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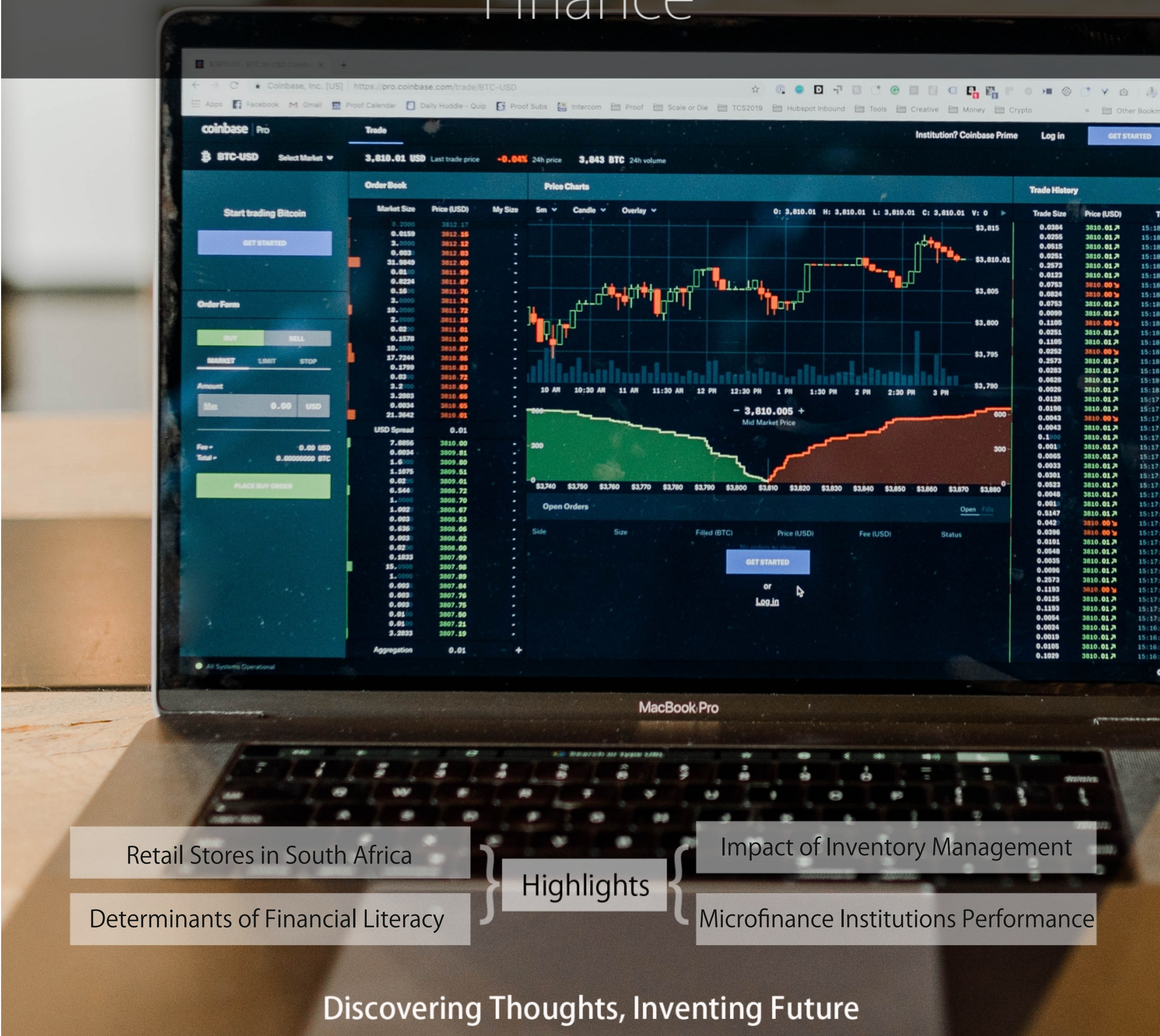

Retail Stores in South Africa

Determinants of Financial Literacy

Highlights

Impact of Inventory Management

Microfinance Institutions Performance

Discovering Thoughts, Inventing Future

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Analysis of the Impact of Inventory Management Practices on the Effectiveness of Retail Stores in South Africa

By Ayodeji Michael Obadire, Bame Lesego Boitshoko & Naledi Tendai Moyo

Abstract- The study analyses the impact of inventory management practices on the effectiveness of retail stores in Vhembe District, South Africa. A quantitative research design was adopted for the study. The study used a simple random sampling method to collect data from 30 retail stores. Results from the survey revealed that inventory management tools and techniques like economic order quantity, just-in-time, barcoding and inventory management software have a positive effect on the performance of retail stores. This is because the quality of service delivery to customers was improved, thereby outperforming competitors. Also, sales and turnover increased as over-stocking and under-stocking were effectively managed giving rise to a higher return on investment. The major conclusion drawn from the study was that the adoption of inventory management practices positively affects the retail businesses in Vhembe District.

Keywords: inventory, inventory management, modern management tools, retail store, south africa.

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ANALYSISOFTHEIMPACTOFINVENTORYMANAGEMENTPRACTICESONTHEEFFECTIVENESSOFRETAILSTORESINSOUTHAFRICA

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Keywords: inventory, inventory management, modern management tools, retail store, south africa.

I. Introduction

In recent years, consumers have developed a cognitive awareness of market trends and global information. This has influenced the average retailer in offering first-class service delivery and up-to-date information on the availability of offered products, quality and price (Amahalu, 2018). The vast availability of market information has afforded consumers broad-based product choices because consumers can make informed decisions about product needs and purchase decisions. These give way to low transactional costs for consumers (Mwangi, 2016).

Dobler and Burt (2006) argue that inventory alone accounts for as much as 30% of the organisation's invested capital. For this reason, the increased business competition climate has involuntarily coerced organisations to be more efficient in all processes, in particular, inventory management. Therefore, the main objective of inventory management is to have sufficient quantities of inventory available to serve customers' needs and minimise the costs of carrying the inventory. Furthermore, to ensure continuity and uninterrupted business activity, businesses rely on real-time inventory data that is made accessible through the implementation of inventory management practices.

In their 2015 research article, "Role of Inventory Management Practices on Performance of Production Department," Munyao et al (2015) argues that inventory needs proper monitoring as it is one of the largest assets on the balance sheet at any given time of a business. It should neither be excessive nor inadequate. If inventories are kept at a high level, higher interest and storage costs would be incurred. On the other hand, a low level of inventory may result in a frequent interruption in the production schedule resulting in under utilisation of capacity and lower sales.

The effectiveness of an inventory management system depends on the quality of information it takes in and the capacity of the company's information technology. Improvements in information systems over recent years mean that feedback is more frequent and, in some cases, hence providing real-time control capabilities. As a result, several operating systems are now available for monitoring inventory levels and triggering the placement of orders, with the most popularly used one being Enterprise Resources Planning systems (ERP) (Ballou 2000). The ERP system is based on the principle of Just in time (JIT) and Material Replacement Policy (MRP) to manage the inventory levels in enterprises. The application of these methods allows the executive of inventory to be proactive, accurate and effective. There by producing an overall inventory level that can be measured in terms of an inventory turnover ratio.

a) *Objectives of the study*

The objectives of the study are to:

1. Examine the effectiveness of inventory management techniques and tools adopted by retail stores; and
2. Investigate whether inventory management practices influence the effectiveness of retail stores.

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II. Literature Review

The earliest scientific inventory management research date back to the second decade of the past century (Vipul, 2013), interestingly, research on inventory management practice has continued to attract modern research focus. Several authors offer definitions for inventory, for instance, Yang, Yang and Wu (2021) offer that inventory refers to any kind of resource having economic value and is maintained to fulfil the present and future needs of the retail store for the ultimate purpose of resale. Adding that, inventory takes the form of raw materials, work-in-progress goods and finished goods that are considered to be the portion of the business's assets that are ready or will be ready for sale (Yang et al., 2021). In concert, International Accounting Standard (IAS) 2 paragraph 8 defines inventories as assets held for sale in the ordinary course of business, in the process of production for sale, or in the form of materials or supplies to be consumed in production or rendering service. Vipul (2013) on the one hand explains inventory management as controlling the business stock or controlling the flow of goods and services as per their demand. On the other hand, the essence of inventory management according to Orga (2006) is therefore to have the quality and quantity of the right goods, at the right place and time.

Inventory management is essentially the process through which materials of the correct quantity and quality are made available when required with due regard to storage costs, ordering costs and working capital.

In the current business climate, increasing competition exerts pressure on the retail store to reduce cost and improve effectiveness, hence managers look for areas where they can improve their inventory management by reducing unnecessary costs without negatively impacting the level and quality of service delivery and product offered (Mwangi, 2016). Therefore, knowledge about inventory management in academia and the business environment is vital for effective cost management, enhancing product and service quality, and improving competitive ability and operational flexibility through different relevant inventory models and techniques such as pull systems and lead time reduction. These systems are often described in the operations management literature as arising from initiatives such as JIT or lean production (Yang et al., 2021).

a) Activities of Inventory Management

Inventory management covers a wide variety of activities in retail store management processes that range from carrying adequate stock to avoid stock out, ensuring optimum level of stock so that total inventory cost is minimised, to ordering sufficiently higher quantity at a time so that repeated ordering and costs incurred in such manner can be reduced (Nirmala, Vijila & Gnanaraj 2022).

b) The Purpose of Inventory Management

According to Wild (2002), the purpose of inventory management in the retail store is first, to provide both internal and external customers with required service levels in terms of quantity and quality order rate fill, to ascertain present and future requirements for all types of inventories and to avoid stocking while avoiding bad in production and lastly to keep the cost to a minimum by variety reduction economical lot sizes and analysis of costs incurred in obtaining and carrying inventories. Thus, the basic objective of inventory management is to maximise customer service by maintaining appropriate levels of inventory at minimum cost.

c) Types of Inventory System

There are two types of inventory systems that aid the effectiveness of inventory management practice. Ile (2002) identified the following:

i. *Perpetual Inventory System*

This system controls the movement of each item of inventory as it goes in and out of stock and shows the current balance at hand.

ii. *Physical Inventory System*

According to the physical inventory system, some discrepancies between inventory records and quantities at hand cannot be ruled out. An actual count of all items at hand is periodically necessary for effective inventory control.

In sum, the method selected between perpetual and physical inventory methods, depends upon the size and diversity of stock, the degree to which the work process is standardised and the processing methods employed in a particular plant.

d) Tools of Inventory Management

On the one hand, Nirmala et al (2022) identified two tools related to inventory management through inventory classifications.

ABC analysis: The ABC analysis categorises products based on importance. Once the ranking factor is chosen, breakpoints are chosen for classes A,B,C and so on. The systems ensure that products are ranked according to their strategic importance, therefore, not all product items receive equal logistics treatment (Nirmala et al., 2022)

Critical value analysis: The CVA pays more attention to the C items. Although it ranks products similarly to ABC, CVA analyses products based on stock-out rates. Stock-out rates are assigned subjectively to each category.

Furthermore, Rajeev (2008) identified other inventory management tools including barcoding, radio frequency identification (RFID) and inventory software.

e) Inventory Management Techniques

Modern inventory management practices are based on well-recognized inventory techniques. Though these techniques were developed many years ago, they still perform well from a theoretical and application point of view. Inventory techniques such as economic order quantity (EOQ) and just-in-time (JIT) are popularly used in conjunction with other techniques, for instance, material replacement planning (MRP) and bin card systems to improve the efficiency of inventory management practice. EOQ and JIT techniques are discussed in the section below due to their significant contribution to the rationalisation of inventory management approach and assisting in the formulation of control policies

i. *Economical Order Quantities*

The technique determines the optimum order size for individual inventory items, which minimises both total stock holding and ordering costs (Langfield-Smith, Thorne & Hilton, 2006). A benefit of the EOQ technique is that it is robust as it gives satisfactory answers even with substantial variation existing in its parameters.

ii. *Just in time (J.I.T)*

Just in time inventory management technique helps in reducing inventory costs by avoiding holding excess inventories and mishandling raw materials. Itsgoal is to maintain just enough material in the right place and at the right time ensuring that just the right amount of the productis available at any given time (Anichebe & Agu, 2013).It is essentially an inventory management technique where inventory is acquired only when required in the business for the production process to improve the return on investment of the business by reducing in-process inventory and its associated costs (Sushma & Bhupesh, 2007). For the just-in-time technique to work successfully, the quality of the parts must be very high because defective materials could halt the operations of the assembly line, there must be dependable relationships and smooth cooperation with suppliers.

f) Theoretical Framework

This study is underpinned by three theories namely adaptive structuration theory, stock diffusion theory and scientific management theory.

i. *Adaptive Structuration Theory (AST)*

Structuration theory was first proposed by Anthony Giddens in his constitution of the society in 1984, which was an attempt to reconcile social systems and the micro/macro perspective of organisational structure. Dimitrios (2008) borrowed from Giddens to propose AST and the rise of group decision support systems.

AST provides the model whereby the interaction between advancing information technologies (IT), social structures, and human interaction is described, and social structures, rules, and resources are provided by IT as the basis for human activity. AST is a viable approach to studying how IT affects inventory management because it examines the change from distinct perspectives.

AST is relevant in today's inventory management practice due to the expanding influence that advancing technologies have had concerning the human-interaction aspect of AST and its implication on socio-biologically inspired structuration in the security software application.

Ramakrishna (2005) AST's appropriation process, therefore, provides a good model to analyse the utilisation and penetration of new technologies in retail stores.

ii. *Stock Diffusion Theory*

The stock diffusion theory was pioneered by Braglia, Gabbrielli and Zammori (2013) with the intention of deriving the probability distribution of the stock consumption and that of the reorder time. There are three considerations of the stock diffusion theory which are the storage space requirement, how quickly inventory is sold and how to avoid inventory from becoming outdated before it is sold. These considerations can prevent shortages and wasteful spending which in turn reduces the operational cost of the store and increases its profit (Braglia et al., 2013).

iii. *Scientific Management Theory*

The theory consists of the works of Fredrick Taylor who started the era of modern management in the late nineteenth and early twentieth centuries. Taylor consistently sought to overthrow management by the rule of thumb and replace it with actual timed observations leading to the one best practice (Watson, 2002). Taylor advocated for the systematic training of workers in the one best practice rather than allowing them personal discretion in their tasks. He further argued that the workload would be evenly distributed between the workers and management with management performing the science and the workers performing the labour, each group doing the work for which it was best suited. Taylor's strongest positive legacy was the concept of breaking a complex task down into several sub-tasks and optimising the performance of the subtasks, hence, his stopwatch measured time trials (Ogbo, Onekanma & Ukpere, 2014). As a result, Taylor proposed three underlying principles of management.

Firstly, there is a need to develop a science of work to replace old rule-of-thumb methods, pay and other rewards linked to the achievement of optimum goals, measures of work performance and output. Failure to achieve these would in contrast result in a loss of earnings. Second, workers should be scientifically selected and trained on the recent method of inventory management strategies and models to achieve the best results. Finally, work and responsibilities are to be divided equally amongst workers and management cooperating in close interdependence.

According to Watson (2002), scientific management is essential in effective store management as it aims to improve methods of storage and distribution and remove wastage and inefficiency in undertaking storage activities. This is relevant in formal business settings where there is a constant demand for uniformity of goods, regularity of customer patronage and accountability for operations.

III. Data and Methodology

According to Obadire (2022), research methodology encompasses the entire strategy of the study from the identification and assessment of the problem to the final phase of data analysis, interpretation, conclusion, and recommendations. He further argued that research methodologies are the principles underpinning the researcher's choice of a broad approach to conduct research.

Obadire (2018) argued that a research design is an overall plan for obtaining answers to questions being studied and handling difficulties encountered during the research. Numerous conceivable research designs can be utilised as a part of the research. Hofstee (2006) suggests that the most popular designs used by researchers are extended literature reviews, comparative analysis, content analysis, survey-based research, evaluative research (appraisals), case -studies, action research and theory development. This study used a survey-based research design. In a survey-based research design, information is collected from individuals who are presumed to have the information that is required, and who are willing to communicate this information to the researcher, while being considered as representing a larger group (Obadire, 2022). A well-structured questionnaire was used to ensure the relevance and reliability of the data-gathering process.

This study was carried out in Thohoyandou because of the large number of retail stores well informed for the study. Thohoyandou is a location in the Vhembe district, Limpopo province of the Northern part of South Africa. The population is the formal retail stores, that is; the stores that keep proper records of their sales, procurement, storage and general operation such as groceries stores, supermarkets, pharmaceutical stores, home-ware stores, and frozen stores to mention a few. The participants are made up of the managers and the procurement officer of the store as they are in the right position to provide the required information needed for the study.

According to Obadire (2022), sampling means taking a portion of an entire population, to make inferences about such a selected population. Simple random sampling was used for the study as only the formal retail stores are considered to have a total population of 100. Scholars do not agree on the exact proportion of the accessible population that should form the sample size. Mugenda and Mugenda (2003) suggest that in descriptive studies thirty percent (30%) of the survey population is representative enough to generalise characteristics being observed. Thus, the sample size was estimated to be 30% of the total population of 100 yielding 30 stores.

The two major available sources of data collection that were used for the research purpose are primary and secondary sources. Also, the data validity and reliability were of utmost importance in the study. Validity entails how well a research instrument measures what it is designed to measure, thus reliability refers to the degree to which the instrument accurately and consistently measures what it intends to measure (Obadire, 2018). Hence, fundamental to the validity and reliability of this instrument the questionnaire was designed with the help of relevant consultation with industry experts for expertise and experience to measure what it is purported to measure. A pilot study was conducted on the sampled population to test the degree to which the instrument consistently and accurately measures the participant's view. The obtained data were analysed using descriptive statistics such as frequency and distribution Tables using Statistical Package for Social Sciences SPSS version 21. Inferential statistics were performed in testing the hypothesis formulated in the study using the Chi-square technique to test the effect of inventory management techniques and tools adopted on the effectiveness of retail stores and its influence on retail store performance. The Chi-square test and other descriptive tests were considered appropriate because of the non-parametric nature of the data that was used in the study.

IV. Results and Discussion of Findings

This section presents the analyses of the data collected under the two hypotheses formulated in the study.

a) *Inferential Testing of Hypotheses*

Two hypotheses were raised at their null form for the study, tested at 0.05 significant levels.

H_{01}: The inventory management techniques and tools adopted by retail stores are not effective.

The results shown in Table 1 depict that the Chi-Square value for the economic order quantity technique adopted by the retail store is effective as it produces a value of 22.533 which is significant at the 99% confidence level. Also, the Chi-Square value for the just-in-time technique used by the retail store is more effective as it produced a higher value of 26.133 which is equally significant at the 99% confidence level.

Table 1: Chi-Square Test Results

	Economic Order Quantity technique	Just–in–time technique	ABC Analysis tool	Bar Coding Tool	Inventory Software tool
Chi-Square	22.533***	26.133***	2.133	22.533***	22.533***
df	1	1	1	1	1
P-value	0.000	0.000	0.144	0.000	0.000

***** denotes that Chi-square is significant at a 99% confidence level.*

Source: Authors Compilation

Similarly, barcoding and inventory software tools adopted by these retail stores were also found to be significant as they produce a Chi-Square value of 22.533for both tools. However, the ABC analysis tool appears to be statistically insignificant depicting no effectiveness in its adoption by the sampled retail stores. This is attributed to the fact that the tool is not popular amongst the majority of the sampled retail stores

In short, the null hypothesis is rejected and the alternative hypothesis which states that inventory management techniques and tools adopted by retail stores are effective is accepted. These findings are similar to Fullerton, McWatters and Fawson (2003)s' study of modern inventory technique adoption which supported that firms that implement a higher degree of modern tools and techniques outperform the industry.

H_{o2}: The inventory management practice adopted does not influence the effectiveness of retail stores.

The Chi-square computation represented in Table 2 shows that the various variables used to measure retail store effectiveness are significant and the adopted inventory management practices have a significant influence on the retail store. Service delivery was well improved, this is demonstrated by a Chi-square value of 6.533 significant at 0.011 $p < 0.05$. Further, stock availability, outperforming competitors, increase in sales, reduction in customer loss, reduction in operational cost, increase in return on investment, reduction in stock out and overstocking are also significant with p-value < 0.05.

Table 2: Chi-Square Test Results

S/N	Statement	Chi-Square Value	df	P Value	Decision
1	The practice improves the quality of service delivery.	6.533**	1	0.011	Significant
2	The practice increases the availability of stocks that meet customers' needs and specifications at the right time.	10.800***	1	0.001	Significant
3	The inventory practice resulted in the business outperforming its competitors.	4.533**	1	0.015	Significant
4	The inventory practice increased sales and turnover.	5.333**	1	0.018	Significant
5	The inventory practice has reduced the loss of customers.	13.333***	1	0.000	Significant
6	The inventory practice has reduced operational costs.	30.200***	2	0.000	Significant
7	The inventory practice has enhanced the return on investment.	15.800***	2	0.000	Significant
8	The inventory practice has reduced stock-out levels.	5.333**	1	0.018	Significant
9	The inventory practice has reduced overstocking.	3.133**	1	0.044	Significant
10	The inventory practice has reduced wastages through stock obsolescence.	1.467	3	0.190	Insignificant

****, ** denotes that Chi-square is significant at 99 and 95% confidence levels.*

Source: Authors Compilation

Conversely, reduction in wastage through obsolescence reported a Chi-square value of 1.467with p-value of 0.190> 0.05 which was a result of other factors that do not apply to most sampled retail stores. For instance, factors that arise from stores that do not deal in perishable stock are presented in Table 2. This indicates that the adoptions of these inventory management practices are significantly impactful on the performance and effectiveness of retail stores as 90% of the statements measuring performance proved consistent and statistically significant.

