

The cash flow table as a tool for evaluating the financial situation and performance of the company: Practical study of NAFTAL Company Oran Distribution Department

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Abstract:

The objective of this study is to demonstrate the extent to which the cash flow statement can be considered as a tool for evaluating the financial situation and performance of the company. In order to answer the problem, we analyzed the cash flow table and the profitability of the NAFTAL company based on the flows of operational activities, investment activities and financing activities.

This approach has highlighted that the NAFTAL company is able to finance its investments through the activity of the operating cycle, the analysis of the profitability of the company has shown us an often negative situation which means that the expenses are too high compared to turnover.

Keywords: cash flow statement - financial position - performance – profitability.

Jel Classification Codes: M41,O16.

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1. Introduction

The company is organized following a rational plan, its objective is to maintain its financial stability over time. To achieve this objective, cash flow analysis is an essential tool in the study of the operating state of the entity, using accounting and financial information which plays a determining role in financial analysis subject.

Financial analysis has always occupied a privileged place. This analysis is carried out through the use of a set of tools among which we find cash management; this concerns the study of the company's cash flow by studying the Cash Flow Statement with the aim of highlighting its strong points and weak points in the face of environmental threats and opportunities. Indeed, the cash flow statement is a financing statement and one of the best financial management and financial analysis tools that make it possible to analyze the origin and variation of cash flow receipts and disbursements linked to all transactions. activities of the company and to control its financial situation and assist in decision-making within the latter.

Problematic:

All of these elements relating to cash flow statements and financial analysis lead to addressing the following issue:

- To what extent can the cash flow statement be an effective tool for evaluating the financial situation and performance of the company?

The following questions arise from this problem:

- The extent to which the flows generated by the activities of the cash flow table can be used to assess the financial performance of the company
- What is the role of the Cash Flow Chart as an analytical tool?
- What is the role of the Cash Flow Chart as a tool for assessing the financial performance of the company?

This study essentially aims to respond to the following hypotheses:

- The cash flow statement is a tool for evaluating the financial performance of the company;
- The cash flow statement is an instrument to support decision-making within the company.

Importance of the study:

The importance of the study lies in the position of the treasury flows table as a financial analysis tool as it provides information on cash changes that are not shown by the results account or the financial budget from assessing the cash flow situation of the institution during the period of operational, investment and financing activities and choosing the ability and efficiency of the institution to manage its financial needs, and it helps to make a rational decision and measure the ability to meet obligations.

Objectives of the study:

The study seeks to achieve the following objectives:

- Introducing the table of treasury flows and highlighting the financial dimension of this list as a means of decision-making and measuring the institution's ability to meet financial obligations;
- Highlighting the importance of the treasury flow table as a financial analysis tool on the ability and efficiency of the institution to manage its needs through the exploitation of operational, investment and financing activities.

Research Methodology

The descriptive approach was relied on in the theoretical aspect, while in the applied side, the analytical approach was relied on to support the theoretical study through a case study of the analysis of the treasury flow table and its role in evaluating the financial situation and performance of the company.

Themes of the study:

To respond to the research problem indicated, we plan to divide the theme into two phases corresponding to two complementary purposes. The first, theoretical, will consist of presenting the basic notions of the elements of the literature review necessary for the general understanding of our research object. As for the second phase, practical, it is based on an analysis of the cash flow table of the NAFTA company based on the flows of operational activities, investment activities and financing activities.

2. Literature review:

2.1- The conceptual framework of the cash flow table

2.1.1 Economic and financial information:

Information constitutes for the company a contribution as indispensable as raw materials, energy, machines, premises to accomplish its primary mission: to produce (A. DAVID and E. SUTTER 1985, page 03) .

the need for information in a company is obvious. in fact, what company does not regularly, if not continuously, feel the need to know what its competitors are doing, to conquer new markets and more abroad, to study new products, to improve the quality of its production, to lower its cost price, to follow the conditions of its own operating purchasing, sales, balance sheets, expenses, etc. (A. DAVID and E. SUTTER 1985, page 03).

The International Financial Reporting Standards (IFRS) suggest two options, namely the accrual basis and the cash basis of accounting. The importance of cash flows for the corporate existence of the firm cannot be overemphasized, it is akin to the life-preserving role which blood plays to living creatures, hence its crucial role in the decision-making process of users is of utmost importance (Takhtaei & Karimi, 2013, p 02).

