Methods of Forecasting Cash Flows in Joint-Stock Companies

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Several indicators should be taken into account in joint-stock companies when forecasting cash flows. In particular, joint stock companies should be forecasted taking into account free cash flows and discounted cash flows. In general, researchers and analysts make cash flow forecasts by calculating the expected cash flows from joint stock companies and the present value of their future income-producing assets. In particular, in practice, the method of discounted cash flows is widely used to calculate the cash flows of investment projects of joint-stock companies. In the method of discounted cash flows, the rate that reflects the level of risk in forecasting the cash flow of an investment project is calculated, and the future cash flows of joint-stock companies are reflected in the present value.

Also, in today's practice, using discounted cash flows, they are used as the main tool in estimating the value of joint-stock companies and forecasting cash flows in capital. The discounted cash flow method is a modern corporate finance tool, so it is important to fully understand how it works and its limitations and implications. The discounted cash flow method is the most important tool in forecasting cash flows, and it is used not only in the valuation of joint-stock companies, but also in the valuation of primary and secondary securities and other financial assets. It is such a powerful tool in modern finance that it is widely used by investment banks, investment advisors, and financial managers around the world, even calling the discounted cash flow method "the heart of corporate capital budgeting systems."

It is important for joint stock companies to forecast cash flows for each of their businesses. Also, with the help of cash flow forecasting, joint-stock companies take into account the general account of cash flow inflows and outflows. In particular, the advantage is that the shareholding indicates when the costs of the company's activities will be covered and whether there is a need to take unexpected loans to cover cash needs. In addition, in order to maintain the competitiveness of joint-stock companies' business activities, it is considered necessary to forecast cash flows according to each of their indicators, clearly and realistically. Therefore, joint-stock companies often make business plans covering many years with cash flow forecasts. In particular, if joint stock companies do not make cash flow forecasts based on accurate calculations, joint stock companies face significant financial losses and lead to loss of business opportunities. From foreign economists their joint research, it was considered the key to implement financial planning of joint-stock companies if they accurately forecast cash flows. In joint-stock companies, it is important for shareholders and investors to forecast cash flows and successfully manage the company's cash flows.

Joint-stock companies' cash flow forecasts are monitored by investors, creditors, employees and rating agencies. In particular, investors monitor companies to monitor cash flows to determine how much dividends the target company will pay, to make capital appreciation investment decisions, and to determine the amount of funds needed to cover capital investments. Creditors, on the other hand, have an interest in making decisions about the solvency of the joint stock companies in which they do business, the job security of employees, and the ongoing risk issues related to the firms they work for. Rating agents, by analyzing the cash flows of joint-stock companies, determine whether the company has the ability to pay its debts when they come due.

The purpose of cash flow forecasting of joint-stock companies is to realize the company's cash and liquidity position by simulating cash flow inflows and outflows and investing in advance. The purpose of cash flow forecasting is to determine the availability of funds to finance the activities of the joint-stock company and to make sure that the company's cash resources are used to the maximum extent and that there are no additional debts. Advantages of Cash Flow Forecasting Successful cash flow forecasting lowers the cost of equity capital and increases excess cash flow.

In particular, the use of incorrect information in cash flow forecasting means that the cash flows in the period in which the cash flows are forecast are not realized correctly. Also, by comparing the forecast with the actual figures and correcting the figures, cash flows lead the joint stock company to improve the cash flow forecast. In addition, Rajendra's research points out that there are several methods of cash flow forecasting. The implementation of the forecasting method depends on the actual needs. It also showed that there are two classic types of cash flow forecasting, namely direct and indirect. In particular, direct cash flow forecasting predicts when cash will enter the business at certain times. It tries to determine when payments are due on a particular day or week of a month. For example, not when the invoice is sent, but when the payment is actually made. Since the forecast is based on real data, it provides a certain amount of money, especially in the short term. The direct method of cash flow forecasting includes all types of transactions, including credit and cash transactions, as well as reconciliations with promissory notes, invoices, and taxes

The method of indirect cash flow forecasting is more widely used in business. A simple process is done using the balance sheet and income statement to forecast this cash flow. This process is used when there is a large volume of transactions. To calculate the cash flow, the necessary data is selected, and the data is used to determine the cash flow through the net income. Balance sheet data is used to determine any cash flow from operations by adding earnings before interest, depreciation, and taxes. It also provides an opportunity to forecast cash flows from investments and potential loans. Earnings and balance sheet information can help predict long-term business growth.

It has been argued that in cash flow forecasting, current profit should be given more importance than future cash flow forecasting. In their view, current profit is equal to changes in accounts payable, changes in accounts receivable, changes in inventories, changes in depreciation and amortization, and other included cash flows. Also, the calculations only include changes in accounts receivable, changes in inventories, and changes in accounts payable, which in turn are equivalent to changes in working capital, but do not include long-term accounts such as depreciation.

In recent years, foreign economists have researched the impact of influencing factors on cash flow forecasting. Earnings management discretionary fees and increased operating expenses in joint-stock companies affect cash flow forecasting. According to Baderscher's research, financial managers of joint-stock companies use discretionary accounts to hide the true position of the company as a management tool to preserve the value of its capital. Also, the manipulated reports used as data reduce their ability to predict cash flows. In addition, managers can use discretionary calculations to demonstrate their true vision for the future of the joint-stock company. In this situation, management's disclosure of discretionary payments may be a better predictor of future cash flows. As a result, whether discretionary calculations improve or adversely affect cash flow forecasts depends on the motivation of financial managers to manipulate.

In our opinion, when forecasting the cash flow of joint-stock companies, it is necessary to make an accurate forecast of the company's income from product sales. Also, changes in accounts payable, changes in receivables, changes in inventory, depreciation and amortization should be taken into account.

In conclusion, it should be noted that in forecasting the cash flow of joint stock companies, it is necessary to determine the main components of the cash flow. The following should be taken into account as cash flows, particularly sales, cost of goods sold, operating and administrative expenses, interest, taxes, etc. Also, the direct cash flow method has many good qualities and allows joint stock companies to forecast future cash flow. At the same time, it is possible to determine the reasons for the manipulation of cash flows by financial managers and to have information.

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