Hence, the null hypothesis was rejected. The alternative hypothesis which states that the adopted inventory management practice influences the effectiveness of retail stores is therefore accepted. This finding is similar to the findings of Munyao et al (2015) in their study of the roles of inventory management practices on the performance of the production department.

V. Conclusions and Recommendations

The major focus and objectives of this study were to examine the impact of inventory management practice and its effectiveness on retail stores in Vhembe District Municipality in Limpopo Province of South Africa. From the study, the following key findings emerged:

Firstly, there is a consensus among the respondents' perception about the effectiveness of the adopted inventory management practice, which in turn contributes to their performance. Also, findings from the study indicate that all of the stores adopted inventory management techniques and tools such as EOQ, JIT, barcoding and inventory management software for their operations. Thirdly, the findings further indicate that all of the stores that adopted these inventory management tools and techniques are large and medium-scale businesses that have branches either locally or internationally as they are capable of investing in inventory management tools that small-scale businesses cannot. Lastly, the majority of the respondents perceived that the adopted inventory management system greatly contributed to their effectiveness by improving the quality of service delivery and high rate of customer retention, reducing operational storage, carrying and security costs, reduces under stocking and overstocking and finally increases returns on investment through increased sales and turnover.

From the study's findings and conclusions, the study recommends that retail stores should invest more in modern inventory management systems as it has a long-term beneficial effect on the effectiveness and performance of retail stores. Also, retail store owners or top management should always organise continuous on-job training for their staff or employees to keep them abreast of the availability and usage of modern inventory management tools and techniques to enhance the job skills and performance of the retail store employees. Furthermore, retail stores should maintain a good relationship with their supplier to improve the supply chain management system to enhance the smooth operation of the business and achieve a high level of profits through minimisation of stock holding costs amongst others.

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Does the Formal Structure of the Cash Flow Statement have an Impact on the Understanding of the Data Contained in the Report Explaining the Company's Financial Dynamics?

By Prof. Maria Silvia Avi

Abstract- The financial analysis of a company, implemented through ratios alone, can lead to making completely erroneous judgements about the dynamic development of the company's income and expenditure. For this reason, cash flows and the statement that summarises them represent essential elements of the study of the company's financial performance. Various international bodies have addressed this issue since, in most countries, the cash flow statement now identifies one of the elements that make up the financial reporting for the year, on par with the balance sheet and profit and loss. Here we will take a closer look at the central bodies that have addressed this issue and illustrate what has been said about cash flow and the cash flow statement by the American FASB, the IASB, the Italian Civil Code and the Italian Accounting Standards Board. As you will see, all of these bodies propose structures or examples of items requiring the highlighting and re-grouping of needs and sources into three aggregates: operating activities, investing activities and financing activities. Subsequently, we will point out that information limitations characterise these statements.

Keywords: cash flow Statement, cash flow, net working capital, cash flow, formal structure of the cash flow Statement, operating activities, financing activities and investing activities, direct method of drafting cash flow Statement, indirect method of preparing cash flow Statement.

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Does the Formal Structure of the Cash Flow Statement have an Impact on the Understanding of the Data Contained in the Report Explaining the Company's Financial Dynamics?

Prof. Maria Silvia Avi

Abstract- The financial analysis of a company, implemented through ratios alone, can lead to making completely erroneous judgements about the dynamic development of the company's income and expenditure. For this reason, cash flows and the statement that summarises them represent essential elements of the study of the company's financial performance. Various international bodies have addressed this issue since, in most countries, the cash flow statement now identifies one of the elements that make up the financial reporting for the year, on par with the balance sheet and profit and loss. Here we will take a closer look at the central bodies that have addressed this issue and illustrate what has been said about cash flow and the cash flow statement by the American FASB, the IASB, the Italian Civil Code and the Italian Accounting Standards Board. As you will see, all of these bodies propose structures or examples of items requiring the highlighting and re-grouping of needs and sources into three aggregates: operating activities, investing activities and financing activities. Subsequently, we will point out that information limitations characterise these statements. Therefore we will propose drafting a report structured according to the logic of an integrated information system, i.e. a system in which all the documents forming part of financial reporting and management control are consistent at a substantial and formal level and, therefore, at the level of the terminology used.

Keywords: cash flow Statement, cash flow, net working capital, cash flow, formal structure of the cash flow Statement, operating activities, financing activities and investing activities, direct method of drafting cash flow Statement, indirect method of preparing cash flow Statement.

I. The Financial Dynamics of Business: Introductory Considerations[1]

A company's financial and asset analysis requires the performance of two complementary types of research that complement each other.

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Absolute values lose their informative weight if not compared with related amounts. For this reason, the integrated analysis system is implemented partly through indicators that compare corresponding data. In the first instance, it is advisable to identify ratios determined based on the balance sheet results (and sometimes some profit and loss figures).

We have already pointed out how a clear-cut distinction between financial and income analysis makes no sense since every financial reporting figure is interrelated with every other value in that document. The difference between financial/equity analysis and the study of corporate profitability is, in reality, a necessary didactic exemplification to explain the unique tools used in the integrated analysis system. The precise understanding of the company's situation, therefore, requires that, in the light of the explanations below concerning the individual ratios/flows/aggregates, the analyst can give a global picture of the company's conditions which, necessarily, must be implemented through the communication of the inter-connections that can be identified between the indicators and aggregates used to carry out the study on financial reporting and to lay the foundations for company planning.

For the reasons mentioned above, it is not even possible to subdivide, in a precise manner, the financial ratios from the so-called asset ratios. Therefore, we will speak of financial/asset analysis to highlight, from a purely terminological point of view, how separating the two types of research is impossible.

The study of financial/equity conditions must, subsequently, be analysed in the light of the so-called income ratios, which, due to the intrinsic connections with financial reporting data, cannot but have connotations of a financial nature.

[1] To facilitate reading, I have decided not to include in the text, except in exceptional cases, the names of the scholars who have dealt with the subject under analysis since the bibliography is endless, I have opted not to indicate all the terms of the scholars in the text because this would have meant a continuous interruption of the reading of the complete sentence in which I express my thought.

In the following pages, therefore, for the sake of mere clarity of communication, the two analyses - financial and income - will be dealt with in two separate paragraphs, in the complete and absolute awareness that the complex analysis tool considered herein envisages a systemic interpretation of each index/flow/aggregate output of the information process.

In light of these considerations, and with the limitations illustrated above, it can state that it must implement corporate financial/equity analysis by determining and interpreting two sets of tools that necessarily complement each other. The calculation of a group of financial/equity ratios must be followed by the identification of cash flows, which will discuss in more detail in the next section. The ratios provide the static situation since they refer to a given instant. At the same time, the flows highlight functional elements of dynamic analysis, i.e. concerning a period, variously identified according to the information needs of company management.

Financial analysis employing indices takes s. from the following consideration: income and expenditure, as well as assets of use and source, characterised by similar features, must be balanced. Based on this simple consideration, indicators can be identified that, synthetically, can provide interpretative elements regarding the financial/asset structure of the company.

To avoid errors of "interpretative decoding" of the ratios, it is preferred not to subdivide them by "area". One often reads of the division between ratios analysing the short term, the long term, etc.. Such segmentation can, however, be dangerous as it limits the interpretation of the quotient. The writer, therefore, prefers to limit himself to listing the leading indicators of a financial/asset nature, illustrating, in an analytical manner, for each index, the formula, the method of determination, the managerial usefulness in the context of static financial/asset analysis, the logic of construction and the meaning of the quotient, and any reference parameters helpful in understanding the presence of imbalances between uses and sources.

As noted above, each consideration reported on the indices must be supplemented and completed by a series of reflections on the dynamic financial situation, which, through the determination of particular flows, aims to deepen the balance/unbalance relations between income and expenditure referring to a given period. Therefore, the indicators set out below must be interpreted simultaneously as the analysis tools discussed in the next section. Only in this way can the study of the financial situation be said to be complete and exhaustive.

The most commonly used financial ratios for understanding a company's financial situation are as follows:

- Current ratio
- quick ratio
- - coverage ratio of long-term assets
- - coverage ratio of long-term assets with internal sources of wealth
- - ratios of composition of invested capital
- - source composition ratios
- - degree of asset depreciation
- - ratio of wealth creation and maintenance capacity
- - debt ratio
- - ratio of intensity of short-term bank financing
- - ratio of overall financing intensity
- - ratio of gross income coverage capacity
- - ratio of capacity of capital to create cash flow
- - ratios of financial sustainability of growth
- - ratio of average duration loans
- - ratio of average duration of debts

In conclusion, it should note a critical consideration concerning the correct interpretation of ratios. It must contextualise each of the observations below within the specific financial reporting under study. Therefore, it may happen, in particular, that it cannot share the meditation points reported in this paper concerning specific business realities.

Reference will be made, for example, to the case in which a ratio turns out to be "off the mark". The light of the following pages shows that the situation is not balanced. However, it could happen that the value of the ratio is not significant due to the presence of an 'extraordinary' item in financial reporting. Let us assume, for example, that for the day of 31 December alone, there is an abnormal amount in the bank account, an amount that, after a couple of days, is duly invested in highly profitable forms of capital. The analysis of the financial reporting data, closed on 31 December, shows, as is evident, an abnormal situation and, consequently, any observations on the indices determined based on these accounting values must be contextualised and must take into account the particular condition that has arisen, accounting-wise, on the day the accounts were closed. One possibility to curb these situations could be calculating average values that reflect the problem, not on a specific day, but rather an 'average' across several accounting data. Some authors suggest always calculating the average between the values of the first day of the financial year and the accounting data on the last day of the administrative period. In reality, such a calculation does not solve the problem. To have a meaningful figure, one should identify an average that considers the monthly values. Such a determination, however, requires the preparation of a balance sheet (and, for some indices, a profit and loss) at the end of each month. In the writer's opinion, drawing up such a document is, if not impossible, extremely difficult. Therefore, the correct approach is the 'contextualised' interpretation of the indicators: those analysing the data must be aware of whether the values contained therein are significant. Suppose some values contained in balance sheets are "extraordinary" or "transitory". In that case, the analyst must highlight this situation and, necessarily, be able to express a judgement on the basis, simultaneously, of the analysis of the "abnormal" punctual data and of the values that, after a few days, those accounts take on.

As we have highlighted in the preceding pages, indices identify indispensable tools for the financial analysis of a company. Such an in-depth analysis cannot be carried out without a prior comparison of the items and aggregates of the balance sheet (and, in some cases, of the profit and loss) since only such an operation can make it possible to understand the existence or absence of balance between items distinguished by similar characteristics (of maturity, of structure, etc.).

Therefore, the financial reporting quotient represents a highly relevant analysis tool, as it disregards the absolute value of accounts to focus attention on aspects of relativity.

The preceding pages also emphasised that it is indispensable to implement an integrated analysis system, as the interpretation of individual quotients can be limited and misleading. Furthermore, it must be emphasised how the various ratios must often be investigated in light of several considerations that cannot be derived directly from the balance sheet and profit-and-loss accounting values.

However, it must be pointed out that, in reality, carrying out a complete analysis of the company's financial situation requires, in addition to the instruments indicated above, other means of in-depth accounting. Let us suppose, for example, that we wish to carry out an analysis by indexes, systematic and characterised by the simultaneous consideration of all the elements of helpful knowledge for the interpretation of the quotients themselves. One must ask oneself the following: does compliance with the three conditions mentioned above (implementation of a systematic, systematic analysis, supplemented by the in-depth consideration of extra-financial reporting considerations) make the results of the financial study complete, exhaustive and reliaole? The answer is no. To demonstrate this, consider this simple example:

Let us assume that a company is characterised by a current ratio demonstrating financial strength. Let us imagine that its value, referring to the end of a given year, is 1.5 and let us assume that, compared to previous years, there is a constant trend or one characterised by small changes in the range between 1.3 and 1.5. The latter circumstance demonstrates perfect short-term financial equilibrium. Suppose the analysis was to end with an in-depth examination of this ratio and other financial ratios. In that case, one could conclude that the company is characterised by a short-term financial solidity that does not create any particular problems or shows an ideal financial situation. However, stopping at analysing a ratio of several financial ratios would be a grave mistake because the apparent financial equilibrium established by the ratios could hide a dynamic imbalance that the ratios, precisely because of their structural characteristics, could never show. Let us suppose that we analyse the company's next year's data and learn that the financial and, therefore, in our context, monetary revenues expected for the following year derive from obtaining a loan from a financial institution. Assume that future expenditures, on the other hand, arise from the ordinary course of the company's core business and thus relate to the purchase and subsequent payment of wages, purchase of raw materials and amount of utilities. Since the objective of this example is merely to highlight the limitations of indices, the items considered here as requirements and monetary sources are limited to facilitate the understanding of the concept being illustrated. Against this background, the balance shown by the current ratio appears decidedly overstated concerning an overall judgement of the company's financial situation. In the following period, the consideration of the type of income and expenditure tarnishes the importance of the above ratio and sheds new light on the interpretation of ratios. Ratios analysis, even if it is carried out systematically and systematically, cannot allow in-depth consideration of the monetary income and expenditure that the enterprise has had or will have in the future. This is not because the financial ratio is incorrectly calculated. Still, because the ratio is in itself static and therefore lacking in information concerning income and expenditure, it is the quality and characteristics of the latter that have occurred or will occur in the period under consideration. These considerations do not make it possible to develop a dynamic financial and monetary analysis using the ratios tool, whose objective is the quantitative and qualitative deepening of financial and monetary sources and requirements. Considering these considerations, one can understand how the ratios analysis must be deepened by another tool that identifies the company's financial and monetary income and expenditure. Only in this way can the financial analysis be considered complete.

These considerations allow us to state that, to express an opinion on a company's financial situation, the analysis by indexes must necessarily be supplemented by a qualitative comparison between income and expenditure. It can only implement the qualitative analysis of income and spending through the use of an accounting tool that, on the one hand, identifies all needs and all sources and, on the other hand, allows an in-depth qualitative analysis of the items thus specified. This analysis is implemented through financial flows.

In synthetic terms, it is possible to state that the objective of financial flows is twofold:

1. Identification of all financial income and expenditure;
2. Comparison between recurrent income and expenditure and, by residue, between non-recurrent (occasional) income and non-recurrent (occasional) expenditure.

The following pages will emphasise that the concept of income and expenditure is not unambiguous. If inflows and outflows focus on the need or source expressed in monetary terms, the flows can be defined as liquidity or, alternatively, cash flows.

However, it is possible to interpret the concept of need or source in a broader sense. In this case, need and source include cash inflows and outflows and the idea of the emergence and extinction of debits and credits. If this concept is adopted, it can be understood that income and expenditure are no longer expressed in monetary terms but rather in financial terms. In this case, flows are referred to as 'financial in the broad sense'. Within this category of flows, various notions of debits and credits can be identified and referred to. As you will understand from reading the following pages, the financial flows belonging to the latter category, which are helpful for analysis purposes, focus on movements in net working capital. For this reason, this tool is referred to as analysis by flows expressed in terms of net working capital. The reader is referred to the following pages for a more detailed discussion of the various types of flows and the actual use of the individual tools.

In the preceding pages, it has been shown how, to implement a financial analysis, it is necessary to develop an in-depth analysis of cash flows. The ultimate objective of this analysis technique is the qualitative comparison of recurrent income vs recurrent expenditure and non-recurrent income vs occasional spending. Moreover, it can only achieve financial equilibrium if recurring income exceeds recurring payment. It must consider the more significant the difference between the two aggregates, the more solid the enterprise's financial balance. If resorting to an occasional source to meet an equally occasional requirement is a sign of good financial equilibrium, it is undoubtedly a sign of perfect financial stability to be able to cover an occasional need with a source that can be relied upon periodically over time. To make this concept easily understandable, think, for example, of the case in which an individual managed to buy his own house, not with a mortgage, but with his regular income from his salary. It is evident how this situation represents the perfect financial equilibrium since, when this hypothesis occurs, the recurrent source not only manages to cover recurrent needs but even contributes to covering needs of a merely occasional nature. Therefore, the flow objective is to identify all income and expenditures to subject them to qualitative monitoring. As will be seen when reading the following pages, while interpreting results is straightforward, calculating cash flows appears to be arduous. The focus will therefore be on how the cash flows are calculated, as the interpretation poses no particular problems. Since this section is intended to determine cash flows, it will restrict the notions of requirement and source to a purely monetary concept. Therefore, when reference is made to a requirement, it will implicitly mean a liquid requirement, i.e. a cash requirement and an active bank.

Conversely, when reference is made to a source, it will implicitly mean a source expressed in monetary terms of cash and active bank. Regarding the use of flows, it should note that doctrine, practice, and finally, accounting standards agree that it is more beneficial to analyse cash flows than other flows. The analysis of cash flows, e.g. of working capital, is no longer considered particularly significant for analysing the financial situation since financial equilibrium can conceal a profound monetary imbalance. This is why cash flows represent the most widely used dynamic analysis tool at the operational level and are most studied in theoretical terms.

It is evident that flows do not relate to an instant, like indices, but consider a period. This is why flows are defined as dynamic, as opposed to indices, which are interpreted as static elements of analysis. It should note that the period taken into consideration may be the financial year, the month, the week or even the day. We will return to the respect of the most suitable period in the following pages.

Analysing the above cases, one can see that examples have developed that cover every accounting event of financial reporting:

►an increase in activity;
►a decrease in assets;
►an increase in liaoilities;
►a decrease in liaoilities;
►an increase in equity;
►A decrease in net assets;
►a cost;
►and finally, revenue.

Generalising the above examples, it can be said that:

►an increase in an asset corresponds to a requirement;
►a decrease in an asset corresponds to a source;
►an increase in liaoilities corresponds to a source;
►a decrease in a liaoility corresponds to a requirement;
►an increase in an equity item corresponds to a source;
►a decrease in an equity item corresponds to a requirement;
►a cost corresponds to a requirement:
►and a revenue corresponds to a source.

At this point, one must ask whether the values thus determined to identify real income or expenditure flows, i.e. actual cash flows. In reality, even from a very superficial analysis, one can see that the simple rules identified above do not allow the identification of correct cash flows. As an example, it is sufficient to consider the case of an increase in assets. Suppose the land increases from 100 to 160. According to the rule identified above, it would have to be said that a cash flow requirement has occurred for this increase. Considering the business reality, however, one might find this is false. Take, for example, the case where the rise in land depends on a shareholder contribution or the point where the increase in the value of the long-term asset results from a mere revaluation. Or, again, the rise in land is connected with a purchase in which the debt has not yet been settled. In all these cases, the increase in land value is not matched by any actual cash flow. For this reason, we can state that the needs and sources illustrated above only and exclusively identify mere apparent flows, that is, values that only apparently create a need or a reference but which, on analysis of the facts, may conceal transactions that do not affect cash and which, consequently, do not create actual flows. Based on these considerations, we can identify the following automatic rule: the accounting change in values only provides evidence of apparent flows, which, however, do not always turn into actual cash flows.

Therefore, the analyst's task is to move from determining simple apparent flows to identifying more complex actual cash flows.

The calculation of actual cash flows requires the performance of two steps:

Eliminate all apparent needs and sources that have no impact on cash. It is evident that if an obvious flow identifies a mere accounting change that did not have a corresponding cash flow, it is necessary to eliminate the amount as having no monetary significance

Separation of so-called 'sum flows': two actual cash flows of opposite signs often correspond to an apparent flow. Consider, for example, the case where land increases in value. Let us also assume that the increase is connected with a movement characterised by a cash impact. The increase in the value of the land may correspond to a purchase equal to the difference in the initial final deal or to an annuity occurring at the same time as a purchase. If this second hypothesis appears, the natural flow is not one but twofold. Thus, an increase in land value would have to be matched by an authentic source equal to the value received due to the sale and a real need equivalent to the purchase of new land. The separation of the sum transactions is highly relevant because only by identifying the real market and the actual source in separate motion is it possible to identify the actual cash flows occurring in the period under consideration.

Based on the above considerations, it can be understood how the determination of cash flows goes through the preparation of a worksheet in which all asset, liaoility and equity items are to be recorded. The analysis of the cash impact of the various accounting differences corresponding to the individual financial reporting items will determine the actual cash flows.

However, a problem arises at this point. Within equity, there is, in fact, an item which, by definition, represents the most concise sum value of financial reporting. We intend to refer here to operating income. Profit or loss is derived from the sum of all costs and income occurring over time. It is evident that should the worksheet drawn up to determine the flows show the summary of payment and money outflows for the year, it would not be possible to identify the flows constituting the sum of the same profit/loss for the year.

For this reason, in the worksheet, to determine the analytical cash flows, it is necessary to report the amounts of all payments and outflows instead of the value of the income and costs for the period considered by the flow analysis. It is evident that since the cash flow analysis considers a specific financial year, the substitution between income and the list of costs and revenues must relate exclusively to the financial year under consideration and research. Needless to point out, on the other hand, it should not break the previous year's result down as it represents, in the following year, a unitary value that identifies a real need for cash only for the amount equal to any dividends distributed a natural source if the shareholders cover the loss with liquid funds.