Information also has value because it allows you to choose, make decisions and act. Its value is thus linked to its use in the context of decision-making. Economic and financial information and its processing are at the heart of the proper functioning of financial markets. Unfortunately financial scandals such as the Enron affair, (the origin of creative accounting) the Parmalat affair, and the Worldcom affair remind us that the reliability of published accounting and financial information is a crucial issue. These financial scandals focused investors' attention on the conditions under which accounting and financial information was produced and published. Furthermore, the international accounting landscape has been and for a long time marked by differences in terms of accounting philosophy and principles between countries. For both the company and the

international investor, these accounting differences constitute an obstacle to understanding financial information.

And, since financial markets have developed and companies have internationalized, it has become necessary to reduce these differences or even to eliminate them and to restore the credibility of financial information, after the disastrous events which took place. produced in the USA. It has also become necessary to standardize accounting on an international scale by seeking to promote rules that promote the best possible information for stakeholders by applying a single set of standards for all countries.

2.1.2 Cash flow statement presentation:

According to the financial accounting system (SCF) A cash flow table presents the cash inflows and outflows occurring during the financial year according to their origin, their aim is to provide users of financial statements with a basis for evaluating the ability of the entity to generate cash and cash equivalents, together with information on the use of these cash flows. In this context, financial analysis is the study of the inherent characteristics of a company, such as its business model, market share of products and services, operating decisions, investments, and financing, as well as the use of this information to obtain documented business and investment decisions (Wahlen et al., 2014,p2).

According to the international accounting standard IAS7 comes into effect for financial statements for financial years beginning on or after January 1, 1994. Users of a company's financial statements are interested in how the company generates and uses its cash or its cash equivalents. treasury, similarly users of financial statements are interested in how the group generates and uses cash. Indeed, financial statement users preferred a presentation based on cash flow rather than working capital. .According to the IASC, the cash flow statement has three main categories which assess the collection and disbursement of each of its components. The financial statement demonstrates the difference between liquidity and near-liquidity for the financial year in question by analyzing the cash flows associated with operating,

financing and investing activities (Gregory h, 2004, p192). Cash Flow Analysis is important because:

- financial obligations are paid with cash not profits,
- profitable activities do not always reflect the cash needed and vice versa positive cash flow is not always profitable,
- profit-generating companies can go immediately bankrupt due to inadequate cash for repayment of matured debt and
- a solvable company may not necessarily generate profit in the initial period of its operation so as to know its performance performed cash flow analysis (Leonie, 2005)

2.1.3 The direct and indirect cash flow statement method:

IAS 7 leaves the choice of the direct or indirect method for the presentation of operational cash flows, while encouraging companies to use the direct method.

1.3.1 Direct method:

It is so called because the table “directly” presents cash inflows and outflows including tax: customer collections, supplier payments, etc. This method reasons directly in monetary flows, which it groups into different categories of collections and disbursements. In addition, the direct method presents the main categories of cash inflows and outflows linked to operational activities from accounting records or by restating expenses and income from variations in working capital requirements, transactions with no effect on cash flow (e.g. : depreciation) or linked to investment flows and financing (Eric Tort, 2019, p10). According to the financial accounting system, the direct method which is recommended consists:

- To present the main gross cash inflow and outflow sections (customers, suppliers, taxes, etc.) in order to generate a net cash flow;
- To reconcile this net cash flow with the pre-tax profit for the period in question.

1.3.2 The indirect method:

The indirect method determines the operational cash flows from the result corrected for the aforementioned restatements: variation in working capital requirements, items with no effect on cash and linked to investment and financing activities. Also this method starts from net income to arrive at the change in cash from operating activities. According to this method, the net result is corrected (Bernard RAFFOURNIER, 2006, p16):

- Operations that are not of a monetary nature (allocations and reversals of depreciation and provisions, unrealized exchange differences, etc.);
- Any deferral or regularization of past or future cash receipts or disbursements linked to operations (variation in customer and supplier accounts and regularization accounts mainly);
- Expenses and revenues relating to investment or financing operations.

According to the financial accounting system, the indirect method consists of adjusting the net income for the year taking into account:

- The effects of transactions without influence on cash flow (depreciation, customer variations, inventories, supplier variations, etc.)
- Deferred tax delays or regularizations
- Cash flows linked to investment or financing activities (gains or losses - transfer values, etc.), these flows being presented separately.

