***Calculation Example: FFCF of Just Group***

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| Just Jeans Group |  | Just Jeans Group |
| Income Statement for |  | Balance Sheet as at 26 July |
| period ending 26 July 2008 |  |   | 2008 |   | 2007 |
| Net sales | 822 |  | Current A | 92 |  | 105 |
| COGS | 717 |  | Non-current A | 195 |  | 178 |
| Depreciation | 24 |  | Total A | 287 |  | 259 |
| EBIT | 81 |  |  |  |  |  |
| Interest expense | 11 |  | Current L | 208 |  | 72 |
| Taxable income | 70 |  | Non-current L | 22 |  | 134 |
| Taxes | 21 |  | Owners Equity | 57 |  | 53 |
| Net income | 49 |  | Total L and OE | 287 |  | 259 |
|   |   |  |   |   |   |   |

Note: all figures are given in millions of dollars ($m).

**Question**: Find the FFCF using the income statement and balance sheets

Assume that:

* Non-current assets (NCA) is completely made up of Net Fixed Assets;
* All current liabilities are non-interest bearing;
* Current assets includes no excess cash or marketable securities.

**Answer**:

$$FFCF=NI+Depr-CapEx -ΔNOWC+IntExp$$

We need to calculate $CapEx$ and $ΔNOWC$ from the changes in the balance sheet.

$$CapEx=NFA\_{now}-NFA\_{before}+Depreciation$$

$$CapEx=195-178+24$$

$ =41$, so net capital expenditure rose over the year.

$$ΔNOWC=ΔCA-ΔCL-ΔExcessCash+ΔInterestBearingCL$$

$$ =\left(CA\_{now}-CA\_{before}\right)-\left(CL\_{now}-CL\_{before}\right)-ΔEC+ΔIBCL$$

 $=\left(92-105\right)-\left(208-72\right)-0+0$

$ =-149$, so net working capital fell over the year.

$$FFCF=NI+Depr-CapEx - ΔNOWC+IntExp$$

$$ =49+24-41 - -149+11$$

$$ =192$$

***Questions: Firm Free Cash Flow (FFCF) or Cash Flow From Assets (CFFA)***

<http://www.fightfinance.com/?q=173,176,224,225,238,349,350,351,359,360,361,504,188,208,209,226,291,>