The technique for determining flows is based on the two simple rules of conduct identified above. The great difficulty in calculating flows arises from eliminating all movements that did not create flow. The separation of the sum transactions represents accounting operations that often require highly complex reasoning.

After finishing the worksheet, it is necessary to move on to interpreting the data obtained. Understanding the dynamic financial situation requires that the values of flows identified using worksheets or other accounting tools be correlated to highlight the presence of balance or imbalance between items that must interpret simultaneously. To achieve this, a summary document must be drawn up. Since, often, those analysing the data do not have specific technical skills in accounting, it is necessary to draw up a document that simultaneously achieves two objectives

1. Summary of the results obtained within the worksheet;
2. Illustration of the results through a document that can be understood even by a non-accounting expert.

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The two objectives mentioned above are achieved through drafting the so-called cash flow statement. This document summarises the flows while explaining the results clearly and understandably to everyone.

An analysis of national and international accounting doctrine and standards shows that many different reporting formats exist. Therefore, the statement's drafting is left to the analyst, who must opt for a clear, understandable form and accepted by most scholars and economic operators. It must make a chIAO (Italian Accounting Organism (Henceforth IAO, in italian language OIC))e based on the theoretical and practical considerations that each analyst develops in the context of financial reporting analysis. The objective of reporting, regardless of the technical format used, is to 'bring all flows concerning homogeneous transactions into a meaningful aggregate. In this sense, the company's operations are broken down into several homogeneous operations. The diversity of the various schemes found in doctrine and accounting standards is expressed in the different identification of significant sub-aggregates. In other words, company management is subdivided into aggregates identified according to different logics in the various schemes.

Let's compare the formal structures proposed by the IAS i/IFRS international standards, and the Italian national accounting standards IAO (ITALIAN ACCOUNTING ORGANISM (HENCEFORTH IAO, IN ITALIAN LANGUAGE OIC)). The American accounting standards document 95/ASC 230 and the national or international doctrine; we can see how the schemes show profound diversifications at the level of form. It must well highlight the circumstance and that, in the face of different schemes, one finds identical flow values only represented differently and aggregated according to different logics.

In the following pages, we will make a brief analysis of the schemes proposed by the leading national and international bodies, and we can already anticipate that these schemes do not provide important information that is instead required both to manage the company and to understand, from the outside, the dynamic financial situation of the company itself ap. At this point, one must ask whether the substance, which is the same in all schemes, prevails over the form, presenting different structures in the various cash flow statements regulated by accounting standards or doctrinal proposals. After analysing the numerous structures, comparing the various forms proposed at the national or international level by bodies and scholars, and after highlighting the limitations of these structures, we will offer the drafting of a sketch flow statement structure determined and studied in the context of an integrated information system, the definition and characteristics of which will be the subject of the next paragraph.

II. The Formal Structure of the Cash Flow Statement According to IAS/IFRS, US GAAP Principles FASB 95 and ASC 230, Principles Imposed by Italian National Legislation, Italian National Standards of Italian Accounting Organism (Henceforth IAO, in Italian Language OIC))

a) *International Ias 7 Standard*

The formal structure of the cash flow statement is the subject of a plurality of accounting standards issued by various national and international bodies. In this paragraph, we will focus our attention on the formal principles imposed by the international accounting standard IAS No. 7, the American GAAP standards FAB95 and ASC 230, and the regulations set by Italian national legislation, which, in essence, refers to the rules to be applied in structuring the cash flow statement to the Italian national accounting standards issued by the IAO (Italian accounting organism, henceforth IAO, in Italian language OIC). Here, we will limit ourselves to listing the various accounting principles relating to the cash flow statement without making any observations on the merits and limits of the structures proposed by the different accounting principles. The comments, in terms of the values and limitations of the structures presented by the various accounting principles, will be made in the following paragraph, where we will also propose a form of the statement that, independent of any accounting principle structure, summarises the merits that can be assigned to the international, American and Italian accounting principles and, at the same time, overcomes the limits that can instead be connected to such structures.

Before addressing the summary of the contents of the cash flow statements provided for and regulated by the accounting as mentioned above standards, it is relevant to note how they all converge towards a notion of cash flow as cash flow and not net working capital flow. In the past decade, many accounting standards also referred to net working capital flows and, mainly, to net working capital related to core business activities. In some cases, it could see that this statement was recommended over the statement expressed in cash flows. At the same time, other standards assumed an alternative use of the statement described in cash flows or depicted in characteristic net working capital flows. This has changed profoundly in recent years, as all international and national bodies of almost all nations have agreed on the circumstance that flows expressed in terms of net working capital, and therefore said in terms of financial flows in the broadest sense, are characterised by a reduced informative capacity. and for this reason, all accounting standards now converge on the advice to use the cash flow statement expressed only in terms of cash flows, giving information, to avoid errors, of what should be meant by cash flow.

The international standard IAS 7 provides an unequivocal definition of cash flow and cash equivalent. In extremely concise terms, those as mentioned above international standard states that. “cash and cash equivalents identify forms of liquidity held to meet financial needs, especially in the very short term, and not for investment or other non-typical financial, capital or investment purposes.

For a value to qualify as cash or cash equivalent it must be convertible to cash in a known amount and must not be subject to any risk of change in value.

Thus, an item can only be defined as cash or cash equivalent if it has a short maturity date (typically less than three months from the date of acquisition). It is clear from this definition that share purchases, for example, cannot be considered cash equivalents unless special circumstances arise. In fact, if preferred shares with a maturity of less than three months or with a redemption date less than three months are purchased, share purchases could also be considered cash equivalents.

Bank loans are generally considered financing activities. However, in some countries, bank overdrafts repayable on demand are an integral part of a company's liquid assets. Therefore, in these particular cases, such loans may be considered part of cash equivalents.

IAS 7 emphasises how 'cash flows exclude movements between items that constitute cash or cash equivalents, as these components are part of cash and cash equivalents' and how these components are part of a company's cash management rather than its operations, financial management or investment management.

Liquidity management includes the investment of surplus cash in cash equivalents.”

From the above, it is clear that any transaction that does not impact cash or cash equivalent is not considered in the context of drawing up the cash flow statement. This principle is highlighted in all national or international accounting standards and issued by any national or international organism.

As far as the IAS/IFRS accounting standards are concerned, the cash flow statement is not governed by a compulsory structure at an elevated level. in fact, the international accounting standard merely highlights the potential content. It indicates a few examples of accounting items that must include in the various aggregates provided by the accounting standard.

The international accounting standard IAS, 7 stipulates that it must include the following aggregations of inflows and outflows in the cash flow statement:

1. Operating activities
2. Investing activities
3. Financial activities

IAS 7, in defining the three activities that must be the points of reference for regrouping all cash inflows and outflows, provides definitions of operating activities, investing activities and financial activities.

As far as operating activities are concerned, in the writer's opinion, the international accounting standard cited does not provide a helpful definition of this activity since it provides a very general concept that, within it, at least in theory, could contain many items that it must instead include in investing and financial activities. The definition that IAS 7 gives of operating activities is as follows: operating activities are those from the performance from which the revenue-producing activities of the enterprise are principally derived. Therefore, the cash flows of operating activities derive from transactions and all other events that contribute to the determination of profit or loss. As can be understood, such a definition is not particularly effective in understanding operating activities. However, the international accounting standard above highlights some examples of items that should include in operating activities:

*receipts of sales of goods and services made by the enterprise

*payments made to employees, collaborators, or others working under forms of contract other than employment with the enterprise

*payment of income taxes unless they can be identified explicitly with investment financing transactions (in which case it can see that the communicative effectiveness of the concept is certainly not excellent)

*receipts of tax credits arising from previously paid income tax surpluses unless they can be identified explicitly with investment financing activities. the considerations made for the previous item also apply to this item

*receipts arising from contracts held for trading or trading purposes in respect of sales or purchases of goods and services

*payments arising from contracts held for dealing or trading purposes to trade in sales or purchases of goods and services

Concerning the items to be included in investing activities, IAS 7 provides a list that should have in a concept of investing activities provided in the accounting standard. According to the international standard, first and foremost, the aggregation of cash flows from investing activities carried out separately from any other type of aggregate is important because the cash flows of this investing activity represent the degree to which expenses have been incurred and, therefore, income has been earned to acquire resources that, at least in the intentions of the managers, should be able to generate future cash flows. Expenses that fall under this concept must be included in investing activities. By way of example, the international accounting standard cited above notes that it must consist of the following within investing activities:

*Payments made to support capitalised development costs and internal construction of any kind

*receipts from the sale of fixed assets that are replaced due to economic and physical obsolescence, such as receipts from the sale of buildings, plant and machinery and equipment that are to be replaced with more innovative assets

*receipts from the sale of other long-term assets or other long-term assets

*payments made in cash for the acquisition of equity or debt instruments of other companies

*payments made to implement interests in joint ventures

*Cash receipts from sales of equity or debt instruments of other enterprises or interests in joint ventures

*Cash advances and loans made to third parties, other than advances and loans made by a financial institution or bank, as it will include this item in financing activities

*Cash receipts from the repayment of loans and advances made to third parties, other than advances and loans made by a financial institution

*cash receipts arising from the repayment of advances and loans made to third parties

*Cash payments made for entering into futures contracts, option contracts or swap contracts unless the enterprise holds the contracts for trading purposes and the payments are classified as financing activities

* cash receipts made from the conclusion of futures contracts, option contracts or swap contracts, unless the arrangements are in possession of the enterprise for trading purposes and the payments are classified as financing activities

Finally, concerning financing activities, the international standard IAS 7 defines why it is relevant to show these flows separately. The standard emphasises how important it is to aggregate the financial values because it is indispensable to forecast the demands of future cash flows from the company's capital suppliers. The aforementioned international standard gives some examples of items, understood as requirements or sources, which must include in financing activities. The examples highlighted and the international standard cited are as follows:

*receipts from the issue of shares or other instruments identifying the capital of an enterprise

*cash payments to shareholders for the purchase or redemption of shares in the company

*cash receipts from the issuance of bonds, loans, mortgages or any other short-term OR long-term financing

*cash outflow resulting from the repayment of sums arising from loans previously obtained by the company

*cash payments resulting from the reduction or cancellation of the residual liaoility of a lease contract

International Accounting Standard IAS 7 concludes the analysis of the cash flow statement with an in-depth examination of some items that require particular explanation according to the international organism that issued the standard. In highly synthetic terms, these items can be summarised as follows:

Foreign currency cash flow:

"cash flows Cash flows arising from transactions in a foreign currency shall be recorded in an entity's functional currency by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of the cash flow. The cash flows of a foreign subsidiary shall be translated at the exchange rates between the functional currency and the foreign currency at the dates of the cash flows"

Interest and dividends:

"cash flows from interest and dividends received and paid shall each be disclosed separately. Each shall be classified in a consistent manner from period to period as either operating, investing or financing activities. The total amount of interest paid during a period is disclosed in the statement of cash flows whether it has been recognised as an expense in profit or loss or capitalised in accordance with IAS 23 Borrowing Costs. Interest paid and interest and dividends received are usually classified as operating cash flows for a financial institution. However, there is no consensus on the classification of these cash flows for other entities. Interest paid and interest and dividends received may be classified as operating cash flows because they enter into the determination of profit or loss. Alternatively, interest paid and interest and dividends received may be classified as financing cash flows and investing cash flows respectively, because they are costs of obtaining financial resources or returns on investments. Dividends paid may be classified as a financing cash flow because they are a cost of obtaining financial resources. Alternatively, dividends paid may be classified as a component of cash flows from operating activities in order to assist users to determine the ability of an entity to pay dividends out of operating cash flows."

Taxes on income:

"Cash flows arising from taxes on income shall be separately disclosed and shall be classified as cash flows from operating activities unless they can be specifically identified with financing and investing activities."

Changes in ownership interest in subsidiaries and other business:

"The aggregate cash flows arising from obtaining or losing control of subsidiaries or other businesses shall be presented separately and classified as investing activities"

Changes in liaoilities arising from financing activities

" An entity shall provide disclosures that enable users of financial statements to evaluate changes in liaoilities arising from financing activities, including both changes arising from cash flows and non-cash changes. To the extent necessary to satisfy the requirement in paragraph 44A, an entity shall disclose the following changes in liaoilities arising from financing activities: (a) changes from financing cash flows; (b) changes arising from obtaining or losing control of subsidiaries or other businesses; (c) the effect of changes in foreign exchange rates; (d) changes in fair values; and (e) other changes. Liaoilities arising from financing activities are liaoilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities. In addition, the disclosure requirement in paragraph 44A also applies to changes in financial assets (for example, assets that hedge liaoilities arising from financing activities) if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities".

As we have already pointed out, the international standard does not impose a scheme of reference on companies. Still, it merely gives examples of inflows-outflows corresponding to the three aggregations envisaged: operating, investing and financing activities. The international standard provides that it can determine the flow of operating activities according to the direct or indirect method. However, it points out that it is preferable to use the direct method. With the direct method, income is added to the expenditure associated with the transactions that the organism issuing the standard considers being included in the concept of operating activities. The difference between the two methods concerns how the flow is determined, not the substance, since the results of the two methods leads to the exact quantification.

Conversely, the indirect method adds to or subtracts from the operating profit or loss all non-monetary costs and revenues, the net working capital delta, and the items that prevent this sum from identifying a cash flow. With the indirect method, therefore, one starts from the profit and arrives at the cash flow through the addition or elimination of non-monetary items or the Delta of all receivables and payables and inventories that allow one to transform the costs and revenues implicitly included in the profit or loss for the year into a cash flow. In the writer's opinion, the direct method is much more effective in communication, while the indirect approach is less comprehensive. The IAS 7 standard suggests using the direct method while permitting the indirect way.

III. Principles Indicated by Italian Legislation and Accounting Principle no. 10 Cash Flow Statement Issued by the Italian Accounting Organism (IAO, in Italian Language OIC)

The Italian civil code provides for only one Article that establishes a substantial reference to the national accounting standards issued by the Italian national accounting body. Article 2425 ter Cash flow statement merely states that the cash flow statement must show, for the financial year to which the financial report refers and for the previous one, the amount and composition of cash and cash equivalents at the beginning and end of the financial year, and the cash flows for the financial year deriving from operating, investing and financing activities, including, with independent indication, transactions with shareholders.

As can be understood from reading the Article of the civil code cited above in, in essence, the civil law legislator has deferred to the accounting standards the task of identifying the meaning of the terms used in the Article, i.e. the terms of operating, financing and investing activities, and of indicating the items that, within each of these aggregates, must be highlighted. The code has not established whether the structure shown by the accounting standard OC must provide for a mandatory layout or, as is the case in IAS7, only provide for a list of items that do not indicate a compulsory formal structure to be followed.

On 20 August 2014, Law No. 116 of 11 August 2014, converting Decree-Law 91/2014, was published in the Official Gazette, recognising the role and functions of the ITALIAN ACCOUNTING ORGANISM (HENCEFORTH IAO, IN ITALIAN LANGUAGE OIC)). The law supplements Legislative Decree 38/2005 with Article 9-bis. This Article provides that:

Article 9-bis - Role and functions of the IAO (Italian Accounting Organism (Henceforth IAO, in italian language OIC))

1. The IAO (Italian Accounting Organism (Henceforth IAO, in italian language OIC)), the national accounting standards institute:

a) Issues national accounting standards, inspired by best practice, for the preparation of financial statements following the provisions of the Italian Civil Code;

b) Provides support to the activities of Parliament and Government Bodies on accounting regulations and expresses opinions when required by specific legal provisions or at the request of other public institutions

c) It participates in the process of developing the international accounting standards adopted in Europe, maintaining relations with the International Accounting Standards Board (IASB), the European Financial Reporting Advisory Group (EFRAG) and the accounting bodies of other countries.

Concerning the activities under a), b), and c), it coordinates with the national authorities competent in accounting matters.

2. In exercising its functions, the IAO (Italian accounting organism (henceforth IAO, in the Italian language OIC) pursues public interest purposes, acts independently and adapts its statute to the canons of efficiency and economy. It reports annually on its activities to the Ministry of Economy and Finance.

From what is stated in this Article, it can be understood how the Italian civil code's almost blank reference to the IC principle is perfectly legal insofar as it is provided for in Article 9a above.

Therefore, to understand what the Italian Civil Code imposes concerning the content of the cash flow statement, which, as we recall, represents the fourth document constituting financial reporting for the financial year together with the balance sheet, profit and loss and the notes to the financial statements, it is necessary to refer exclusively to principle number 10 cash flow statement issued by the IAO (Italian accounting organism, henceforth IAO, in Italian language OIC).

Before addressing this issue, it is necessary to recall that among all the nations adhering to the IASB, the body that issues the IAS/IFRS standards, the ultimate goal is to align their national legislation and accounting standards, as much as possible with the standards issued by the international body and therefore with the IAS and IFRS standards. As will be noted, the content of the Italian national accounting Italian Accountin Organism OIC number 10 cash flow statement reproduces, albeit with some slight modifications, what is reported in the international standard IAS 7.

The IAO (in italian language OIC)) principle 10 cash flow statement requires that flows, precisely as in IAS 7, must be aggregated into operating activities, investing activities and finally, financing activities. The standard specifies that 'Operating activities generally include transactions related to the acquisition, production and distribution of goods and the provision of services, even if related to incidental operations, as well as other transactions not included in investing and financing activities. Investing activities include purchasing and selling property, plant and equipment, intangible and financial assets and financial assets not held as fixed assets. Financing activities include transactions to obtain and return cash in the form of risk capital or debt capital."

Concerning the definition and content of the aggregate of operating activities investing activities, and financing activities, it can be seen that there is a substantial similarity with what is reported in IAS 7.

Principle IAO (italian accounting organism, in italian language OIC) n. 10 states that:

"Operating activities

Cash flows from operating activities generally include cash flows arising from the acquisition, production and distribution of goods and the provision of services, even if they relate to incidental operations, and other flows not included in investing and financing activities.

Some examples of cash flows generated or absorbed by operating activities are cash receipts from the sale of products and the provision of services; 6 receipts from royalties, commissions, fees, insurance reimbursements and other revenues; payments for the purchase of raw materials, semi-finished goods, merchandise and other inputs; payments for the acquisition of services; payments to, and on behalf of, employees; tax payments and reimbursements; and cash receipts for financial income.

Operating activities consist of transactions that result in revenues and costs necessary to produce those revenues. The operations of operating activities are reflected in the profit and loss and represent the sources of financing for the company, particularly self-financing. From them, the liquidity needed to finance future operations is generated.

Cash flow from operating activities is determined using the indirect method, whereby profit (or loss) for the year, or profit (or loss) before tax, is adjusted for elements of a non-monetary nature, i.e. accounting items that did not require disbursement/collection of cash during the financial year and that did not have a counterpart in net working capital; some examples are depreciation of fixed assets, provisions for risks and charges, provisions for severance pay, write-downs for impairment losses; undistributed profits related to investments in associated companies valued using the equity method; changes in net working capital related to costs or revenues of operating activities. Some examples are changes in inventories, changes in trade receivables and trade payables, and changes in accrued income and prepaid expenses. Changes in net working capital represent deviations from the previous year's balances, transactions whose effects are included inflows from investing and financing activities. For example, gains or losses from the disposal of assets. These adjustments transform positive and negative income components into cash receipts and payments (i.e. changes in cash and cash.

The profit/loss for the year is adjusted for changes in net working capital in the following circumstances (by way of example) an increase in trade receivables is subtracted from profit (loss) for the year, as this increase represents the lower amount collected from customers with respect to revenue accrued during the year and credited to profit and loss; conversely, a decrease in receivables is added to profit (loss) for the year, as this represents the higher amount of receivables collected with respect to revenue accrued during the year and credited to profit and loss; an increase (decrease) in trade payables is added to (subtracted from) profit (loss) for the year as it represents a portion of production costs not yet paid (or a part of production costs spent in excess of accrued expenses); the increase (decrease) in inventories is subtracted from (added to) the profit (loss) for the year IAO (Italian Accounting Organism (Henceforth IAO, in Italian language OIC))hile in the calculation of profit, the costs of production are considered, which include not only purchases but also the change in inventories, while for changes in cash only purchases are relevant. By way of example, in the case of an increase in inventories of goods, this increase is subtracted from the profit (loss) for the year since, during the year, the purchases made exceeded the goods sold by an amount equal to the difference between the closing (higher) and opening (lower) inventory. By subtracting the change in stocks from the profit/loss for the year, the economic effect is neutralised so that the statement only reflects the impact on the financial position of the cash used for purchases during the year; the increase in accrued expenses is added to the profit/loss for the year as this increase represents the higher amount of costs not yet paid through cash compared to expenses charged to profit and loss.

The cash flow from operating activities can also be determined using the direct method by presenting the gross positive, and negative cash flows from transactions included in operating activities.

*Investing activities

Cash flows from investing activities include purchases and sales of tangible, intangible and financial fixed assets and financial assets not held as fixed assets.