2.2. The flows generated by the activities of the cash flow statement

The international accounting standard IAS 7 provides that the cash flow statement must present the cash flows (inflows and outflows of availability) occurring during the financial year and classified according to their origins (GREGORY H, 2004, p195), and they are featured in;

- Cash flows linked to operational activities (activities that generate revenue and other activities not linked to investment and financing);
- Cash flows linked to investment activities (disbursements on acquisition and collections on sale of long-term assets);
- Cash flows linked to financing activities (activities having the consequence of modifying the size and structure of equity or loans).

2.2.1 Cash flows generated by operational activities:

According to SCF, the flows generated by operational activities are the flows of activities that generate products and other activities not linked to investment and financing. Thus operational activities correspond to revenue-generating activities as well as those which do not belong to the other two categories. Cash flows classified in this category include money received from customers and money paid to suppliers, including internal service providers like employees. The group can use two presentation methods (Bachy B and Sion M, 2009, p 86):

- The direct method recommended by the IASB where the group presents the main types of cash inflows and outflows (customer receipts, supplier payments, etc.);
- The indirect method, in practice the most used according to which the net result is adjusted for transactions with no effect on cash (depreciation, provisions), delays or regularizations and elements of income or expenses linked to investment or financing flows .

The cash flows from operational activities cited by IAS7 are (GREGORY H, 2004, p195):

- Cash inflows from the sale of goods and the provision of services;
- Cash inflows from royalties, fees, commissions and other products;
- Cash outflows to suppliers of goods and services;
- Cash outflows to staff members or on their behalf;

- Cash inflows and outflows of an insurance company relating to premiums and losses, annuities and other benefits linked to insurance policies;
- Cash outflows or income tax refunds, unless they can be specifically associated with financing and investment activities;
- Cash inflows and outflows from contracts held for trading or trading purposes.

Cash flow analysis related to operational activities is important because it measures the amount of cash that the company has generated through the sale of its products and services. Interest paid on loans can be deducted from cash flows linked to operational activities because international standards authorize their inclusion in financing flows. If one wishes to compare the operating cash flows of several companies, it is then necessary to take into account these accounting differences (GREGORY H, 2004, p195).

2.2.2 Cash flows generated by financing activities:

Financing activities are those that result in changes in the size and composition of the company's equity and debt capital. Knowledge of cash flows linked to financing activities allows the forecasting of the amounts that capital providers will take from the company's future collections (Bernard RAFFOURNIER, 2006, p12).

The separate presentation of cash flows from financing activities is important because it is useful in preserving the future cash flows of the company expected by capital providers. Examples (Stéphan BRUN, 2005, p100):

- Acquisition and disposal of tangible, intangible and other long-term and financial assets (equity or debt instruments of other companies and participations in joint ventures)
- Cash advances and loans made to third parties and related reimbursements;
- Operations on derivative products (futures contracts, options contracts or swap contracts).

Another example cited by the SCF notes activities having the effect of modifying the size and structure of equity or borrowings.

2.2.3 Cash flow generated by investment activities:

the separate presentation of cash flows from investing activities is important because the cash flows indicate the extent to which expenditures have been made for the growth of resources intended to generate future income and cash flows. Among the examples of cash flows from investment activities cited by IAS7 are:

- Cash outflows made for the acquisition of tangible, intangible fixed assets and other long-term assets. These outflows include development costs recorded as assets and expenses linked to tangible fixed assets produced by the entity for itself;
- Cash inflows from the sale of tangible, intangible and other long-term assets;
- Cash outflows made for the acquisition of equity or debt instruments of other entities and interests in joint ventures (other than outflows made for instruments considered to be cash equivalents or held for purposes trading or transaction);
- Cash receipts relating to the sale of equity or debt instruments of other entities, and interests in joint ventures (other than receipts relating to instruments considered to be cash equivalents and those held for trading or transaction);

Another example cited by the SCF notes disbursements on acquisition and collections on sale of long-term assets.

2.3- Cash flow table as an analysis tool:

2.3.1 Financial Analysis:

Financial analysis is considered a set of techniques and tools aimed at collecting significant data and information and interpreting them in order to draw conclusions about the financial health of a company, its debt policy, and in particular in matters of solvency and profitability, relying on the use of accounting documents. This analysis is based on economic and financial information relating to it or its sector of activity. The capital and current and future economic wealth of the company are the initial and sole object.

