.07418	21.0547
Avg.	0.380	0.126	34.579	0.106282	0.109141	0.1091	0.61688	0.1222	3.6527	0.2268	0.7237	0.1877	0.439304	22.3402
SD	0.355	0.122	30.925	0.099155	0.102128	0.1021	0.56995	0.1113	9.7294	0.0562	0.6649	0.4749	1.25680	12.1414
COV	93.593	96.779	89.434	93.29451	93.57465	93.574	92.3928	91.1049	266.361	24.7800	91.879	252.902	286.09	54.3477

Avg.- Arithmetic Mean, SD- Standard Deviation, COV- Coefficient of Variation.

Source: Compiled and computed from 'Capitaline Corporate Database' of Capital Market Publishers(I) Ltd., Mumbai

Table 2: Karl Pearson's Simple Correlation Analysis between CFO and CR, ITR, DTR and ICR of CMC

COMPANY	CFO & CR		CFO & ITR		CFO & DTR		CFO & ICR	
	(r)	't' Value	(r)	't' Value	(r)	't' Value	(r)	't' Value
CMC	0.828**	4.177	0.566	1.942	0.673*	2.574	0.533	1.782

Note: Figures in the parentheses indicates 't' values. *Correlation Coefficient is significant at 5% level(2 tailed). **Correlation Coefficient is significant at 5% level(2 tailed)

Source: Compiled and computed from 'Capitaline Corporate Database' of Capital Market Publishers (I) Ltd. Mumbai.

Table 3: Analysis of Multiple Regression of CFO on RONW, Size of Org. and shareholders' Fund of the Selected Companies of CMC
(Regression Equation is $CFO = a_0 + a_1RONW + a_2Size\ of\ Org. + a_3Shareholders'\ Fund$)

COMPANY	PARTIAL REGRESSION COEFFICIENT			CONSTANT	R^2_{ED2} (Adj R)
CONSTANT	RONW	SIZE OF THE ORGANISATION	SHAREHOLDERS' FUND		
CMC	-1.272 (-0.875)	-964.376 (-2.783)*	992.453 (3.657)**	110.915 (0.429)	0.895 (0.843)

Note: Figures in the parentheses indicate 't' values. * Correlation is significant at the 5 % level (2tailed).

**Correlation is significant at the 1% level (2tailed).

Source: Compiled and computed from 'Capitaline Corporate Database' of Capital Market Publishers (I) Ltd., Mumbai.