By way of example, cash flows generated or absorbed by investing activities derive from purchases or sales of buildings, plants, equipment or other tangible fixed assets (including tangible fixed assets of internal construction); purchases or sales of intangible fixed assets, such as patents, trademarks, concessions; these payments also include those relating to capitalised deferred charges; acquisitions or disposals of equity investments in subsidiaries and associates; acquisitions or disposals of other equity investments; acquisitions or disposals of other securities, including government securities and bonds; disbursements of advances and loans made to third parties and collections for their repayment.

Cash flows arising from the purchase of fixed assets are distinctly presented in investing activities, for the cash outflow incurred in the year equal to the total purchase price adjusted by the change in payables to suppliers of fixed assets; this is to show the financial resources absorbed by the purchase transaction in a unified manner.

Cash flows deriving from the sale of fixed assets are separately presented in investing activities, for the revenue received during the year equal to the realisation price (i.e. the net book value increased by the capital gain or reduced by the capital loss) adjusted by the change in receivables due from customers for fixed assets; this is to show the source of financial resources generated by the sale transaction as a whole. 36. Given that the gain or loss on the net book value of the fixed asset is recognised in profit and loss, the company adjusts the profit/loss for the year in operating activities by the value of the gain/loss.

The company presents the primary cash receipts or payments arising from investing activities separately for the different classes of fixed assets (intangible, tangible and financial), showing financial assets not held as fixed assets separately. Financing activities

*Financing activities

The cash flows of financing activities include the flows that result from obtaining or returning cash in the form of risk capital or debt capital.

By way of example, the cash flows generated or absorbed by financing activities are: cash receipts from the issue of shares or units representing risk capital; payment of dividends; payments for the repayment of risk capital, including in the form of the purchase of treasury shares; receipts or payments arising from the issue or refund of bonds, fixed-income securities, taking out or repayment of mortgages and other short- or long-term loans; increase or decrease in other debts, including short- or medium-term debts, of a financial nature. 40. The company presents the main categories of cash receipts or payments from financing activities separately, distinguishing cash flows from risk capital and debt capital.

a) Particular Cases of Cash Flows

Interest and dividends

Interest paid and received is presented separately under cash flows from operating activities, except in particular cases where it relates directly to investments (investing activities) or loans (financing activities).

Dividends received and paid are presented separately in operating and financing activities.

Interest and dividend cash flows are presented separately in the cash flow statement; therefore, no single amount of dividends and interest is reported in the cash flow statement. The classification of interest and dividend cash flows is kept constant over time. 9 Income Taxes

Cash flows related to income taxes are separately disclosed and classified in operating activities. Examples of cash outflows are: the payment of taxes to tax authorities, including charges on account of taxes. Examples of cash inflows are: payments received from tax authorities, including surpluses and refunds. Foreign currency cash flows

Cash flows arising from transactions in foreign currencies are recorded in the company's financial reporting in euros by applying to the foreign currency amount the exchange rate between the euro and the foreign currency at the time the cash flow occurs.

Gains or losses arising from unrealised exchange rate fluctuations in foreign currencies do not represent cash flows; the profit (or loss) for the year is, therefore, adjusted to account for these transactions, which are not monetary.

The effect of exchange rate changes on cash held in foreign currencies is presented separately from cash flows from operating, investing and financing activities. Derivative Financial Instruments

Cash flows arising from derivative financial instruments are presented in the cash flow statement in investing activities.

Suppose a derivative financial instrument (e.g. a futures, forward contract, option, swap) is designated as a hedging instrument. In that case, the related cash flows are presented in the same category as the cash flows of the hedged item (e.g. a medium- to long-term loan). The cash inflows and outflows of the hedging derivative are reported separately from the cash flows of the hedged item. Purchase or sale of business units

The cash flow arising from the consideration paid/collected for the acquisition and disposal of a business unit is presented separately in investing activities, net of cash acquired or disposed of as part of the transaction.

The company also discloses the following information at the bottom of the cash flow statement: a) the total consideration paid or received; b) the portion of the consideration consisting of cash; and c) the amount of cash acquired or disposed of as part of the business acquisition/disposal transaction and d) the carrying amount of the assets/liabilities acquired or disposed of.

It may not offset the cash flow relating to the acquisition of one line of business against the cash flow relating to the disposal of another line of business. "

The Italian national accounting standard IAO (Italian Accounting Organismo) number 10 cash flow statement, unlike the international standard IAS 7, provides for schemes that companies must apply. even if they are defined as reference schemes for the preparation of the cash flow statement, in essence, they are compulsory schemes that the company must use.

As can be seen from the schedules on the following pages, and provides for the possibility of determining the flow of operating activities with the indirect and direct method precisely as is the case with international standard IAS 7.

Principle iao (italian accounting organism (henceforth iao, in italian language oic)) n. 10 the cash flow statement

Appendix A - Reference Schedules for the Preparation of the Cash Flow Statement

This appendix is an integral part of the standard.

Schedule 1: Cash flow from operating activities determined by the indirect method

	200X	200X-1
A. Cash flows from operating activities (indirectmethod)		
Profit (loss) for the year		
Income taxes		
Interestexpense/(interestincome)		
(Dividends)		
(Gains)/losses on disposal of assets		
1. Profit (loss) for the yearbeforeincome taxes, interest, dividends and capital gains/losses on disposal		
Adjustments for non-cash items thatdidnothave a balancing entry in net working capital		
Allocations to provisions		
Depreciation of fixed assets		
Write-downs for impairment losses		
Value adjustments of financial assets and liaoilities of derivative financialinstrumentsnotinvolving a monetarymovement		
Otheradjustments for non-monetary items		
2. **Cash flow beforechanges in net working capital**		

Changes in net working capital		
Decrease/(increase) in inventories		
Decrease/(increase) in receivables from customers		
Increase/(decrease) in trade payables		
Decrease/(increase) in accruedincome and prepayments		
Increase/(decrease) in accruedexpenses and deferredincome		
3. Cash flow after changes in net working capital		
Otheradjustments		
Interestreceived/(paid)		
(Income taxes paid)		
Dividendsreceived		
(Utilisation of funds)		
Otherreceipts/(payments)		
Cash flow from operating activities (A)		
B. Cash flow from investing activities		
Tangiblefixed assets		
(Investments)		
Divestments		
Intangiblefixed assets		
(Investments)		
Divestments		
Financial fixed assets		
(investments)		
Divestments		
Financial assets notheldasfixed assets		
(Investments)		
Divestments		
(Acquisition of business units net of cash and cash equivalents)		
Disposal of business units net of cash and cash equivalents		
Cash flow from investing activities (B)		
C. Cash flow from financing activities		
Third-party funds		
Increase (decrease) in short-term bank borrowings		
Increase in loans		
(Repayment of loans)		
Equity		
Capital increaseagainst payment		
(Repayment of capital)		
Disposal (purchase) of treasury shares		
(Dividends (and interim dividends) paid)		
Cash flow from financing activities (C)		
Increase (decrease) in cash and cash equivalents (A ± B ± C)		
Exchange rate effect on cash and cash equivalents		
Cash and cash equivalentsat the beginning of the year of which bank and postaldeposits cheques cash and cash equivalents on hand		
Cash and cash equivalentsat the end of the year of which bank and postaldeposits cheques cash and valuables on hand		

Diagram 2: Flow of operational activity determined by the direct method

	200X	200X-1
A. Cash flows from operating activities (directmethod)		
Collections from customers		
Otherreceipts		
(Payments to suppliers for purchases)		
(Payments to suppliers for services)		
(Payments to staff)		

(Other payments)		
(Taxes paid on income)		
Interestreceived/(paid)		
Dividendsreceived		
Cash flow from operating activities (A		
B. Cash flow from investing activities		
Tangiblefixed assets		
(Investments)		
Divestments		
Intangiblefixed assets		
(Investments)		
Divestments		
Financial fixed assets		
(investments)		
Divestments		
Financial assets notheldasfixed assets		
(Investments)		
Divestments		
(Acquisition of business units net of cash and cash equivalents)		
Disposal of business units net of cash and cash equivalents		
Cash flow from investing activities (B)		
C. Cash flow from financing activities		
Third-party funds		
Increase (decrease) in short-term bank borrowings		
Increase in loans		
(Repayment of loans)		
Equity		
Capital increaseagainst payment		
(Repayment of capital)		
Disposal (purchase) of treasury shares		
(Dividends (and interim dividends) paid)		
Cash flow from financing activities (C)		
Increase (decrease) in cash and cash equivalents (A ± B ± C)		
Exchange rate effect on cash and cash equivalents		
Cash and cash equivalentsat the beginning of the year of which bank and postaldeposits cheques cash and cash equivalents on hand		
Cash and cash equivalentsat the end of the year of which bank and postaldeposits cheques cash and valuables on hand		

Principle Gaap U.S.A. N. 95 E Asc 230

U.S. GAAP FAS 95-Statement of Cash Flows (Cash flow statement) supersedes and repeals APB Opinion No. 19, Reporting Changes in Financial Position, and requires the preparation of a document called a statement of cash flows, which is interpreted as a constituent part of financial reporting, like a balance sheet and a profit and loss statement. FAS 95 requires the cash flow statement to classify cash receipts and payments according to whether they arise from operating, investing or financing activities and provides definitions of each category.

SFAS No. 95 encouraged companies to present cash flows from operating activities directly, indicating the main classes of operating cash receipts and payments (direct method). Enterprises that chose not to report operating cash receipts and payments were required to register the same amount of net cash flows from operating activities indirectly by adjusting net income to reconcile it to net cash flows from operating activities (the indirect or reconciliation method) by eliminating the effects of (a) all deferrals of past operating cash receipts and payments and all accruals of expected future operating cash receipts and payments and (b) all items included in net income that do not affect operating cash receipts and payments. If it used the direct method, a reconciliation between net income and net cash flows from operating activities had to be provided in a separate statement.

In 1989, the need was perceived in the U.S.A. also to regulate the cash flow statements of governmental entities, which is why The Governmental Accounting Standards Board (GASB) began its study of cash flow reporting by evaluating the provisions of FASB 95 within the context of the governmental environment.

In 1989, GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, was issued. GASB 9 established new guidelines for governments in preparing cash flow statements. This course section includes the following: GASB 9, 34 and 35, The Purpose of the Statement of Cash Flows, Fund types affected, Cash and Cash Equivalents, Direct Method and What is a cash flow?

In GASB 9, 34 and 35, there were four categories of aggregation of assets:

Cash flows from Operating Activities
Cash flows from Noncapital Financing Activities
Cash flows from Capital and Related Financing Activities
Cash flows from Investing Activities

The cash flow statement did not cover governmental activities and was therefore governed by SFASN. 95 provided for only three types of activities according to which the sources and requirements expressed in terms of cash were to be aggregated:

*operating activities
*investment activities
*financial activities

The definitions of operating, investing and financial activities recall what was already proposed by IAS 7 and IAO (Italian Accounting Organism, in the Italian language OIC) No. 10.

For the sake of completeness, what is defined explicitly in the FASB's SFAS 95 document is reiterated here:

"Cash Flows from Investing Activities

Investing activities include making and collecting loans and acquiring and disposing of debt or equity instruments and property, plant, and equipment and other productive assets, that is, assets held for or used in the production of goods or services by the enterprise (other than materials that are part of the enterprise's inventory).

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Cash inflows from investing activities are:

1. Receipts from collections or sales of loans made by the enterprise and of other entities' debt instruments (other than cash equivalents) that were purchased by the enterprise
2. Receipts from sales of equity instruments of other enterprises and from returns of investment in those instruments
3. Receipts from sales of property, plant, and equipment and other productive assets.

Cash outflows for investing activities are:

1. Disbursements for loans made by the enterprise and payments to acquire debt instruments of other entities (other than cash equivalents)
2. Payments to acquire equity instruments of other enterprises
3. Payments at the time of purchase or soon before or after purchase to acquire property, plant, and equipment and other productive assets.

Cash Flows from Financing Activities

Financing activities include obtaining resources from owners and providing them with a return on, and a return of, their investment; borrowing money and repaying amounts borrowed, or otherwise settling the obligation; and obtaining and paying for other resources obtained from creditors on long-term credit.

Cash inflows from financing activities are:

1. Proceeds from issuing equity instruments
2. Proceeds from issuing bonds, mortgages, notes, and from other short- or long-term borrowing.

Cash outflows for financing activities are:

1. Payments of dividends or other distributions to owners, including outlays to reacquire the enterprise's equity instruments
2. Repayments of amounts borrowed
3. Other principal payments to creditors who have extended long-term credit.

Cash Flows from Operating Activities

Operating activities include all transactions and other events that are not defined as investing or financing activities in paragraphs 15-20. Operating activities generally involve producing and delivering goods and providing services. Cash flows from operating activities are generally the cash effects of transactions and other events that enter into the determination of net income.

Cash inflows from operating activities are:

1. Cash receipts from sales of goods or services, including receipts from collection or sale of accounts and both short- and long-term notes receivable from customers arising from those sales
2. Cash receipts from returns on loans, other debt instruments of other entities, and equity securities—interest and dividends
3. All other cash receipts that do not stem from transactions defined as investing or financing activities, such as amounts received to settle lawsuits; proceeds of insurance settlements except for those that are directly related to investing or financing activities, such as from destruction of a building; and refunds from suppliers.

Cash outflows for operating activities are:

1. Cash payments to acquire materials for manufacture or goods for resale, including principal payments on accounts and both short- and long-term notes payable to suppliers for those materials or goods
2. Cash payments to other suppliers and employees for other goods or services

3. Cash payments to governments for taxes, duties, fines, and other fees or penalties
4. Cash payments to lenders and other creditors for interest
5. All other cash payments that do not stem from transactions defined as investing or financing activities, such as payments to settle lawsuits, cash contributions to charities, and cash refunds to customers.

Certain cash receipts and payments may have aspects of more than one class of cash flows. For example, a cash payment may pertain to an item that could be considered either inventory or a productive asset. If so, the appropriate classification shall depend on the activity that is likely to be the predominant source of cash flows for the item. For example, the acquisition and sale of equipment to be used by the enterprise or rented to others generally are investing activities. However, equipment sometimes is acquired or produced to be used by the enterprise or rented to others for a short period and then sold. In those circumstances, the acquisition or production and subsequent sale of those assets shall be considered operating activities."

Nel 2008, the FASB changed the codification of its accounting policies. The codification became effective for interim and annual periods ending after 15 September 2009. FASB Documentation No. 168 explained and explained the reasons why SFASs would be replaced with ASCs. All previous accounting standards documents were replaced as described in FASB Statement No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles. The Codification reorganised hundreds of US GAAP pronouncements into approximately 90 accounting topics and presented all topics with a formal structure with theoretical and practical consistency.

The transition from SFAS to ASCs did not change GAAP, but introduced a new, clearer and more intelligible formal structure., The FASB had the goal of reducing the time required to search through the set of ASC standards for topics of interest to those researching and prepared the ASC standards in a manner that reduced the risk of non-compliance with the standards.

It should note that the ASC standards are now the only source of GAAP

ASC No. 230 governed the cash flow statement and had a 2016 update. This update was made when the FASB aimed to reduce, when possible, the diversity in practice resulting from different interpretations of certain parts of the standard. In reality, this update did not change the structure of Topic 230, which echoed almost wholly when set out in SFAS 95 above.

The 2016 amendments concerned the specification of specific items:

Debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates, contingent consideration payments made after a business combination; proceeds from the settlement on insurance claims; proceeds from the territory of corporative-owned life insurances, including bank-owned life insurance policies; distributions received from equity method investees; beneficial interests in securitisation transactions and separately identifiable cash flow and application fo predominance principle. Apart from some specifications on the items identified above, which, as can be seen, are very particular items that are not very common in the cash flow statements of even medium-large companies, ASC 230 reiterated what had already been established by SFAS 95, i.e.:

*In the cash flow statement, it must disclose aggregate income and expenses according to the origin of the transactions. Topic 230 mentions the aggregations already provided in SFAS 95 and explained in detail on the previous pages, i.e. operating activities, investing activities and financial activities. The items that Topic 230 brings up as needs and sources to be included in the three activities mentioned above are similar to those identifiable in SFAS 95. For the sake of completeness, the items listed in ASC 230 are given below:

Operating Activities

1. Cash received from sale of goods or services
2. Cash paid to suppliers and employees
3. Receipt of dividends
4. Receipt of interests
5. Payment of interests
6. Receipt of insurance proceeds
7. Income taxed paid

Investing Activities

1. Acquisition of debt instruments of other entities
2. Sale of debt instruments of other entities
3. Acquisition of equity instruments of other entities
4. Sale of equity instruments of other entities
5. Acquisition of property, plant and equipment
6. Sale of property, plant and equipment
7. Capital expenditures
8. Payment for purchase of another entity

Financing Activities

1. Issuance of equity instruments
2. Payment of dividends
3. Repurchase of equity instruments
4. Proceeds from short-term borrowings
5. Repayment of short-term borrowings
6. Proceeds from issuance of bonds and other long-term borrowings
7. Repayment of bonds and other long-term borrowings

* ASC Principle 230 also reiterates the possibility of applying either the direct or indirect method when preparing cashflow reporting. Also in this principle, the direct method is encouraged over the indirect method.

* Some subtopics concerning particular issues are indicated in topic 230. In particular, the following sub-topics are provided for in the topic above

1. Foreign Currency Matters, Subtopic 830-230
2. Development Stage Entities, Subtopic 915-230
3. Entertainment—Films, Subtopic 926-230
4. Financial Services—Depository and Lending, Subtopic 942-230
5. Financial Services—Investment Companies, Subtopic 946-230
6. Not-for-Profit Entities, Subtopic 958-230
7. Real Estate—General, Subtopic 970-230
8. Real Estate—Time Sharing Activities, Subtopic 978-230.

IV. Observations, Merits and Informational Limitations of the Structures Proposed by International, American and Italian Accounting Standards and a Proposal for an Adequate Cash Flow Statement as part of an Integrated Information System for both Internal Company Managers and External Third Parties

As we have seen in the previous pages, the IASB, the FASB, the Italian civil code and the IAO (Italian Accounting Organism (Henceforth IAO, in Italian language OIC)) have issued accounting standards that converge towards a structure that, although characterised by changes and peculiarities related to each specific scheme, present a substantial coherence and homogeneity of the overall vision of the cash flow statement. At present, all accounting standards require aggregating items into three activities: operating, investing and financing. The issuance of accounting standards applied in more or less extended groupings of nations is positive in that it ensures that the statement disseminated outside the company is homogeneous for all companies. This is the most outstanding merit of all the accounting standards mentioned and analysed in the preceding pages, which provide for a reference scheme or a series of indications that, although without indicating a mandatory method, lead to the drafting of consistent and similar formal structures.

This structure consistency represented the most outstanding merit of the financial statements governed by the bodies mentioned above and illustrated in the preceding pages. At this point, however, one must ask oneself whether the structure proposed by the bodies as mentioned above is effectively informative for the internal managers who have to manage the company and for third parties external to the company who see the cash flow statement disseminated as an element of financial reporting, the only information tool capable of providing news about the financial dynamics of the company.

In reality, various information gaps can be identified in the schedules governed by the bodies as mentioned above and, therefore, in the financial statements proposed, either in the form of a mandatory or recommended program as in Italy or the form of a mere list of illustrative items as in the IAS and ASC international standards. These shortcomings prevent an overall understanding of the company's situation. In summary terms, we can state that the main weaknesses are as follows:

In defining operating activities, all of the accounting mentioned above standards do not give a precise definition that is easily understood by those who have to draw up the document. The cash flow of operating activities is, in fact, often contaminated by the cash flow effects of investment and financing operations, including tax effects related to these operations

The definition of investing activities and financing activities is also non-specific. Therefore, the flows of investing activities can also be continuously contaminated by the tax effects of the other mentioned activities.