Financial analysis is also considered as a set of concepts, methods and instruments which make it possible to formulate an assessment relating to the financial situation of the company, the risks which affect it, the levels and the quality of its performances (Elie COHEN, 1997, p9)

The financial theory of a company explains financial phenomena studies markets and the financial decisions taken by the different actors simultaneously uses the concept of financial diagnosis and financial analysis, the latter makes it possible to carry out a diagnosis on the situation and current and of the firm in order to try to predict the future and make adequate decisions, intended to enlighten shareholders, managers, third parties on the study of the financial health of the company.

The dynamics of a company's liquidity, solvency, leverage and profitability, the management of the company's assets and its financial policy, that is to say, its capacity to create a profitable value offering with the resources it controls, and its investment policy to develop its capacity to respond to future challenges, and the capacity of company to remunerate investors and at what level of risk (dispersion of profits and sensitivity to the economic environment (ABLE Pauline 2010, p59)

2.3.2 The flow table constitutes a summary tool for financial analysis:

The flow table giving an overview of all the events that affected the company during the period. Its main advantage is to trace true cash flows, independent of accounting conventions (Bachy B and Sion M 2009, p 223).

2.3.2.1 Analysis of operations derived from operational activities:

This flow measures the cash generated by the business. Remember that the survival of the company relies on its ability to generate excess cash flow through its operations. This surplus makes it possible to reimburse loans, pay dividends and self-finance, at least in part, investments. The ability to sustainably generate operating cash surplus is also an essential element in determining the value of the company.

The evolution of this flow is based on three essential variables of financial management: growth in activity, evolution of profitability, and management of working capital requirements. To be relevant, the operational cash flow analysis therefore requires the following additional data (Bachy B and Sion M, 2009, p 223):

- The percentage of growth in sales over the analysis period;
- Consolidated income, expressed as a percentage of sales;
- The lead times for items of working capital requirements or the change in WCR compared to the change in turnover.

Furthermore, operating cash flow is negative, except in periods of sudden and significant decline in sales, where the accumulation of stocks, the payment of fixed operating expenses, the reduction in supplier credit lead to disbursements greater than the cash receipts linked to sales (Raimbault g, 1996, p 157).

2.3.2.2 Analysis of activities originating from investment operations:

Comparing operating and investment cash flows makes it possible to evaluate the profitability of investments over time. In fact, an investment is only profitable if it generates excess cash flow over its lifespan greater than the initial expenditure. If the group is in a phase of investment growth, operating cash flow must necessarily increase in future financial years. The group is then in a positive dynamic, the growth in operational cash flow will ensure the reimbursement of loans, the payment of dividends and the self-financing of part of the new investments (Bachy B and Sion M, 2009, p 223).

Note that investment cash flows are always negative, unless a company decides on an exceptional divestment strategy (Raimbault g; 1996, p 159).

2.3.2.3 Analysis of activities originating from financing operations:

The separate presentation of cash flows from financing activities is important, as it is useful in forecasting the future cash flows of the company expected by the providers of capital.

This flow also results from the financing choices and constraints that we will deal with. It details the flows between the group and the two categories of fund providers, the shareholders and the lenders (Bachy B and Sion M, 2009, p 224)

2.4- The TFT tool for assessing the company's financial performance:

Financial performance is a combination of effectiveness and efficiency which consists, for a company, of obtaining results within the framework of defined objectives and efficiency corresponds to the best management of means and capacities in relation to results (MALLOT Jean Louis and JEAN CHARLES, 1998, p46)

Internally, the manager can examine a cash flow statement to understand the impact of his services on the financial performance of the company. Subsequently, it will be able to initiate adjustments and adapt the activities of all of its services, in this case the analysis of cash flows reveals two scenarios.

2.4.1 Positive Cash Flow:

A net cash flow is positive thanks to the surplus of liquidity generated. It indicates to managers, shareholders and financial partners that the company is in good financial performance and that its economic situation is quite healthy and remains solvent. In theory, this is an ideal situation; the company can reinvest this surplus to grow, decide to pay dividends to its shareholders or settle its debts. The company can be profitable without having a positive cash flow and there can be a positive cash flow without making a profit (Herve Stolowy, 2017, p856).

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a positive cash flow without making a profit (Herve Stolowy, 2017, p856).

2.4.2 Negative Cash Flow:

Negative cash flow often means difficulty. This is a strong red flag for an entrepreneur. It indicates that cash outflows exceed cash inflows over a period. This means that the cash flow is negative. Negative cash flows do not necessarily indicate that the company is loss-making in the medium or long term. It can be caused by decisions made to expand the business. However, if the cash flow is too irregular, an investor may decide, for example, that it is risky to invest. Targeted and effective measures are therefore essential to quickly recover the figures and avoid the risk of bankruptcy.

2.4.3 Starting balance and ending balance of cash flow statement:

Cash flows provide three different main balances, but they are interrelated. The fourth balance expresses the total of these balances:

- Net flows from operational activities A;
- Net flows from investment activities B;
- Net flows from financing activities C;
- Cash change in period D (A+B+C).

For a company to fully utilize funds as efficiently as possible, it must maintain a level of liquidity close to zero. That is, the relationship becomes $A + B + C \approx 0$.

Accordingly, the balance $A + B$, which transforms into $A-B$:

- ↳ If $A-B > 0$: the company is able to finance its investments through the activity of the cycle, and the company is required not to solicit external capital.
- ↳ If $A-B = 0$: This means that the company finances its investments through the activity of the cycle, the fact remains that the company is without financial immunity, that is to say that it is unable to pay its debts.
- ↳ If $A-B < 0$ the company is not at a level that qualifies it to finance its investments through the cycle activity, and it is in a state of financial vulnerability, also the company must raise this capital to obtain new loans.

3. Practical study:

3.1. Presentation of the NAFTAL company

The word NAFTAL comes from two syllables:

- ⇒ **NAFT**: universal term for oil.
- ⇒ **AL**: reference to Algeria.

NAFTAL is an Algerian oil company, specializing in the distribution of petroleum products. NAFTAL is a joint stock company [SPA] with capital of 40,000,000,000 da. Founded in 1982 and a subsidiary of the SONTRACH group, it is attached to the marketing activity. NAFTAL also specializes in the design, development and distribution of lubricants for as well as for industry.

Its main mission is to distribute and market petroleum products and derivatives on the national market. It also operates in the field of:

- LPG barreling.
- The formulation of bitumens.
- Distribution, storage and marketing of fuels, LPG, lubricants, bitumen, tires, LPG/FUEL, special products.
- Transport of petroleum products.

To ensure product availability throughout the territory, NAFTAL uses several modes of transport:

- Coastal shipping and pipes, for supplying warehouses.
- The rail for resupplying depots from warehouses.
- The route for delivery to customers and the resupply of depots not served by the rail.

In the era of globalization, NAFTAL deemed it essential to establish a new organization by product line. NAFTAL is specialized in the distribution and marketing of petroleum products (fuels, lubricants, special fluids, fuel oil, bitumen, additives and special fuels, etc.) on the Algerian market. Naftal operates 1,400 gas stations, 42 butane gas refueling stations and 50 gas cylinder storage stations Naftal produces lubricants and naphthenic oils (transformer oils, process oils, base oils and tire oils). Naftal produces its products in Sonatrach refineries.

3.2- The cash flow statement is a tool for evaluating the financial situation and performance of the business:

To respond to the research problem, we plan to divide our study into two phases. The first will consist of an analysis of the initial balance and the final balance of the cash flow statement of the NAFTAL company based on the flows of operational activities, investment activities and financing activities. As for the second phase, it is based on a profitability analysis in order to evaluate the financial situation and performance of the NAFTAL company.

3.2.1 Analyzed the opening balance and the ending balance of the cash flow statement:

The cash flow statement provides three different main balances, but they are interrelated. The fourth balance expresses the sum of these balances, for the study of our case we have chosen the direct method for the analysis of the final balance of the cash flow table, also our analysis is focused on the three main flows of the tables namely the flows of operational activities, net flows of investment activities, net flows of financing activities:

↳ Net cash flow from operating activities A

Cash received from customers	8757751.38 DA
Amounts paid to suppliers	- 138049793.76 DA
Interest and other financial charges paid	- 92961.64 DA
call for funds received	326754346.00 DA
amounts paid to individuals	-186161546.68 DA
funds sent	-9400000.00 DA
State, public authorities, boarding organizations	-78000.00 DA
values upon receipt	-22847.28 DA