The location of interest is often explained with additional indications concerning the primary signs of the documents that lay down the rules for preparing the cash flow statement. The doctrine has pointed out how it would have been appropriate to ensure that, for example, all interest was included, in all standards, as financing outflows, in the context of financing activities without assuming different options and not indicating this information as quasi-supplementary information to the basic scheme that is explained by the basic rules of the standards

For some scholars, the principles should envisage purchases and sales of short-term non-trading debt securities as financing flows together with receipts of interest on these because these flows result from the fact that there are surplus cash balances, which is precisely the opposite of borrowing, which is a financing activity

A further limitation of the structures or lists of items suggested by the international, American and Italian national accounting standards concerns the circumstance that, based on these accounting items, it is difficult, or rather in most cases impossible, to determine the monetary cash flow resulting from the performance of characteristic activities. Monetary cash flow from core business activities is understood as the flow of sources net of the requirements associated with all so-called monetary revenues net of the so-called monetary costs associated with typical or core business operations. When reference is made to monetary costs and revenues, it is not intended to refer to the values entered in the profit and loss statement as operating costs and revenues calculated according to economic competence appear in that document. So-called monetary costs and revenues are not academic scientific terms, often used to make the reader understand which values to include in the so-called characteristic cash flow. It is evident that the latter matter, representing a cash flow value, must be composed of monetary sources and needs. Referring to the characteristic activity, it is equally logical how only values connected with the performance of the typical business activity can appear in this aggregate. In light of these considerations, it can be understood how the characteristic monetary cash flow derives from the sum of the needs and sources connected with costs and revenues, which derive from the performance of the typical activity. Therefore, it will not include non-monetary costs such as depreciation, amortisation, provisions for risks and charges and opening and closing inventories in the characteristic monetary cash flow, and all costs and revenues that can be defined as characteristic must be transformed into monetary cash flows, i.e. they must be reduced by the differences in payables and receivables that can be identified in the balance sheet and determined by comparing the value of these payables and receivables at 1/1 and 31/12 of the year or period in question. Realising the items included in the national or international and American accounting standards illustrated above, it is noticeable how often generic items appear, such as income from other revenues and expenses from additional costs. It is evident how on the basis of these definitions, it is impossible to understand what is characteristic and what is not connected to the performance of the typical business activity. In the proposed items of the accounting standards illustrated in the previous paragraph, there is also the expense for employee costs. It is evident that if written this way, the output includes wages, contributions and severance pay. This mixture of values prevents the determination of the characteristic cash flow as this value includes wages and contributions but certainly cannot include the payment of a severance payment liability paid to an employee who has terminated his employment with the company. Suppose attention was to be focused on the indirect method of calculating cash flows related to operating activities. In that case, it is possible to assume that what, for example, is defined in the Italian principle IAO (Italian Accounting Organism (OAO, in italian language OIC)) as cash flow after changes in net working capital, could be considered, in essence, as the cash flow from core business. This, however, cannot be taken for granted since the items indicated in the scheme prepared by the Italian Accounting Organism (Henceforth IAO, in italian language OIC) are absent all payables and receivables that are not directly connected to the purchase of raw materials but are connected to costs included in the performance of characteristic activities. In addition, nothing is said about internal constructions, which can even change the amount of the characteristic monetary cash flow. For these reasons, it is considered that the accounting principles illustrated in the preceding paragraph also present, among the limits that can identify in these statements/listings of items, the limitation of the substantial impossibility of calculating the characteristic monetary cash flow, which instead, in a dynamic financial analysis represents an essential element. In this regard, it should note that the interpretation of the flows presented in a cash flow statement must always be derived from a comparison between recurring requirements and recurring sources and subsequently from non-recurring and non-recurring sources. The only exception to this rule of comparing several values (regular needs with frequent sources and non-recurring needs with non-recurring sources) concerns the characteristic cash flow. This is the only value that can be interpreted without making any other comparison. This happens when this item is negative. If the typical monetary cash flow is negative, the characteristic activity, instead of bringing monetary flows to the company, is hydrazine. And already this consideration causes the list to express a negative judgement on the dynamic financial performance of the company may fall that against a negative cash flow, there are some recurring sources such as rents receivable that cover this need resulting from the negative cash flow. In this case, however, the circumstance that the regular sources cover the recurring needs is not sufficient to express a favourable judgement on the dynamic financial equilibrium because the presence of a negative cash flow characteristic is a negative element of the company's operating performance. The circumstance that there is an activity of a capital nature, and therefore, by definition, not characteristic, that covers the drainage of monetary funds implemented by the same characteristic action does not entail a favourable judgement on the dynamic financial equilibrium. Therefore, determining the cash flow is reasonable and indispensable to express any decision on the dynamic financial situation of the company. In the international, American, and Italian national standards illustrated in the previous paragraph, this value can be challenging to determine, i.e., absolutely impossible to quantify, representing a limitation. A heavy one of the accounting standards outlined above AND represents a highly relevant limitation of the flow data presented in the statements prepared according to these standards.

A further negative element of the cash flow statement governed by the accounting as mentioned above principles is the circumstance that this is ready and unrelated to the scheme and structure assumed by the balance sheet and the profit and loss. The three documents appear as a single information structure; as in all countries covered by the accounting as mentioned above standards, financial reporting consists of at least the three papers mentioned earlier. The observation is that in some countries, such as Italy, financial reporting is formed by a fourth document consisting of notes on financial reporting. But if we focus our attention on the three accounting documents, i.e. balance sheet, profit and loss and cash flow statement, we can see that the three papers appear to be unrelated in terms of the terms used. There is no coherence between the terms used in the three documents. There seems to be no desire to create an integrated system, neither from the documents issued by the national or international bodies mentioned above nor from the regulations and legislation present in Italy is present in many other nations that refer, directly or indirectly, to the accounting principles illustrated in the preceding pages. The information structure of financial reporting intended for the outside world and used, often, also by the internal managers of the company to manage the company itself, therefore, appears to be a set of documents that are not coherent at the formal level of the expressions used. One term can acquire different meanings in various documents, just as two other words in multiple documents constituting financial reporting can have the same meaning. This creates confusion in those who manage the company and those who, from the outside, must understand the company's situation. To this can be added the fact that, indeed, whoever issued the inconsistent balance sheet, profit and loss and cash flow statement schemes, cannot have assumed consistency, at a formal terminological level and a substantive level, with the documents constituting management control, i.e. all those documents that analyse the company not as a single entity but as a set of units (products, departments, etc.) that are analysed separately to better understand the performance of the company at the level of individual products, individual departments, individual sectors, etc. . all the documents constituting management control and strategic control cannot be consistent, at a formal substantive level, with the phrases and EE structures proposed in financial reporting by the various accounting standards, since the same documents constituting financial reporting are not consistent with each other from a formal and substantive point of view. This is a severe limitation since formal and substantive consistency between all the company's information documents is an essential element for those who manage the company to be able to make the best decisions and implement a decision-making process that leads to the achievement of profit maximisation objectives, the attainment of financial balance, both static and dynamic, and excellent general company performance..

For this reason, the writer believes that the cash flow statement, as well as the balance sheet and the profit and loss, should be part of an information system integrated with management control that allows for a set of information documents that are coherent from every point of view, both formal and substantial. This is a problem of internal company management and not external communication to companies. As far as external communication is concerned, the documents proposed by the various accounting principles of the balance sheet, profit and loss, and cash flow statement can be accepted, albeit characterised by considerable information limits, as they guarantee coherence between the documents issued by all the companies of the same nation OR by several countries that use the accounting as mentioned earlier principles. If, on the other hand, we focus our attention on the company's internal management, the situation changes completely. The ability to rely on an integrated information system is essential for the company's management to be carried out most effectively and efficiently. Only this can achieve excellent profit, financial and asset objectives.

In an integrated information system, each word must have an unambiguous meaning. It is not conceivable that an accounting item has multiple meanings or that most things have a single meaning. Therefore, the circumstance that there should be this consistency between the terms used in the various documents that make up the integrated information system does not appear to be an optional extra but rather an indispensable element for the company's information system to be able to effectively provide the company's internal managers with a clear, correct and global vision of the company's income, financial and asset situation. Both from a general point of view, through the global schemes such as the balance sheet, the profit and loss and the annual cash flow statement, and through the documents that analyse the company in its units such as individual products, individual departments, individual sectors, etc.

To achieve this, it is proposed to reclassify the balance sheet the profit and loss according to these structures, which are characterised by complete formal and substantial consistency:

Reclassification Scheme Balance Sheet/Budget Implemented As Part of an Integrated Information System

ASSETS	31/12/N	LIAOILITIES AND EQUITY	31/12/N
SHORT-TERM ASSETS		SHORT-TERM LIAOILITIES	
1. Immediate liquidity		1. Short-termfinancialliaoilities	
2. Deferredliquidity			
* Trade receivables			
* Financial liquidity		2. Short-term tax liaoilities	
* Tax-deferredincome			
* Non-characteristicdeferredincome			
3. Availability (inventories)		3. Short-term non-financialliaoilies	
4. Short-term assets non-characeristic			
5. Advances to trade suppliers			
long-term assets		LONG-TERM LIAOILITIES	
1. Long-termtangible assets		1. Long-termfinancialliaoilities	
2. Long-termintangible assets		2. Long-term tax liaoilities	
3. Long-term credit assets			
* _Trade accounts receivable_			
* _Financial assets_		3. Long-term non financialliaoilities	
* _Tax assets_			
* _Non-typical accounts receivable_			
		EQUITY	
4. Long-term assets non characteristic			
Stand-alone items		Stand-alone items	
NET ASSETS		BALANCE TOTAL	

- Immediate liquidity includes everything that is already cash and cash equivalents;
- By definition, deferred cash includes only and exclusively short-term receivables. The subdivision of this aggregate into four micro-aggregates (commercial, financial, tax and non-characteristic) is necessary to determine a series of income and financial ratios: deferred commercial liquidity substantially includes all short-term trade receivables net of the allowance for doubtful accounts; deferred financial liquidity includes all short-term financial receivables; tax-deferred liquidity includes all short-term tax and social security/assistance receivables; non-characteristic deferred liquidity consists of all future revenues (realisable within 12 months), not already included in previous aggregates, which have the characteristic of not being considered part of the company's typical operations. This is the case, for example, of receivables related to the sale of long-term assets. It is evident that this receivable cyeart be included in the typical business activity (otherwise, the receivable would be from customers). For this reason, it can be included in this sub-aggregate;

- Short-term assets non-characteristic comprise all accounting items held for capital purposes such as securities/shares had with a view to their sale within the next financial year;
- Availability equivalents are the total inventories of the enterprise;
- Tangible long-term assets comprise everything that will provide the company, through the start-up of the production process, with income in the long term and that, at the same time, is endowed with physicality;
- Intangible long-term assets, on the other hand, consist of everything that will provide the company with long-term income through the start of the production process, but which, at the same time, is not physical;
- Long-term credit assets include only and exclusively long-term loans. The subdivision of this aggregate into four micro-aggregates (commercial, financial, tax and non-characteristic by definition) is necessary to determine a series of income and financial ratios: the long-term commercial credit asset includes all long-term trade receivables net of the allowance for doubtful accounts; the long-term financial credit asset includes all long-term financial receivables; the long-term tax credit asset includes all long-term tax and social security/welfare receivables; the long-term non-characteristic credit asset by definition consists of all future revenues (realisable beyond 12 months), not already included in previous aggregates, which have the characteristic of not being able to be considered as belonging to the company's typical operations. This is the case, for example, of receivables related to the sale of long-term assets. It is evident that, by theoretical definition, this receivable cyeart be included in the typical business activity (otherwise, the receivable would be from customers). For this reason, it can be included in this sub-aggregate;
- Long-term assets comprise long-term items that identify capital investments. Examples of such things may be civil buildings and securities and participations held not for speculative purposes but as a long-term investment in the company;
- Stand-alone items It should be noted that it is only in the context of the integrated information system that an element is highlighted that is, in fact, fundamental for the implementation of a correct balance sheet analysis and whose failure to be taken into account may lead to the determination of aggregates without financial significance. In addition to the aggregates indicated above, it is desirable to include a further category of items in the capital employed and in the total sources, defined as "stand-alone items", which identifies a set of items which, although they must be recognised in the reclassification for accounting balancing reasons, in reality, will not be transformed into future income or expenditure. An example of such an item is the amount of a provision for future expenses or tax provision that, following specific elements (e.g. court decisions, tax commission decisions, etc.). However, it cyeart be eliminated from the accounts due to the principles of prudence and accrual; it can be reasonably assumed that, in the following financial year, it will be transformed, for accounting purposes, into an extraordinary item and not into a future expense or income (separate item in the assets). An example of an item that should be recognised in different entities in debt is the amount of the tax advance that exceeds the tax liaoility that can be offset and will be offset in the future. This amount does not identify a lower expense recognised in the financial statements (the debt has not yet been created), nor is it considered future income. For this reason, it should be recognised as a separate item in the reclassified balance sheet, an aggregate that, as noted above, is part of the concept of the net asset or net capital employed (i.e. the reclassified total assets).
- Short-term financial liaoilities include all financial liaoilities that will result in a cash outflow within one year; short-term tax liaoilities include all tax and social security/social security liaoilities that will result in a cash outflow within one year; short-term non-financial liaoilities include all non-tax and non-financial liaoilities that will result in a cash outflow within one year;
- long-term financial liaoilities include all debts of a financial nature that will result in monetary outlays beyond one year; long-term tax liaoilities include all debts of a tax and social security/social security nature that will result in monetary outlays beyond one year; long-term non-financial liaoilities include all debts of a non-tax and non-financial nature that will result in monetary outlays beyond one year;
- Shareholders' equity is interpreted as the company's wealth that will essentially result in the company's final exit. It is only when the company is put into liquidation that equity will become a future output;
- Stand-alone items: see the considerations made about stand-alone items above. Naturally, items under liaoilities are found in assets: an example of such an item is the amount of advances from customers received in connection with a contract that is about to be terminated and for which no reimbursement is expected. This item will become a contingent asset the following year, and, therefore, there is and will be no monetary movement. For this reason, the item must be recognised in a separate aggregate, separate from the items that will undoubtedly become cash outflows or receipts in the future.

Reclassification Scheme Profit and Loss/Budget Implemented As Part of an Integrated Information System

Charactetistic
Charactetistic Revenue
Cost of Sale
Gross Profit
(Administrative Costs)
(Commercial Costs)
(Research and Dev. Costs)
(Overhead cost)
Gross operating Profit (GOP)
Non Characteristic
Revnue from asset non charactetistic Management
(costs from asset non charactetistic Management)
Revenue form Financial management
Operating Profit
(financial management costs)
revenues from non-characteristic activities by definition
(rCost from non-characteristics activities by definition)
Ante tax Profit
(Tax))
Net Profit

a) *Characteristic*

1. Characteristic Revenue: Sales Revenue
2. Cost of sale: The cost of sale, or production of the product sold, identifies all production costs incurred by the enterprise in carrying out its core business. To make a complete analysis, it is necessary to locate a sub-aggregate, the cost of the finished product, which identifies the cost incurred to finish the object of production. This cost does not include inventories of finished goods and merchandise, just as it should not include any purchases of goods in the above aggregate.

In summary terms, the cost of sale can be summarised as follows:

Consumption of raw materials
Consumption of ancillary materials
Consumption of semi-finished goods
Production depreciation
Productive wages
Production severance pay
Other industrial costs

....
Inventories Initial work in progress
(Final inventories of work in progress)
Inventories. Initial semi-finished products of production
(Final inventories of semi-finished products of production)

Cost of Finished Products

Inventories Initial of finished products
(Closing inventories. of finished products)
Inventories Initial goods not processed but sold in the state in which they were purchased
goods not processed but sold in the state in which they were purchased
(Closing inventories of goods not processed but sold in the state in which they were purchased)

COST OF GOODS SOLD (COST OF SALE)

3. Administrative costs: Identifies all administrative costs and negative income components incurred for corporate representation purposes
4. Commercial costs: It identifies the sum of commercial, marketing and sales costs
5. Research and Dev. Costs: Identifies the sum of research and development costs incurred during the year
6. Overhead Costs: These costs identify notional values present only in companies belonging to a group. The holding company performs activities from which the subsidiaries or affiliated companies benefit free. It defines group strategy, identifies tax strategies, determines the financial management of intra-group flows, manages human resources at the senior/management level and, often, engages in institutional marketing activities. Subsidiaries or associates enjoy the benefits of these activities free of charge. The holding company does not 'pass on the costs to the companies by issuing invIAO (Italian Accounting Organism (Henceforth IAO, in italian language OIC))es but carries out the transaction off the books for internal company purposes only.

In the presence of overhead costs in the reclassified profit and loss account, the net income for the year in the final balance sheet differs from the income in the reclassified profit and loss account by precisely the amount of the costs charged off-balance sheet. These amounts are set off the books, and thus, without impact on the subsidiary's financial statements, by parent companies. In the absence of accounting movements, these costs do not appear in the subsidiary's financial statements and therefore only represent amounts included in the reclassification to assess the performance of the subsidiary's management. Including this item allows for a better assessment of the subsidiary's characteristic performance. This company is also "loaded" with the negative income components of which, although it does not make any disbursements as the parent company bears them, it benefits from these amounts.

b) Non Characteristics

1. Revnue and cost from asset non charactetistic Management

Non-capital assets are all income and expenses arising from capital investments, constituting invested capital, which is not used in the company's core business. As noted in the preceding pages, capital assets comprise two sub-aggregates, referred to as short-term assets and long-term assets, within which those balance sheet items must be included, respectively maturing within the financial year or beyond the next financial year not utilised in the company's core business.

Examples include civil buildings, securities and equity investments (please note that the above reclassifications and remarks on profit and loss reclassified to cost of sales and revenues can be applied to all non-banking and insurance companies).

If such non-characteristic balance sheet items result in revenues or if such investments require incurring costs, the negative and positive income values are to be included in the asset management of the non-characteristic business activity of the enterprise.

2. Income from financial management and financial management costs: All income and expenses arising from receivables or payables of a financial nature are to be included under financial management. These amounts consist primarily of interest income and expenses on current bank accounts or other financial debts and receivables. Following both national and international accounting standards, exchange rate gains and losses are also shown in this aggregate. This is because exchange rate activity is always considered, by the abovementioned standards, to be outside the purely typical business activity.
3. Revenues and costs from non-characteristic activities by definition: concerning non-characteristic activities by definition, it must be emphasised that the aggregate under consideration is often improperly identified with the expression "extraordinary revenues and costs". The aggregate of extraordinary expenses/income, however, does not coincide with the aggregate of non-recurring items by definition, as it is possible to identify numerous accounting values that, although ordinary, identify income items of non-recurring nature (e.g. capital gains/losses deriving from the sale of fixed assets connected to the regular replacement of assets within the production process).

The aggregate 'non-typical income and expenses by definition' must include items that, by their intrinsic nature, cyeart relate to the performance of typical activities. We mean, for example, all capital gains/losses and contingent assets and liaoilities of both ordinary and extraordinary nature.

4. Taxes: tax management identifies income taxes for the year.

This item makes it possible to determine how much income tax has affected pre-tax income, i.e. calculated gross of this cost.

It should therefore include neither taxes nor property taxes in this aggregate. The former because they identify sums paid to obtain identifiaole services, as opposed to taxes that are paid to be able to enjoy a range of services provided by the public entity. On the other hand, wealth taxes are not included in tax management because the requirement to be met with the identification of this aggregate is the determination of the percentage of produced income subject to taxation.

As seen from the previous pages, the accounting items in the reclassified balance sheet within an integrated information system are perfectly consistent and compatible with those in the profit-and-loss included in the same information system. The integration between the two documents is essential as a basis for creating an integrated information system. After having identified the most consistent structures from the point of view of integrating the various accounting terms used in the balance sheet and the profit and loss, it is necessary to identify a cash flow statement that is compatible and consistent with the documents mentioned above. The terms used in the cash flow statement must also be perfectly consistent with those used in the reclassified profit and loss balance sheet. Only in this way can all the documents be part of an integrated information system that presents an accurate and effective integration and not just a formal one that is fallacious.

For this reason, it must identify the reporting scheme with the primary need of the analyst in mind, the non-fulfilment of which significantly invalidates the clarity of the results obtained through the analysis of company financial statements. The condition to which we refer relates to the circumstance that, for reasons of intelligibility of the results, it should carry out the investigation using terminology endowed with substantial constancy of meaning. Using the same terms with different definitions in the various areas of analysis causes a terminological inconsistency that prevents the investigation from being considered as a whole. The in-depth scheme of financial reporting represents a single entity within which the reclassification of the balance sheet, the restatement of profit and loss and the preparation of the cash flow statement represent parts of a coordinated system. Introducing a system, i.e. a set of interrelated elements, requires coordinating the various analysis tools. Using terms that are the same in form but different in substance constitutes an element of the system's imperfection. To analyse, by indexes and flows, a fluid set of congruent and coordinated features, it is necessary to prepare a set of schemes characterised by formal and substantial coherence. This coherence must be expressed in every part of the analysis to guarantee an overall uniformity of the results obtained and a possibility of reading that is not affected by potential interpretative errors.

This need for terminological and substantive integration/correlation/uniformity is often undervalued. For the writer, on the other hand, it represents a must since, in the presence of a set of indices, reclassification schemes, statements, and flows. Information elements useful for control and planning characterised by formal and/or substantial heterogeneity, it is difficult, if not impossible, to succeed in extruding a coherent management line. The results of an analysis/ programming system serve not only to manage at first-hand but also to communicate objectives and achievements. The lack of a common language makes it impossible to share information about the past and the future. Therefore, an analysis/planning system must be characterised by an overall formal and terminological homogeneity, which, for obvious reasons, must, of necessity, also concern the reporting scheme.

In the reclassification schemes of balance sheet and profit and loss, one can note the constancy of specific terms. The terms 'financial', 'equity', 'tax' and 'uncharacteristic by definition' deserve particular attention. These terms must have the same meaning in all documents constituting the integrated information system. They must therefore have the same meaning in the balance sheet, profit and loss, cash flow statement, and analytical documents that form the information structure of the so-called management control. In light of the considerations made in the preceding pages, the cash flow statement used in an integrated information system must be structured as follows:

Cash flow statement template that can be used as part of an integrated business analysis

ACCOUNTING OPERATIONS WITH AN IMPACT ON CASH AND ACTIVE BANK	MONETARY REQUIREMENTS	MONETARY SOURCES
MONETARY CASH FLOW		

(OR MONETARY CASH FLOW FROM		
CORE BUSINESS)		
LONG-TERM MANAGEMENT OF TANGIBLE AND INTANGIBLE ASSETS		
FINANCIAL MANAGEMENT		
ASSETS NON CHARACTERITICS MANAGEMENT		
NON CHARACTERISTICS BY DEFINITION MANAGEMENT		
TAX MANAGEMENT		
TERMINATION BENEFITS FOR STAFF MANAGEMENT		
MANAGEMENT OF NON-TAX PROVISIONS FOR RISKS AND CHARGES		
EQUITY AND DIVIDENS MANAGEMENT		
Δ CASH AND BANK		
TOTAL		

Suppose one follows the rules illustrated in the preceding pages regarding preparing documents in an integrated information system. In that case, many of the limitations previously identified in the statements provided by the SFS95, ASC 230, IAS 7 and IAO (In Italian language OIC) No. 10 are abundantly overcome and eliminated.

As we have seen above, the documents included in an integrated information system must be equally consistent with all the documents used in the so-called management control in which individual products, individual company sectors, individual departments, etc., are analysed. This is not the place to go into these documents in depth. But this is the right place to point out that this consistency must necessarily be present in all the documentation of the information system, including the balance sheet profit and loss cash flow statement, economic budget balance sheet financial budget and all the analytical management control documents relating to individual products, individual departments, individual sectors, etc. because, without this consistency, the system can never be said to be integrated. And the use of an integrated information system is a fundamental element so that it can make corporate decision-making based on understandable, correct, consistent and complete information. The formal consistency of the terms used in drafting the documents represents one of the fundamental elements of the integrated information system, the absence of which prevents any information system from being considered an actual management valuable tool for management to achieve, in an effective deficient manner, the maximisation of profit, financial and asset objectives.

V. Conclusions

In conclusion, these considerations regarding the cash flow statement and its importance in the company's internal decision-making process and, at the same time, in external communication to third parties, can be stopped that the international accounting standards, the American GAAP and the Italian national accounting standards IAO (Italian Accounting Organims, in italian language OIC) represent valuable points of reference to draw up a meaningful cash flow statement. Unfortunately, the presence of considerable limitations in the proposed schedules or the list of items presented by these standards invalidates the actual usefulness of the report recommended by the American and Italian international and national accounting standards illustrated in the previous paragraph. It can usefully employ the provisions of these standards for the external financial communication of a company since the presence of a standard to which all companies refer guarantees the consistency of the schedules proposed to the community by the company together with the balance sheet, the profit and loss and other possible documents constituting the financial reporting, as, in Italy, happens for the extra night. For internal company management, however, what is proposed by the accounting standards illustrated in paragraph 2 is not considered helpful for developing an efficient and effective decision-making process. And it is more appropriate to flank what has been disseminated externally with an integrated information system that also provides for reporting with a structure different from that offered by the international, American, and Italian standards illustrated above. The form we recommend is the one highlighted in paragraph 2, as it is characterised by consistency with all the documents that comprise the integrated corporate information system. Only implementing an integrated corporate information system will allow the company management to make the correct decisions to achieve the income, financial and equity objectives that the company has set itself. Regardless of the individual goals the company has established itself, each decision must be effective and efficient as possible, and this can only happen if all decisions are made based on consistent information. This requires consistency of terms and, thus, a formal consistency of structured documents in the integrated information system. This is why this article recommends that the report governed by the dog, international and Italian American principles illustrated in paragraph number 2 also be accompanied by the report described in the previous paragraph as the only form compatible with a genuinely integrated information system.

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Determinants of Financial Literacy and its Effect on Financial Wellbeing-A Study on Young Population

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Introduction- Over the past few years, the world economy has been declining, and the recession has caused inflation, unemployment, and a decline in financial well-being. The decline in financial well-being has harmful effects on mental and physical health. It creates problems of stress, anxiety, depression, and suicide in our society (Taft et al., 2013). Financial literacy has become a much-discussed topic in recent years for the financial empowerment of people and their lives. It catches the attention of a common person who is willing to meet their daily financial needs and plan for a secure future. Financial literacy strengthens people's ability to access financial services, manage their budgets, and maximise resource utilization, which encourages economic development. Financial literacy increases people's confidence and self-control, which encourages their participation in the formal economic system. It will boost your confidence and well-being. As the literature shows, almost all countries in the world are dealing with the issue of financial literacy. But the concept of financial literacy is not yet clear. Different researchers use different definitions of financial literacy.

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Sangeeta [α], Amit Kumar Singh Panwar [σ] & (Dr., CMA, CS) Pradeep Kumar Aggarwal [ρ]

I. Introduction

Over the past few years, the world economy has been declining, and the recession has caused inflation, unemployment, and a decline in financial well-being. The decline in financial well-being has harmful effects on mental and physical health. It creates problems of stress, anxiety, depression, and suicide in our society (Taft et al., 2013). Financial literacy has become a much-discussed topic in recent years for the financial empowerment of people and their lives. It catches the attention of a common person who is willing to meet their daily financial needs and plan for a secure future. Financial literacy strengthens people's ability to access financial services, manage their budgets, and maximise resource utilization, which encourages economic development. Financial literacy increases people's confidence and self-control, which encourages their participation in the formal economic system. It will boost your confidence and well-being. As the literature shows, almost all countries in the world are dealing with the issue of financial literacy. But the concept of financial literacy is not yet clear. Different researchers use different definitions of financial literacy. Financial literacy is defined by the OECD (OECD, 2017) as "a combination of understanding, expertise, ability, attitude, and action required to make sound financial decisions and eventually achieve individual well-being". "Financial literacy is the ability to make sound decisions and appropriate choices regarding the use and management of capital" (Huston, 2010)." Financially literate people make good choices about their finances and reduce their risk of being deceived on financial issues" (Beal &Delpachitra, 2003). Financial literacy is affected by the level of education and income of an individual (Nahar et al., 2022) in previous work on financial literacy, researchers used various aspects of financial literacy. Few scholars have used financial literacy and financial knowledge as the same term, while others find financial knowledge is associated with financial literacy and has a high correlation. The OECD has given a detailed view of financial literacy. According to the OECD (2011), "financial literacy is a blend of financial behaviour, financial attitude, and financial awareness," but in this study, researchers added one more determinant to financial literacy, so it is therefore important to gain insight into the association between "financial knowledge, financial attitude, financial behaviour and financial socialisation with financial wellbeing" among the younger generation related to the financial aspects.

II. Literature Review

Financial literacy has been researched in a number of ways. Government bodies, private organisations, and individuals have undertaken studies in various countries to check the level of financial literacy in their countries. Lusardi and Mitchell (2014) "People's willingness to process financial information and make a rational financial saving, capital accumulation, debt, and pension decisions." Atkinson and Messy (2012) "A combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing". Huston (2010) "Financial literacy has introduced an implementation layer enabling individuals to have the capacity and trust to use financial skills to make financial choices". The notion of financial literacy is still being debated. In the present literature, financial literacy has numerous interpretations since financial literacy authorities have given researchers and authors the freedom to express and assess financial literacy (Remund, 2010). "Financial literacy, financial behaviour, and financial awareness should be seen interchangeably" by ("Hassan Al-Tamimi and Anood Bin Kalli, 2009, Howlett, Kees and Kemp, 2008, Yoong, See and Baronovich, 2012"). Most of the research used an objective evaluation method to assess individual financial literacy. Various researchers used objective tests used in different ways in which they assess the financial literacy of the individual. Bhushan and Medury (2014) measure financial literacy by giving objective

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questions related to "income, savings, investment, budget management, and credit management". Fessler, et al. (2020), takes "Time Value of Money, Risk and Return, Interest, Diversification, and Inflation" to test financial literacy. Previous study results show low levels of financial literacy among the low-income group, females, students, less educated, lower-income group and minorities ("Hassan Al-Tamimi & Anood Bin Kalli, 2009, Grohmann, 2018, (NISM, 2014), Fernandes et al., 2014"). Thakur & Mago (2021) found that financial knowledge, financial attitude, and financial well-being have a significant positive relationship with financial literacy. In reviewing the literature, it can be said that, in most research on the assessment of literacy among the population, researchers consider only one dimension of financial literacy, i.e., financial knowledge, and other aspects, such as financial attitudes and financial behaviour, have been considered only in a few studies. The concept of financial literacy is different from person to person. In India, governments, the Reserve Bank of India, NGOs, and financial institutions are taking numerous steps to increase awareness. To increase financial literacy, FLCs (financial literacy centres) are playing a very important role in creating awareness. Financial literacy centres organise camps on a regular basis in rural Haryana to spread awareness among women, children, farmers, low-income groups, etc.

III. Financial Literacy Determinants

a) Financial Knowledge

A person with a basic understanding of financial concepts and financial products is considered to be financially literate. One of the most important factors in financial literacy is financial knowledge, as per the OECD. Huston (2010) provides a definition for this term. Authors have identified four critical elements of financial literacy after evaluating more than 71 studies. All aspects of money, including saving, investing, and borrowing, are explored. One of the five financial concepts included by the OECD is the notion of the time value of money, which explains how inflation affects investments and prices. According to Gerrans and Heaney (2019), financial literacy has an impact on both financial behaviour and financial well-being in the long run. It has been hypothesised that knowledge of personal finance, saving, loans, investment, and insurance are all indicators of financial literacy and have an association with financial behaviour.

b) Financial attitude

Generally speaking, a financial attitude is described as a personal tilt toward financial products, which can only be achieved when people have a favourable attitude toward the financial product and help to build a positive attitude toward the financial product. Financial literacy is critical in today's society. Chijwani (2014) concluded that in order to achieve strong financial literacy, emphasis should be placed on establishing favourable financial attitudes among the people of this country. Only then will any financial education programme be able to give meaningful benefits to its participants. Ajzen (2011) has demonstrated that decision-makers actions have an impact on their financial attitudes and that their perceptions of the economy and non-economic factors will enhance their opinions. Ibrahim and Alqaydi (2013) came to the conclusion in their study that financial education can help people modify their personal financial views and minimise their reliance on credit cards even further. According to Yuesti, Rustiarini and Suryandari (2020), addition, financial attitudes and financial behaviour variables have been shown to have a favourable impact on financial literacy and financial well-being. Financial attitudes, in addition to financial behaviour, can have an impact on one's financial well-being. Research by Ibrahim and Alqaydi (2013) discovered that those who had a good financial attitude borrowed less money from banks and credit cards. According to Sohn et al. (2012), the "financial socialisation agent, financial attitude, and financial literacy, all have a favourable impact on financial literacy levels." Ultimately, Haque, Abdul; Zulfiqar (2016) came to the conclusion that a "positive financial attitude and financial literacy are beneficial to women's financial well-being and empowerment".

c) Financial behaviour

People's actual financial decisions in the financial market are referred to as "financial behaviour," and they are linked to their levels of savings, debt, and expenditure. Research by Atkinson and Messy (2011) discovered that realistic financial attitudes, such as effective budget preparation and financial stability, help people improve their financial literacy. Conversely, people with negative financial attitudes, such as reliance on loans and credit, have a negative impact on their finances. Financial literacy and financial attitude can lead to positive financial behaviour, according to Taft et al. (2013), who concluded that "it is necessary to consider the impact of financial literacy on financial behaviour. According to the findings of this study, "financial literacy aids in the modification of behaviour and the improvement of decision-making abilities as well as the improvement of living standards". According to Morgan and Trinh (2017), "financial behaviour is extremely important and is a key component of financial literacy". According to Mokhtar & Rahim (2016), "the work environment, financial stress, locus of control, and financial behaviour are all strongly associated with financial well-being." They discovered that these factors are all strongly associated with financial well-being. Aside from that, financial stress was found to be the most significant factor influencing financial well-being, followed by the workplace environment.

d) Financial Socialisation

The acquisition of values, attitudes, standards, norms, knowledge, and behaviour makes up financial socialisation (Gudmunson and Danes 2011) Significant financial socialisation concepts include earning, spending, saving, borrowing, and sharing (Lanz, Sorgente, and Danes 2020). Socialization is a crucial aspect of decision-making. A socialised individual can make rationing decisions following discussion. The majority of children's financial knowledge, skills, and attitudes are formed by their parents and guardians (Danes, 1994). Numerous studies have established a link between parental influence and monetary values, attitudes, behaviours, and abilities.

IV. Financial Well-Being Concept

In general, the concept of well-being is subjective. Numerous variables are considered when assessing the well-being of society. Physical health and wellness are not the only aspects of well-being, contrary to popular belief. (Kruger, 2011) defines five elements of well-being. The first is career well-being; individuals with high career well-being are more successful and happier than those without a career. Social well-being, social capital, and socialisation are also vital components of an individual's well-being. People whose relationships with friends, family, and co-workers are stronger are more socially well-adjusted. Gao, X at, el. (2022) Income and financial worries impact parents' mental health differently. Future policy or intervention programmes should target parental financial worries. They experience a reduction in stress after discussing the issue with their social groups. It is a well-known adage that a sound mind resides within a healthy body. A person with a healthy body is always able to combat problems and lower their stress levels. Regular exercise reduces stress and promotes happiness in life. People with good physical health are more sociable and make sound decisions regarding their career health. Individuals' well-being is also affected by the community in which they reside. Community well-being includes air and water quality, as well as safety and proximity. If a person lives in a peaceful environment, they can think significantly better than if they lived in a hostile environment. Financial well-being refers not only to the amount of money a person has or spends on his or her own needs, but also to spending on others, buying goods with the future in mind, and feeling secure. A person who is financially secure can take calculated risks for the future. Financial well-being relates to all other aspects of well-being, including career well-being, physical wellbeing, social well-being, and community well-being (CFPS, 2017). The quality of a person's life is significantly impacted by their financial situation. Financial security is the ultimate and most common financial objective of an individual. However, there is no standard definition of financial prosperity.

V. Research Problem Statement

The main goal of this study is to find out what makes people in Ambala Division, Haryana, financially literate and happy.

To comprehend a research problem, it is necessary to investigate a small number of research questions in order to acquire the pertinent information and answers to these questions.

VI. Research Questions

This study's purpose is to examine the given research problem.

- "What are the determinants of financial literacy and what are its effects on financial well-being among the younger generation in Haryana, India?"
- Does financial socialisation have a significant effect on financial well-being?

VII. Research Objective

- To identify the determinates of financial literacy and examine the determinants that contribute more to financial literacy and financial well-being,
- To examine the effect of financial literacy on financial well-being after adding new determinants (financial socialisation) to financial literacy.

VIII. Research Hypothesis

H1: There is a significant relationship between determinants of financial literacy and financial well-being in Haryana.

H1.1 There is a significant relationship between financial knowledge and financial well-being.

H1.2 There is a significant relationship between financial attitude and financial well-being.

H1.3 There is a significant relationship between financial behaviour and financial well-being.

H1.4 There is a significant relationship between financial socialisation and financial well-being.

IX. Financial Literacy Framework

The OECD developed the financial literacy framework by using financial knowledge, financial attitude, and financial behaviour. However, as illustrated in figure 1, financial socialisation has been added to the existing financial literacy framework.

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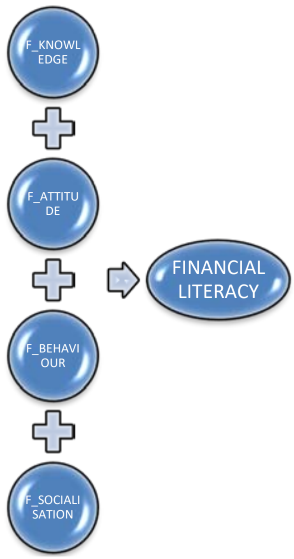

Source: based on reviews of literature, a research framework developed by the authors.

Figure 1: Conceptual Model

X. Research Methodology

a) *Sample Size and Sampling Technique*

The demographic area of interest in this study was the Ambala district of Haryana. Three professors from different disciplines at Sharda University in Greater Noida, India, approved a self-administered questionnaire. Data were collected both online and offline. Due to time constraints, only 117 people were chosen for this study. This research employed probability sampling.

b) *Instrumentation*

Computers were used to analyse nearly all of the data, which had been gathered via a self-administered survey. There were two sections to the survey. There are questions on demographics in the first segment, and then there are questions on independent and dependent variables in the second. The question was developed using previous research and the OECD, and it was tailored to the needs of this research paper. In this study, 15 questions were asked to measure financial knowledge and understanding, 6 questions connected to financial attitude; 9 questions linked to financial behaviour; 10 questions related to financial socialisation; and 15questions related to financial well-being. After factor analysis, a few questions from financial knowledge, financial attitude, financial behaviour, financial socialisation, and financial well-being were deleted because their loading was less than.50. A 5-point Likert scale was used to collect data in this study. The total Variance Explained in the factor analysis process table is shown in Below tables 1 and table 2.

Table 1: Total Variance Explained

Total Variance Explained									
	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	12.594	32.293	32.293	12.594	32.293	32.293	7.604	19.497	19.497
2	4.889	12.536	44.829	4.889	12.536	44.829	6.658	17.073	36.57
3	4.009	10.279	55.108	4.009	10.279	55.108	5.275	13.526	50.096
4	2.238	5.74	60.848	2.238	5.74	60.848	3.643	9.34	59.436
5	1.792	4.596	65.444	1.792	4.596	65.444	2.343	6.007	65.444
6	1.472	3.774	69.218						
7	1.208	3.097	72.314						
8	0.99	2.539	74.853						
9	0.925	2.373	77.226						
10	0.897	2.3	79.526						
11	0.77	1.974	81.5						
12	0.716	1.836	83.335						
13	0.651	1.67	85.006						
14	0.568	1.456	86.462						
15	0.523	1.341	87.802						
16	0.485	1.243	89.045						

17	0.455	1.167	90.212		
18	0.413	1.059	91.27		
19	0.369	0.945	92.215		
20	0.327	0.838	93.053		
21	0.319	0.818	93.871		
22	0.287	0.736	94.607		
23	0.26	0.667	95.274		
24	0.251	0.643	95.917		
25	0.215	0.551	96.468		
26	0.21	0.538	97.006		
27	0.17	0.435	97.441		
28	0.163	0.418	97.858		
29	0.147	0.377	98.235		
30	0.146	0.375	98.61		
31	0.114	0.292	98.902		
32	0.085	0.219	99.121		
33	0.078	0.199	99.32		
34	0.067	0.173	99.493		
35	0.06	0.153	99.646		
36	0.05	0.129	99.774		
37	0.038	0.098	99.872		
38	0.031	0.079	99.952		
39	0.019	0.048	100		

Source: compiled by the author

Table 2: Rotated Component Matrix

Rotated Component Matrix(a)							
Component							
Variables			1	2	3	4	5
Independent Variable	Financial Attitude	FA_1					0.658
		FA_2					0.775
		FA_3					0.754
		FA_6					0.728
	Financial Behaviour	FB_1				0.78	
		FB_2				0.735	
		FB_3				0.587	
		FB_4				0.577	
		FB_6				0.728	
	Financial Socialisation	FS_F1			0.837		
		FS_F2			0.861		
		FS_F3			0.653		
		FS_F4			0.763		
		FS_P1			0.835		

		FS_P2			0.852		
		FS_P3			0.676		
		FS_P4			0.755		
	Financial Knowledge	FK_1		0.625			
		FK_2		0.866			
		FK_3		0.848			
		FK_4		0.883			
		FK_5		0.902			
		FK_8		0.907			
		FK_9		0.732			
		FK_10		0.743			
		FK_11		0.718			
Dependant Variable	Financial Wellbeing	FW_2	0.624				
		FW_3	0.808				
		FW_4	0.676				
		FW_5	0.634				
		FW_6	0.671				
		FW_7	0.715				
		FW_8	0.799				
		FW_9	0.616				
		FW_10	0.799				
		FW_11	0.737				
		FW_12	0.661				
		FW_13	0.668				
		FW_14	0.643				
Extraction Method: Principal Component Analysis.							
Rotation Method: Varimax with Kaiser Normalization.							
a. Rotation converged in 7 iterations.							

Source: compiled by the author

In Total 55 questions were designed but after factor analysis, only 39 questions were left and all the questions were removed whose loading was less than 0.50.

c) *Demographic and socioeconomic factors*

A sample was collected from the Haryana state in India. Haryana is a state in northern India with 22 districts, and it is the seventeenth most crowded state with a land area of 17,070 square miles (44,212 square miles) and a population of 27.39 million in 2021. Table:3 shows the characteristics of the sample used for the analysis. Out of the total respondents, 56% were female and 44% were male. In the sample, there is no greater difference in marital status between males and females, i.e., 52 % are married and 48 % are unmarried. In the sample, the maximum number of respondents were graduate masters and professionals, with 30%, 31% and 32%, respectively. In the sample, 5.13 were those who studied at the school level and 1.71% were illiterate. The sample consists of maximum respondents earning between INR 20,001 and INR 40,000 p.m., i.e., 28% earn INR 20,000 pm, 18% earn INR 40,001-60,000, 20% of the respondents earn INR 60,001-80,000 and 16% earn above INR 80,000. 6% of the respondents were working as professionals, 62% of the respondents were salaried, 12% were still studying, 2% of the respondents were farmers, and 19% were unemployed. And the sample consisted of 54% of respondents from joint families and the rest 46% from nuclear families.

The questionnaire was prepared with extreme seriousness, including all the relevant details, using detailed questions, attitude rating questions, as well as behaviour-related questions and responses, which were analysed on the 5-point Likert scale. The questionnaire was distributed to over 400 people, but only 117 responded, with 56% being female and 44% being male. The reliability of the question was tested by Cronbach's alpha through SPSS. 30 questions were asked related to banking, saving, investment, insurance, taxes, risk, etc. to check the financial knowledge and Cronbach Alpha was.952. Cronbach Alpha for 10 questions on financial attitude was.825 and for 10 questions on financial behaviour was.708.