Net Cash Flow From Operating Activities (A) = 1892871.30 DA

↳ Net flows from investment activities B

Disbursements on acquisitions of tangible or intangible assets	-617279.76 DA
Disbursements on acquisitions of tangible or intangible assets	- 586773.28 DA
Receipts on transfers of tangible or intangible assets	0.0000
Disbursements on acquisitions of financial assets	0.0000
Collections on transfers of financial assets	0.0000
Interest received on financial investments	0.0000
Dividends and share of results received	0.0000

Net Cash Flow From Operating Activities (B) = - 1204053.04 DA

↳ **Net flows from investment activities C**

Receipts following the issue of shares

Dividends and other distributions made

Collections from borrowings

Repayments of loans or other similar debts

Net cash flow from financing activities (C)

Impacts of exchange rate variations on liquidity and quasi-liquidity (D)

↳ **Change in cash flow for period D (A+B+C +D) = 688818.26DA**

Cash or cash equivalent at the opening of the financial year 6937094.44 DA

Cash or cash equivalent at the end of the financial year 7625912.70 DA

Change in cash flow for the period 688818.26 DA

Reconciliation with accounting results

↳ **Cash flow variation for the period (A+B+C) =**

Operational activities A 1892871.30 DA

+

Investment activities B - 1204053.04 DA

+

Funding activities C 0.0000

=

Cash flow variation for the period (A+B+C) 688818.26 DA

↳ **The variation in cash flow for the period:**

Cash or cash equivalent at the end of the period 6937094.44 DA

-

Cash or cash equivalent at the beginning of the period 7625912.70 DA

=

The variation in cash flow for the period - 688818.26 DA

3.2.1.1 Interpreting the final balance of the cash flow statement:

The net cash flows from operating activities in the company NAFTAL are positive they represent the sum of 1892871.30 DA, which indicates that there is a surplus of cash flows from operating activities. represents a good indicator of financial performance and the company's ability to generate cash from its main activity, which leads to the execution of its obligations towards third parties and related to

operational activities without resorting to the loan. This indicator also indicates the quality of the company's liquidity.

As for the cash flows from investment activities are negative, they represent the sum of - 1204053.04 DA, this means that the NAFTAL company finances its investments through the activity of the cycle, the fact remains that the investment cash flows are in most of the time negative, unless a company decides on an exceptional divestment strategy.

Finally, the net cash flows from financing activities are zero, this means that the NAFTAL company has no income and no expenses linked to financial operations (borrowings and equity).

As a conclusion of the analysis of the final balance of the cash flow statement shows that $A-B > 0$. Also the NAFTAL company is able to finance its investments through the activity of the operating cycle, and the company cannot solicit external capital.

3.2.2 Analysis of the profitability of the NAFTAL company:

Initially we analyzed the final balances of the cash flow table of the company NAFTAL. Also our analysis focuses on the three main flows of the tables namely the flows of operational activities, net flows of investment activities, net flows of financing activities, this analysis allows us to measure the financial performance of the company . secondly, we carried out an analysis of the profitability of the NAFTAL company, this analysis makes it possible to establish the relationship between revenues and the financial sums that it had to mobilize to obtain them. Therefore, profitability analysis remains a key element for evaluating the performance of a company.

3.2.2.1 Net cash flow calculation:

Net cash is all sums of money that can be mobilized in the short term (we also speak of cash on demand). It is an indicator of the financial health of a company since it verifies the balance (or lack of balance) of its financial structure.

Table n°1: Net cash flow calculation

Designation	N-1	N
Cash assets	6 937 094.44	7 625 912.70
Cash Liabilities	0	0
TN	6 937 094.44	7 625 912.70

Source: Created using data from the NAFTAAL company.

Cash flow interpretation:

NAFTAL has a positive cash flow for both years. This means that permanent capital manages to finance fixed assets and generate a surplus of sustainable resources to cope with an unexpected increase in operating needs. Also the company can meet the integrity of its needs without external financing. which means NAFTAAL has a sufficient safety margin.

3.2.2.2 The general solvability ratio:

$$\text{General Solvency Ratio} = \text{Equity} / \text{Total liabilities}$$

Most often, it is requested by financial institutions so that they can judge the solvency of their borrower clients before granting a loan, for example.