Table 3: Demographic and Socioeconomic Details of the Respondents

		Frequency	Per cent
Gender of respondent	Male	51.00	43.59
	Female	66.00	56.41
Marital Status of respondent	married	61.00	52.14
	unmarried	56.00	47.86
Qualification of respondent	School Level	6.00	5.13
	Graduate	35.00	29.91
	Masters	36.00	30.77
	Professional	38.00	32.48
	Illiterate/Uneducated	2.00	1.71
Occupation of the respondent	Business/Professionals	7.00	5.98
	Salaried Employee	72.00	61.54
	Students	14.00	11.97
	Farming	2.00	1.71
	Not Working	22.00	18.80
Monthly Family Income	Upto INR 20,000	21.00	17.95
	INR 20,001- 40,000	33.00	28.21
	INR 40,001-60,000	21.00	17.95
	INR 60,001-80,000	23.00	19.66
	Above INR 80,000	19.00	16.24
Type of respondent family	Joint Family	63.00	53.85
	Nuclear Family	54.00	46.15

Source: compiled by the author

Table 4: Reliability Statistics

Variables	No of Questions	Cronbach Alpha
Financial Knowledge	11	0.952
Financial Attitude	6	0.825
Financial Behaviour	9	0.920
Financial Socialisation	10	
Financial Wellbeing	14	

Source: compiled by the author

XI. Result and Discussion

To test the hypothesis, the researcher conducted Structural Equation Modeling using AMOS and the results are as follows:

H1: There is a significant relationship between determinants of financial literacy and financial well-being in Haryana

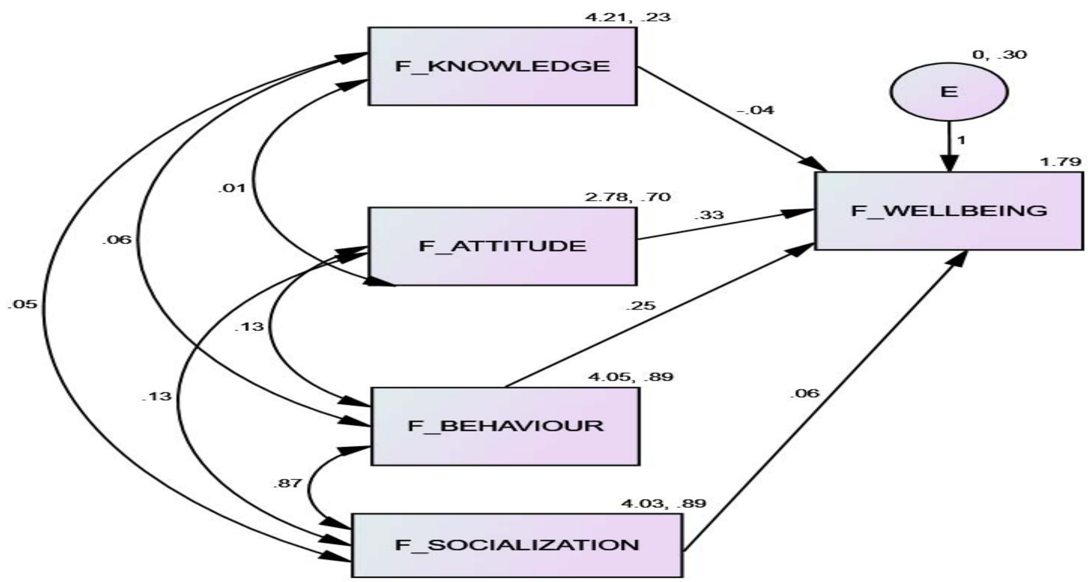

Figure 2: Determinants of financial literacy and financial wellbeing

XII. Evaluation of Measurement Model

Table 5: Measurement Model

Model	CMIN	DF	CMIN/DF	CFI	TFI	RMSEA	GFI	AGFI
Default	81.243	10	2.495	0.965	0.985	0.031	0.94	0.782
Tolerance limit			< 3	> 0.90		< 0.080	> 0.80	
			(Hair, J., Black, W et al.)					

Source: Author compliance

As per Table5, Goodness-of-fit has been evaluated via CFA. According to(Hair et al., 2010), the model's fitness is satisfactory if the tolerance limit of the Absolute fit indices CMIN/DF & RMSEA, incremental fit indices (CFI & TLI), and parsimony fit index (AGFI & GFI) are within the acceptable range.

All goodness-of-fit parameters are more significant than their recommended values. Hence it can be assumed that the concluded measurement model provides an adequate level of model fit.

Table 6: Regression Weights

			Estimate	S.E.	C.R.	P	Label
F_WELLBEING	<---	F_KNOWLEDGE	-.044	.053	-.823	.411	par_1
F_WELLBEING	<---	F_ATTITUDE	.331	.031	10.698	***	par_2
F_WELLBEING	<---	F_BEHAVIOUR	.247	.121	2.048	.041	par_3
F_WELLBEING	<---	F_SOCIALIZATION	.065	.121	.537	.031	par_10

Source: Author Compliance

From Table: 6 it is clear that

When F_KNOWLEDGE goes up by 1, F_WELLBEING goes down by 0.044 and p= .441

When F_ATTITUDE goes up by 1, F_WELLBEING goes up by 0.331 and p=.000

When F_BEHAVIOUR goes up by 1, F_WELLBEING goes up by 0.247 and p=.041

When F_SOCIALIZATION goes up by 1, F_WELLBEING goes up by 0.065 and p=.031.

Hence, it can be concluded that Financial Attitude, Behaviour and Socialisation have a significant relationship with financial well-being as p values are lesser than 0.05 whereas financial knowledge does not have a significant impact on financial well-being as p value=.441 which is greater than the indicator of .05

Table 7: Estimates

			Estimate
F_WELLBEING	<---	F_KNOWLEDGE	-.030
F_WELLBEING	<---	F_ATTITUDE	.395
F_WELLBEING	<---	F_BEHAVIOUR	.335
F_WELLBEING	<---	F_SOCIALISATION	.088

Source: Author Compliance

Total Effects (Group number 1 - Default model)

Table 8: Total Effects

	F_SOCIALISATION	F_BEHAVIOUR	F_ATTITUDE	F_KNOWLEDGE
F_WELLBEING	.065	.247	.331	-.044

Source: Author Compliance

As per Table 8, It is Clear The total (direct and indirect) effect of F_KNOWLEDGE on F_WELLBEING is -.044.

The total (direct and indirect) effect of F_ATTITUDE on F_WELLBEING is .331.

The total (direct and indirect) effect of F_BEHAVIOUR on F_WELLBEING is .247.

The total (direct and indirect) effect of F_SOCIALIZATION on F_WELLBEING is .065.

Table 9: Intercepts: (Group Number 1 - Default Model)

	Estimate	S.E.	C.R.	P	Label
F_WELLBEING	1.790	.247	7.234	***	par_14

Source: Author Compliance

As per Table 9, The intercept in the equation for predicting F_WELLBEING is estimated to be 1.790.The probability of getting a critical ratio as large as 7.234 in absolute value is less than 0.001. In other words, the intercept in the equation for predicting F_WELLBEING is significantly different from zero at the 0.001 level (two-tailed).

On the basis of the result, the researcher comes up with reframed financial literacy and financial well-being model as shown in figure 5.

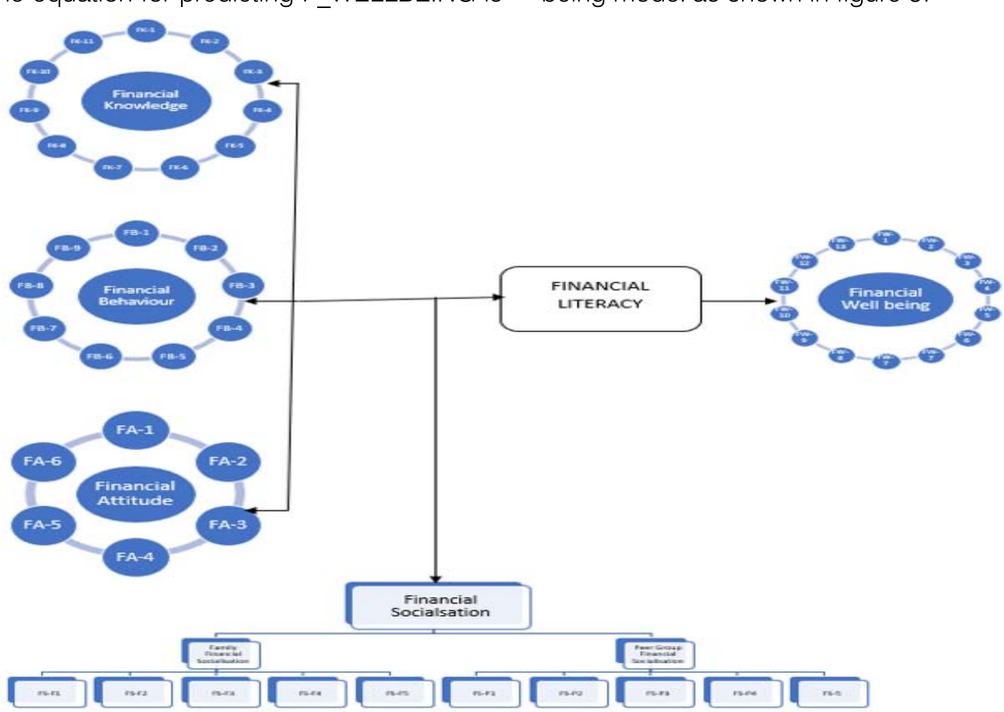

Figure 5: Final financial literacy and financial wellbeing Model

XIII. Finding and Conclusion

The main purpose of the study is the association between the determinant of financial literacy and financial well-being. In this study, only four determinants of financial literacy are taken into consideration and found that only financial attitude, financial behaviour and financial socialisation have a greater influence on financial well-being. As per this study financial socialisation is also a very important determinant of financial well-being. Socialisation may be family, peer group, etc. This study partially supports the previous studies, as previous research shows that financial knowledge also influences financial well-being but to the current research only financial attitude, financial behaviour and financial socialisation significantly influence financial well-being (Deswal, 2015; Van Praag, Frijters and Ferrer-i-Carbonell, 2003; Barrafrem, Västfjäll and Tinghög, 2020; Taft, Hosein and Mehrizi, 2013; Gerrans, Speelman and Campitelli, 2014) but we can't ignore the other factors which influence the financial literacy and financial wellbeing. As per the result, financial knowledge may be an important factor in financial literacy but not an important factor in financial well-being. So, Government, financial institutions, Schools and colleges should focus on building attitudes, financial behaviour and financial socialisation for the well-being of society.During data collection, it was seen that in rural areas, females are not allowed to go outside of the home expect a few events, and they got less chance of socialisation. And found that they get together during financial literacy camps to discuss finance and finance-related issues. So, the government should focus on financial literacy camps at frequent intervals because financial literacy camps play a very important role in financial socialisation.

XIV. Limitations of the Study

The current analysis is not without constraints. The first limitation, this study was conducted through online forms only and. Secondly study includes only the rural young population of Haryana, India. The third sample size is to sample.

XV. Practical Implications

The maximum researchers took demographic, and socioeconomic factors as a determinant of financial literacy and took "financial attitude, financial behaviour, financial knowledge and socialisation" as a dimension of financial study. But research is done on taking the dimensions of financial literacy as a determinant of financial literacy. This research will help the researcher to take more focus on the determinants of financial literacy to strengthen financial literacy and financial well-being.

XVI. Future Scope

The researcher can take more samples to remove the above limitations and consider other important determinates and should also check the association between financial socialisation agents, Family, income and financial wellbeing.

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Fellows receive discounts on future publications with Global Journals up to 60%. Through our recommendation programs, members also receive discounts on publications made with OARS affiliated organizations.

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Fellows can publish articles (limited) without any fees. Also, they can earn up to 70% of sales proceeds from the sale of reference/review books/literature/publishing of research paper. The FMBRC member can decide its price and we can help in making the right decision.

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Fellow members are eligible to join as a paid peer reviewer at Global Journals Incorporation (USA) and can get a remuneration of 15% of author fees, taken from the author of a respective paper.

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Become a member of the Editorial Board

Fellows may join as a member of the Editorial Board of Global Journals Incorporation (USA) after successful completion of three years as Fellow and as Peer Reviewer. Additionally, Fellows get a chance to nominate other members for Editorial Board.

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All members get access to 5 selected scientific museums and observatories across the globe. All researches published with Global Journals will be kept under deep archival facilities across regions for future protections and disaster recovery. They get 10 GB free secure cloud access for storing research files.

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ASSOCIATE OF MANAGEMENT AND BUSINESS RESEARCH COUNCIL

ASSOCIATE OF MANAGEMENT AND BUSINESS RESEARCH COUNCIL is the membership of Global Journals awarded to individuals that the Open Association of Research Society judges to have made a 'substantial contribution to the improvement of computer science, technology, and electronics engineering.

> The primary objective is to recognize the leaders in research and scientific fields of the current era with a global perspective and to create a channel between them and other researchers for better exposure and knowledge sharing. Members are most eminent scientists, engineers, and technologists from all across the world. Associate membership can later be promoted to Fellow Membership. Associates are elected for life through a peer review process on the basis of excellence in the respective domain. There is no limit on the number of new nominations made in any year. Each year, the Open Association of Research Society elect up to 12 new Associate Members.

Benefit

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Get letter of appreciation

Global Journals sends a letter of appreciation of author to the Dean or CEO of the University or Company of which author is a part, signed by editor in chief or chief author.

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A AMBRC member gets access to a closed network of Tier 2 researchers and scientists with direct communication channel through our website. Associates can reach out to other members or researchers directly. They should also be open to reaching out by other.

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Career | Credibility | Exclusive | Reputation

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Career | Credibility | Exclusive | Reputation

Recognition on the Platform

Better visibility and citation

All the Associate members of ASFRC get a badge of "Leading Member of Global Journals" on the Research Community that distinguishes them from others. Additionally, the profile is also partially maintained by our team for better visibility and citation. All associates get a dedicated page on the website with their biography.

Career | Credibility | Reputation

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Associates can publish articles (limited) without any fees. Also, they can earn up to 30-40% of sales proceeds from the sale of reference/review books/literature/publishing of research paper.

Exclusive Financial

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Associate	Fellow	Research Group	Basic
$4800 **lifetime designation**	$6800 **lifetime designation**	$12500.00 **organizational**	APC **per article**
Certificate, LoR and Momento 2 discounted publishing/year **Gradation** of Research 10 research contacts/day 1 **GB** Cloud Storage **GJ** Community Access	**Certificate,** LoR and Momento **Unlimited** discounted publishing/year **Gradation** of Research **Unlimited** research contacts/day 5 **GB** Cloud Storage **Online Presense** Assistance **GJ** Community Access	**Certificates,** LoRs and Momentos **Unlimited** free publishing/year **Gradation** of Research **Unlimited** research contacts/day **Unlimited** Cloud Storage **Online Presense** Assistance **GJ** Community Access	**GJ** Community Access

Preferred Author Guidelines

We accept the manuscript submissions in any standard (generic) format.

We typeset manuscripts using advanced typesetting tools like Adobe In Design, CorelDraw, TeXnicCenter, and TeXStudio. We usually recommend authors submit their research using any standard format they are comfortable with, and let Global Journals do the rest.

Alternatively, you can download our basic template from https://globaljournals.org/Template.zip

Authors should submit their complete paper/article, including text illustrations, graphics, conclusions, artwork, and tables. Authors who are not able to submit manuscript using the form above can email the manuscript department at submit@globaljournals.org or get in touch with chiefeditor@globaljournals.org if they wish to send the abstract before submission.

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Authors must ensure the information provided during the submission of a paper is authentic. Please go through the following checklist before submitting:

1. Authors must go through the complete author guideline and understand and *agree to Global Journals' ethics and code of conduct,* along with author responsibilities.
2. Authors must accept the privacy policy, terms, and conditions of Global Journals.
3. Ensure corresponding author's email address and postal address are accurate and reachable.
4. Manuscript to be submitted must include keywords, an abstract, a paper title, co-author(s') names and details (email address, name, phone number, and institution), figures and illustrations in vector format including appropriate captions, tables, including titles and footnotes, a conclusion, results, acknowledgments and references.
5. Authors should submit paper in a ZIP archive if any supplementary files are required along with the paper.
6. Proper permissions must be acquired for the use of any copyrighted material.
7. Manuscript submitted *must not have been submitted or published elsewhere* and all authors must be aware of the submission.

Declaration of Conflicts of Interest

It is required for authors to declare all financial, institutional, and personal relationships with other individuals and organizations that could influence (bias) their research.

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Plagiarism is not acceptable in Global Journals submissions at all.

Plagiarized content will not be considered for publication. We reserve the right to inform authors' institutions about plagiarism detected either before or after publication. If plagiarism is identified, we will follow COPE guidelines:

Authors are solely responsible for all the plagiarism that is found. The author must not fabricate, falsify or plagiarize existing research data. The following, if copied, will be considered plagiarism:

- Words (language)
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- Findings
- Writings
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- Graphs
- Illustrations
- Lectures

- Printed material
- Graphic representations
- Computer programs
- Electronic material
- Any other original work

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1. Substantial contributions to the conception and acquisition of data, analysis, and interpretation of findings.
2. Drafting the paper and revising it critically regarding important academic content.
3. Final approval of the version of the paper to be published.

Changes in Authorship

The corresponding author should mention the name and complete details of all co-authors during submission and in manuscript. We support addition, rearrangement, manipulation, and deletions in authors list till the early view publication of the journal. We expect that corresponding author will notify all co-authors of submission. We follow COPE guidelines for changes in authorship.

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Appealing Decisions

Unless specified in the notification, the Editorial Board's decision on publication of the paper is final and cannot be appealed before making the major change in the manuscript.

Acknowledgments

Contributors to the research other than authors credited should be mentioned in Acknowledgments. The source of funding for the research can be included. Suppliers of resources may be mentioned along with their addresses.

Declaration of funding sources

Global Journals is in partnership with various universities, laboratories, and other institutions worldwide in the research domain. Authors are requested to disclose their source of funding during every stage of their research, such as making analysis, performing laboratory operations, computing data, and using institutional resources, from writing an article to its submission. This will also help authors to get reimbursements by requesting an open access publication letter from Global Journals and submitting to the respective funding source.

Preparing your Manuscript

Authors can submit papers and articles in an acceptable file format: MS Word (doc, docx), LaTeX (.tex, .zip or .rar including all of your files), Adobe PDF (.pdf), rich text format (.rtf), simple text document (.txt), Open Document Text (.odt), and Apple Pages (.pages). Our professional layout editors will format the entire paper according to our official guidelines. This is one of the highlights of publishing with Global Journals—authors should not be concerned about the formatting of their paper. Global Journals accepts articles and manuscripts in every major language, be it Spanish, Chinese, Japanese, Portuguese, Russian, French, German, Dutch, Italian, Greek, or any other national language, but the title, subtitle, and abstract should be in English. This will facilitate indexing and the pre-peer review process.

The following is the official style and template developed for publication of a research paper. Authors are not required to follow this style during the submission of the paper. It is just for reference purposes.

Manuscript Style Instruction (Optional)

- Microsoft Word Document Setting Instructions.
- Font type of all text should be Swis721 Lt BT.
- Page size: 8.27" x 11'", left margin: 0.65, right margin: 0.65, bottom margin: 0.75.
- Paper title should be in one column of font size 24.
- Author name in font size of 11 in one column.
- Abstract: font size 9 with the word "Abstract" in bold italics.
- Main text: font size 10 with two justified columns.
- Two columns with equal column width of 3.38 and spacing of 0.2.
- First character must be three lines drop-capped.
- The paragraph before spacing of 1 pt and after of 0 pt.
- Line spacing of 1 pt.
- Large images must be in one column.
- The names of first main headings (Heading 1) must be in Roman font, capital letters, and font size of 10.
- The names of second main headings (Heading 2) must not include numbers and must be in italics with a font size of 10.

Structure and Format of Manuscript

The recommended size of an original research paper is under 15,000 words and review papers under 7,000 words. Research articles should be less than 10,000 words. Research papers are usually longer than review papers. Review papers are reports of significant research (typically less than 7,000 words, including tables, figures, and references)

A research paper must include:

a) A title which should be relevant to the theme of the paper.
b) A summary, known as an abstract (less than 150 words), containing the major results and conclusions.
c) Up to 10 keywords that precisely identify the paper's subject, purpose, and focus.
d) An introduction, giving fundamental background objectives.
e) Resources and techniques with sufficient complete experimental details (wherever possible by reference) to permit repetition, sources of information must be given, and numerical methods must be specified by reference.
f) Results which should be presented concisely by well-designed tables and figures.
g) Suitable statistical data should also be given.
h) All data must have been gathered with attention to numerical detail in the planning stage.

Design has been recognized to be essential to experiments for a considerable time, and the editor has decided that any paper that appears not to have adequate numerical treatments of the data will be returned unrefereed.

i) Discussion should cover implications and consequences and not just recapitulate the results; conclusions should also be summarized.
j) There should be brief acknowledgments.
k) There ought to be references in the conventional format. Global Journals recommends APA format.

Authors should carefully consider the preparation of papers to ensure that they communicate effectively. Papers are much more likely to be accepted if they are carefully designed and laid out, contain few or no errors, are summarizing, and follow instructions. They will also be published with much fewer delays than those that require much technical and editorial correction.

The Editorial Board reserves the right to make literary corrections and suggestions to improve brevity.

Format Structure

It is necessary that authors take care in submitting a manuscript that is written in simple language and adheres to published guidelines.

All manuscripts submitted to Global Journals should include:

Title

The title page must carry an informative title that reflects the content, a running title (less than 45 characters together with spaces), names of the authors and co-authors, and the place(s) where the work was carried out.

Author details

The full postal address of any related author(s) must be specified.

Abstract

The abstract is the foundation of the research paper. It should be clear and concise and must contain the objective of the paper and inferences drawn. It is advised to not include big mathematical equations or complicated jargon.

Many researchers searching for information online will use search engines such as Google, Yahoo or others. By optimizing your paper for search engines, you will amplify the chance of someone finding it. In turn, this will make it more likely to be viewed and cited in further works. Global Journals has compiled these guidelines to facilitate you to maximize the web-friendliness of the most public part of your paper.

Keywords

A major lynchpin of research work for the writing of research papers is the keyword search, which one will employ to find both library and internet resources. Up to eleven keywords or very brief phrases have to be given to help data retrieval, mining, and indexing.

One must be persistent and creative in using keywords. An effective keyword search requires a strategy: planning of a list of possible keywords and phrases to try.

Choice of the main keywords is the first tool of writing a research paper. Research paper writing is an art. Keyword search should be as strategic as possible.

One should start brainstorming lists of potential keywords before even beginning searching. Think about the most important concepts related to research work. Ask, "What words would a source have to include to be truly valuable in a research paper?" Then consider synonyms for the important words.

It may take the discovery of only one important paper to steer in the right keyword direction because, in most databases, the keywords under which a research paper is abstracted are listed with the paper.

Numerical Methods

Numerical methods used should be transparent and, where appropriate, supported by references.

Abbreviations

Authors must list all the abbreviations used in the paper at the end of the paper or in a separate table before using them.

Formulas and equations

Authors are advised to submit any mathematical equation using either MathJax, KaTeX, or LaTeX, or in a very high-quality image.

Tables, Figures, and Figure Legends

Tables: Tables should be cautiously designed, uncrowned, and include only essential data. Each must have an Arabic number, e.g., Table 4, a self-explanatory caption, and be on a separate sheet. Authors must submit tables in an editable format and not as images. References to these tables (if any) must be mentioned accurately.

Figures

Figures are supposed to be submitted as separate files. Always include a citation in the text for each figure using Arabic numbers, e.g., Fig. 4. Artwork must be submitted online in vector electronic form or by emailing it.

Preparation of Eletronic Figures for Publication

Although low-quality images are sufficient for review purposes, print publication requires high-quality images to prevent the final product being blurred or fuzzy. Submit (possibly by e-mail) EPS (line art) or TIFF (halftone/ photographs) files only. MS PowerPoint and Word Graphics are unsuitable for printed pictures. Avoid using pixel-oriented software. Scans (TIFF only) should have a resolution of at least 350 dpi (halftone) or 700 to 1100 dpi (line drawings). Please give the data for figures in black and white or submit a Color Work Agreement form. EPS files must be saved with fonts embedded (and with a TIFF preview, if possible).

For scanned images, the scanning resolution at final image size ought to be as follows to ensure good reproduction: line art: >650 dpi; halftones (including gel photographs): >350 dpi; figures containing both halftone and line images: >650 dpi.

Color charges: Authors are advised to pay the full cost for the reproduction of their color artwork. Hence, please note that if there is color artwork in your manuscript when it is accepted for publication, we would require you to complete and return a Color Work Agreement form before your paper can be published. Also, you can email your editor to remove the color fee after acceptance of the paper.

Tips for writing a good quality Management Research Paper

Techniques for writing a good quality management and business research paper:

1. Choosing the topic: In most cases, the topic is selected by the interests of the author, but it can also be suggested by the guides. You can have several topics, and then judge which you are most comfortable with. This may be done by asking several questions of yourself, like "Will I be able to carry out a search in this area? Will I find all necessary resources to accomplish the search? Will I be able to find all information in this field area?" If the answer to this type of question is "yes," then you ought to choose that topic. In most cases, you may have to conduct surveys and visit several places. Also, you might have to do a lot of work to find all the rises and falls of the various data on that subject. Sometimes, detailed information plays a vital role, instead of short information. Evaluators are human: The first thing to remember is that evaluators are also human beings. They are not only meant for rejecting a paper. They are here to evaluate your paper. So present your best aspect.

2. Think like evaluators: If you are in confusion or getting demotivated because your paper may not be accepted by the evaluators, then think, and try to evaluate your paper like an evaluator. Try to understand what an evaluator wants in your research paper, and you will automatically have your answer. Make blueprints of paper: The outline is the plan or framework that will help you to arrange your thoughts. It will make your paper logical. But remember that all points of your outline must be related to the topic you have chosen.

3. Ask your guides: If you are having any difficulty with your research, then do not hesitate to share your difficulty with your guide (if you have one). They will surely help you out and resolve your doubts. If you can't clarify what exactly you require for your work, then ask your supervisor to help you with an alternative. He or she might also provide you with a list of essential readings.

4. Use of computer is recommended: As you are doing research in the field of management and business then this point is quite obvious. Use right software: Always use good quality software packages. If you are not capable of judging good software, then you can lose the quality of your paper unknowingly. There are various programs available to help you which you can get through the internet.

5. Use the internet for help: An excellent start for your paper is using Google. It is a wondrous search engine, where you can have your doubts resolved. You may also read some answers for the frequent question of how to write your research paper or find a model research paper. You can download books from the internet. If you have all the required books, place importance on reading, selecting, and analyzing the specified information. Then sketch out your research paper. Use big pictures: You may use encyclopedias like Wikipedia to get pictures with the best resolution. At Global Journals, you should strictly follow here.

6. Bookmarks are useful: When you read any book or magazine, you generally use bookmarks, right? It is a good habit which helps to not lose your continuity. You should always use bookmarks while searching on the internet also, which will make your search easier.

7. Revise what you wrote: When you write anything, always read it, summarize it, and then finalize it.

8. Make every effort: Make every effort to mention what you are going to write in your paper. That means always have a good start. Try to mention everything in the introduction—what is the need for a particular research paper. Polish your work with good writing skills and always give an evaluator what he wants. Make backups: When you are going to do any important thing like making a research paper, you should always have backup copies of it either on your computer or on paper. This protects you from losing any portion of your important data.

9. Produce good diagrams of your own: Always try to include good charts or diagrams in your paper to improve quality. Using several unnecessary diagrams will degrade the quality of your paper by creating a hodgepodge. So always try to include diagrams which were made by you to improve the readability of your paper. Use of direct quotes: When you do research relevant to literature, history, or current affairs, then use of quotes becomes essential, but if the study is relevant to science, use of quotes is not preferable.

10. Use proper verb tense: Use proper verb tenses in your paper. Use past tense to present those events that have happened. Use present tense to indicate events that are going on. Use future tense to indicate events that will happen in the future. Use of wrong tenses will confuse the evaluator. Avoid sentences that are incomplete.

11. Pick a good study spot: Always try to pick a spot for your research which is quiet. Not every spot is good for studying.

12. Know what you know: Always try to know what you know by making objectives, otherwise you will be confused and unable to achieve your target.

13. Use good grammar: Always use good grammar and words that will have a positive impact on the evaluator; use of good vocabulary does not mean using tough words which the evaluator has to find in a dictionary. Do not fragment sentences. Eliminate one-word sentences. Do not ever use a big word when a smaller one would suffice.
Verbs have to be in agreement with their subjects. In a research paper, do not start sentences with conjunctions or finish them with prepositions. When writing formally, it is advisable to never split an infinitive because someone will (wrongly) complain. Avoid clichés like a disease. Always shun irritating alliteration. Use language which is simple and straightforward. Put together a neat summary.

14. Arrangement of information: Each section of the main body should start with an opening sentence, and there should be a changeover at the end of the section. Give only valid and powerful arguments for your topic. You may also maintain your arguments with records.

15. Never start at the last minute: Always allow enough time for research work. Leaving everything to the last minute will degrade your paper and spoil your work.

16. Multitasking in research is not good: Doing several things at the same time is a bad habit in the case of research activity. Research is an area where everything has a particular time slot. Divide your research work into parts, and do a particular part in a particular time slot.

17. Never copy others' work: Never copy others' work and give it your name because if the evaluator has seen it anywhere, you will be in trouble. Take proper rest and food: No matter how many hours you spend on your research activity, if you are not taking care of your health, then all your efforts will have been in vain. For quality research, take proper rest and food.

18. Go to seminars: Attend seminars if the topic is relevant to your research area. Utilize all your resources.

19. Refresh your mind after intervals: Try to give your mind a rest by listening to soft music or sleeping in intervals. This will also improve your memory. Acquire colleagues: Always try to acquire colleagues. No matter how sharp you are, if you acquire colleagues, they can give you ideas which will be helpful to your research.

20. Think technically: Always think technically. If anything happens, search for its reasons, benefits, and demerits. Think and then print: When you go to print your paper, check that tables are not split, headings are not detached from their descriptions, and page sequence is maintained.

21. Adding unnecessary information: Do not add unnecessary information like "I have used MS Excel to draw graphs." Irrelevant and inappropriate material is superfluous. Foreign terminology and phrases are not apropos. One should never take a broad view. Analogy is like feathers on a snake. Use words properly, regardless of how others use them. Remove quotations. Puns are for kids, not grunt readers. Never oversimplify: When adding material to your research paper, never go for oversimplification; this will definitely irritate the evaluator. Be specific. Never use rhythmic redundancies. Contractions shouldn't be used in a research paper. Comparisons are as terrible as clichés. Give up ampersands, abbreviations, and so on. Remove commas that are not necessary. Parenthetical words should be between brackets or commas. Understatement is always the best way to put forward earth-shaking thoughts. Give a detailed literary review.

22. Report concluded results: Use concluded results. From raw data, filter the results, and then conclude your studies based on measurements and observations taken. An appropriate number of decimal places should be used. Parenthetical remarks are prohibited here. Proofread carefully at the final stage. At the end, give an outline to your arguments. Spot perspectives of further study of the subject. Justify your conclusion at the bottom sufficiently, which will probably include examples.

23. Upon conclusion: Once you have concluded your research, the next most important step is to present your findings. Presentation is extremely important as it is the definite medium though which your research is going to be in print for the rest of the crowd. Care should be taken to categorize your thoughts well and present them in a logical and neat manner. A good quality research paper format is essential because it serves to highlight your research paper and bring to light all necessary aspects of your research.

Informal Guidelines of Research Paper Writing

Key points to remember:

- Submit all work in its final form.
- Write your paper in the form which is presented in the guidelines using the template.
- Please note the criteria peer reviewers will use for grading the final paper.

Final points:

One purpose of organizing a research paper is to let people interpret your efforts selectively. The journal requires the following sections, submitted in the order listed, with each section starting on a new page:

The introduction: This will be compiled from reference matter and reflect the design processes or outline of basis that directed you to make a study. As you carry out the process of study, the method and process section will be constructed like that. The results segment will show related statistics in nearly sequential order and direct reviewers to similar intellectual paths throughout the data that you gathered to carry out your study.

The discussion section:

This will provide understanding of the data and projections as to the implications of the results. The use of good quality references throughout the paper will give the effort trustworthiness by representing an alertness to prior workings.

Writing a research paper is not an easy job, no matter how trouble-free the actual research or concept. Practice, excellent preparation, and controlled record-keeping are the only means to make straightforward progression.

General style:

Specific editorial column necessities for compliance of a manuscript will always take over from directions in these general guidelines.

To make a paper clear: Adhere to recommended page limits.

Mistakes to avoid:

- Insertion of a title at the foot of a page with subsequent text on the next page.
- Separating a table, chart, or figure—confine each to a single page.
- Submitting a manuscript with pages out of sequence.
- In every section of your document, use standard writing style, including articles ("a" and "the").
- Keep paying attention to the topic of the paper.

- Use paragraphs to split each significant point (excluding the abstract).
- Align the primary line of each section.
- Present your points in sound order.
- Use present tense to report well-accepted matters.
- Use past tense to describe specific results.
- Do not use familiar wording; don't address the reviewer directly. Don't use slang or superlatives.
- Avoid use of extra pictures—include only those figures essential to presenting results.

Title page:

Choose a revealing title. It should be short and include the name(s) and address(es) of all authors. It should not have acronyms or abbreviations or exceed two printed lines.

Abstract: This summary should be two hundred words or less. It should clearly and briefly explain the key findings reported in the manuscript and must have precise statistics. It should not have acronyms or abbreviations. It should be logical in itself. Do not cite references at this point.

An abstract is a brief, distinct paragraph summary of finished work or work in development. In a minute or less, a reviewer can be taught the foundation behind the study, common approaches to the problem, relevant results, and significant conclusions or new questions.

Write your summary when your paper is completed because how can you write the summary of anything which is not yet written? Wealth of terminology is very essential in abstract. Use comprehensive sentences, and do not sacrifice readability for brevity; you can maintain it succinctly by phrasing sentences so that they provide more than a lone rationale. The author can at this moment go straight to shortening the outcome. Sum up the study with the subsequent elements in any summary. Try to limit the initial two items to no more than one line each.

Reason for writing the article—theory, overall issue, purpose.

- Fundamental goal.
- To-the-point depiction of the research.
- Consequences, including definite statistics—if the consequences are quantitative in nature, account for this; results of any numerical analysis should be reported. Significant conclusions or questions that emerge from the research.

Approach:

- o Single section and succinct.
- o An outline of the job done is always written in past tense.
- o Concentrate on shortening results—limit background information to a verdict or two.
- o Exact spelling, clarity of sentences and phrases, and appropriate reporting of quantities (proper units, important statistics) are just as significant in an abstract as they are anywhere else.

Introduction:

The introduction should "introduce" the manuscript. The reviewer should be presented with sufficient background information to be capable of comprehending and calculating the purpose of your study without having to refer to other works. The basis for the study should be offered. Give the most important references, but avoid making a comprehensive appraisal of the topic. Describe the problem visibly. If the problem is not acknowledged in a logical, reasonable way, the reviewer will give no attention to your results. Speak in common terms about techniques used to explain the problem, if needed, but do not present any particulars about the protocols here.

The following approach can create a valuable beginning:

- o Explain the value (significance) of the study.
- o Defend the model—why did you employ this particular system or method? What is its compensation? Remark upon its appropriateness from an abstract point of view as well as pointing out sensible reasons for using it.
- o Present a justification. State your particular theory(-ies) or aim(s), and describe the logic that led you to choose them.
- o Briefly explain the study's tentative purpose and how it meets the declared objectives.

Approach:

Use past tense except for when referring to recognized facts. After all, the manuscript will be submitted after the entire job is done. Sort out your thoughts; manufacture one key point for every section. If you make the four points listed above, you will need at least four paragraphs. Present surrounding information only when it is necessary to support a situation. The reviewer does not desire to read everything you know about a topic. Shape the theory specifically—do not take a broad view.

As always, give awareness to spelling, simplicity, and correctness of sentences and phrases.

Procedures (methods and materials):

This part is supposed to be the easiest to carve if you have good skills. A soundly written procedures segment allows a capable scientist to replicate your results. Present precise information about your supplies. The suppliers and clarity of reagents can be helpful bits of information. Present methods in sequential order, but linked methodologies can be grouped as a segment. Be concise when relating the protocols. Attempt to give the least amount of information that would permit another capable scientist to replicate your outcome, but be cautious that vital information is integrated. The use of subheadings is suggested and ought to be synchronized with the results section.

When a technique is used that has been well-described in another section, mention the specific item describing the way, but draw the basic principle while stating the situation. The purpose is to show all particular resources and broad procedures so that another person may use some or all of the methods in one more study or referee the scientific value of your work. It is not to be a step-by-step report of the whole thing you did, nor is a methods section a set of orders.

Materials:

Materials may be reported in part of a section or else they may be recognized along with your measures.

Methods:

- Report the method and not the particulars of each process that engaged the same methodology.
- Describe the method entirely.
- To be succinct, present methods under headings dedicated to specific dealings or groups of measures.
- Simplify—detail how procedures were completed, not how they were performed on a particular day.
- If well-known procedures were used, account for the procedure by name, possibly with a reference, and that's all.

Approach:

It is embarrassing to use vigorous voice when documenting methods without using first person, which would focus the reviewer's interest on the researcher rather than the job. As a result, when writing up the methods, most authors use third person passive voice.

Use standard style in this and every other part of the paper—avoid familiar lists, and use full sentences.

What to keep away from:

- Resources and methods are not a set of information.
- Skip all descriptive information and surroundings—save it for the argument.
- Leave out information that is immaterial to a third party.

Results:

The principle of a results segment is to present and demonstrate your conclusion. Create this part as entirely objective details of the outcome, and save all understanding for the discussion.

The page length of this segment is set by the sum and types of data to be reported. Use statistics and tables, if suitable, to present consequences most efficiently.

You must clearly differentiate material which would usually be incorporated in a study editorial from any unprocessed data or additional appendix matter that would not be available. In fact, such matters should not be submitted at all except if requested by the instructor.

Content:

- Sum up your conclusions in text and demonstrate them, if suitable, with figures and tables.
- In the manuscript, explain each of your consequences, and point the reader to remarks that are most appropriate.
- Present a background, such as by describing the question that was addressed by creation of an exacting study.
- Explain results of control experiments and give remarks that are not accessible in a prescribed figure or table, if appropriate.
- Examine your data, then prepare the analyzed (transformed) data in the form of a figure (graph), table, or manuscript.

What to stay away from:

- Do not discuss or infer your outcome, report surrounding information, or try to explain anything.
- Do not include raw data or intermediate calculations in a research manuscript.
- Do not present similar data more than once.
- A manuscript should complement any figures or tables, not duplicate information.
- Never confuse figures with tables—there is a difference.

Approach:

As always, use past tense when you submit your results, and put the whole thing in a reasonable order.

Put figures and tables, appropriately numbered, in order at the end of the report.

If you desire, you may place your figures and tables properly within the text of your results section.

Figures and tables:

If you put figures and tables at the end of some details, make certain that they are visibly distinguished from any attached appendix materials, such as raw facts. Whatever the position, each table must be titled, numbered one after the other, and include a heading. All figures and tables must be divided from the text.

Discussion:

The discussion is expected to be the trickiest segment to write. A lot of papers submitted to the journal are discarded based on problems with the discussion. There is no rule for how long an argument should be.

Position your understanding of the outcome visibly to lead the reviewer through your conclusions, and then finish the paper with a summing up of the implications of the study. The purpose here is to offer an understanding of your results and support all of your conclusions, using facts from your research and generally accepted information, if suitable. The implication of results should be fully described.

Infer your data in the conversation in suitable depth. This means that when you clarify an observable fact, you must explain mechanisms that may account for the observation. If your results vary from your prospect, make clear why that may have happened. If your results agree, then explain the theory that the proof supported. It is never suitable to just state that the data approved the prospect, and let it drop at that. Make a decision as to whether each premise is supported or discarded or if you cannot make a conclusion with assurance. Do not just dismiss a study or part of a study as "uncertain."

Research papers are not acknowledged if the work is imperfect. Draw what conclusions you can based upon the results that you have, and take care of the study as a finished work.

- You may propose future guidelines, such as how an experiment might be personalized to accomplish a new idea.
- Give details of all of your remarks as much as possible, focusing on mechanisms.
- Make a decision as to whether the tentative design sufficiently addressed the theory and whether or not it was correctly restricted. Try to present substitute explanations if they are sensible alternatives.
- One piece of research will not counter an overall question, so maintain the large picture in mind. Where do you go next? The best studies unlock new avenues of study. What questions remain?
- Recommendations for detailed papers will offer supplementary suggestions.

Approach:

When you refer to information, differentiate data generated by your own studies from other available information. Present work done by specific persons (including you) in past tense.

Describe generally acknowledged facts and main beliefs in present tense.

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Topics	Grades		
	A-B	**C-D**	**E-F**
Abstract	Clear and concise with appropriate content, Correct format. 200 words or below	Unclear summary and no specific data, Incorrect form Above 200 words	No specific data with ambiguous information Above 250 words
Introduction	Containing all background details with clear goal and appropriate details, flow specification, no grammar and spelling mistake, well organized sentence and paragraph, reference cited	Unclear and confusing data, appropriate format, grammar and spelling errors with unorganized matter	Out of place depth and content, hazy format
Methods and Procedures	Clear and to the point with well arranged paragraph, precision and accuracy of facts and figures, well organized subheads	Difficult to comprehend with embarrassed text, too much explanation but completed	Incorrect and unorganized structure with hazy meaning
Result	Well organized, Clear and specific, Correct units with precision, correct data, well structuring of paragraph, no grammar and spelling mistake	Complete and embarrassed text, difficult to comprehend	Irregular format with wrong facts and figures
Discussion	Well organized, meaningful specification, sound conclusion, logical and concise explanation, highly structured paragraph reference cited	Wordy, unclear conclusion, spurious	Conclusion is not cited, unorganized, difficult to comprehend
References	Complete and correct format, well organized	Beside the point, Incomplete	Wrong format and structuring

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