Table n°2: Calculation of the general solvency ratio RSG

Designation	N-1	N
Equity	0	- 181778657.79
Total liabilities	393196275.00	358427428.66
RSG	0	-0.50

Source: Created using data from the NAFTAAL company.

Interpretation of the general solvency ratio:

This ratio is less than 1.0 during both years, this means that the company is not able to meet its short-term and long-term financial obligations and cannot seize business opportunities requiring a quick down payment.

3.2.2.3 Profitability ratios (R.R)

The economic profitability ratio (R.R.E)

$$\text{Economic profitability ratio} = \text{operating profit} / \text{total assets}$$

Table n°3: The economic profitability ratio

Designation	N-1	N
Operating profit	0.00	-181778657.79
Total assets	393196275.00	358427428.66
RRE	0.00	0.50

Source: Created using data from the NAFTAL company.

Interpretation of the economic profitability ratio:

The company's economic profitability ratio or return on invested capital, ROCE is an indicator of value creation by the company. It relates the operating profit net of tax to all capital employed, namely equity and debt. During the two years the economic profitability ratio is less than 1.0 which means that the expenses are too high in relation to the turnover.

3.2.2.4 The financial profitability ratio

Financial Profitability Ratio = Net Profit (RN) / Equity (CP)

Table n°4: Calculation of financial profitability ratio

Designation	N-1	N
Net profit	0	- 181778657.79
Equity	0	- 181778657.79
RRF	0	-1.00

Source: Created using data from the NAFTAL company.

Interpretation of the financial profitability ratio:

Negative financial profitability. This is the case when the company makes losses, that is to say its net income is less than zero. A negative net result is a sign that the company's activity is not sufficient to absorb all its expenses.

Financial situation comparison

The situation of the company NAFTAL is a unique situation in its sector, in fact the negative situation of the company is due to charges that are too high in relation to turnover. And this is mainly due to the policy of the Algerian state which fixes the prices of petroleum products without taking into account production costs, which puts the company NAFTAL in a difficult financial situation.

4. Conclusion:

Today, many analysts of the company's financial situation and performance rely primarily on the income statement. This approach uses the cash flow statement, independent of these accounting conventions. Cash management through the analysis of the cash flow statement contributes to the resolution of the financial problems of the company, this analysis allows the managers of the company and its partners to understand how the cash generated by its operation, has evolved and to explain to investors the causes of variations in cash flow over a given period. Cash flow statement analysis helps facilitate comparisons of financial statements between companies in the same industry, and evaluate and communicate the company's ability to generate cash.

Our practical study at the Algerian oil company specializing in the distribution of petroleum products "NAFTAL" allowed us to deepen our knowledge in the field of financial analysis and in particular in the analysis of the cash flow table, it also allowed us to provide some answers to the questions we ask at the start of our work, namely **to what extent the cash flow statement can be an effective tool to meet the needs of investors to evaluate the financial situation and performance of the company?**

For the first hypothesis, the cash flow table is a tool for evaluating the financial performance of the company which makes it possible to determine the profitability of a project, to evaluate the working capital requirement in addition to the cash flow table cash flow allows you to demonstrate the inflows and outflows of flows over a clearly determined period.

For the second hypothesis, the cash flow statement is an instrument to assist in decision-making within the company. This is a summary document which allows you to see the variations in the inflows and outflows of money in a company.

Also, the analysis of the cash flow table of the NAFTAL company allowed us to take a look at the capacity of the NAFTAL company to generate the financial situation and the performance of the company.

After analyzing the final balances of the cash flow statement it was noted that the NAFTAL company is able to finance its investments

through the activity of the operating cycle, and the company cannot request external capital.

At the same time, the analysis of the profitability of the company showed us an often negative situation, which means that the expenses are too high in relation to the turnover. And this is mainly due to the policy of the Algerian state which sets the prices of petroleum products without taking into account production costs, which puts the NAFTA company in a difficult financial situation.

Recommendations:

- ✓ There must be increased attention to the treasury flow table list due to its significant role in improving the financial position of the institution.
- ✓ Holding training courses for some of the company's accountants to provide them with the analytical side and raise the professional level of workers.
- ✓ Utilizing financial ratios and indicators derived from the treasury's financial flows list to improve financial performance and identify the organization's strengths and weaknesses.

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