Consolidated Statements of Cash Flows
Three years ended December 25, 1999
(in millions - except per share amounts)

1999 1998 1997
Cash and cash equivalents, beginning of year $2,038 $4,102 $4,165

Cash flows provided by (used for) operations:
Net income 7,314 6,068 6,945
Adjustments to reconcile net income to net cash provided by (used for) operations
Depreciation 3,186 2,807 2,192
Amortization of goodwill and other acquisition-related intangibles 411 56 ---
Purchased in-process research and development 392 165 ---
Gains on sales of marketable strategic equity securities (883) (185) (106)
Net loss on retirements of property, plant, and equipment 193 282 130
Deferred taxes (219) 77 6
Change in assets and liabilities
Accounts receivable 153 (38) 285
Inventories 169 167 (404)
Accounts payable 79 (180) 438
Accrued compensation and benefits 127 17 140
Income taxes payable 726 (211) 179
Tax benefit from employee stock options 506 415 224
Other assets and liabilities (819) (378) (127)
Total adjustments 4,021 2,994 2,957
Net cash provided by operating activities 11,335 9,062 9,902

Cash flows provided by (used for) investing activities:
Additions to property, plant, and equipment (3,403) (3,557) (4,501)
Acquisitions, net of cash received (2,979) (906) ---
Purchases of available-for-sale investments (7,055) (10,925) (9,224)
Sales of available for sale investments 831 201 153
Maturities and other changes in available-for-sale investments 7,156 8,681 6,713
Net cash (used for) investing activities (5,450) (6,506) (6,859)

®
Questions Pertaining to Cash Flow Statements

Introduction to Financial Statements
Cash Flow Statements

- Which user decisions might be affected by cash flow statements?
- What economic activities affect cash flow statements?
- How do accounting judgments affect cash flow statements?
- What determines the usefulness of cash flow statement information?
What User Decisions are Affected?

Introduction to Financial Statements
Cash Flow Statements

Which user decisions might be affected by cash flow statements?

- Assess how effectively cash was managed
- Predict capacity to meet future cash needs and distribute cash to owners.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance sheet</td>
<td>$150</td>
</tr>
<tr>
<td>Income statement</td>
<td>$37</td>
</tr>
<tr>
<td>Cash flow statement</td>
<td>$54</td>
</tr>
</tbody>
</table>

Cash | Revenue | Cash | Revenue | Cash | Revenue | Cash
What Economic Activities are Affected?

Introduction to Financial Statements

Cash Flow Statements

What economic activities affect cash flow statements?

- Financing
- Investing
- Operating

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What Economic Activities are Affected?

Introduction to Financial Statements
Cash Flow Statements

What economic activities affect cash flow statements?

First purpose of cash flow statements
Explain how cash changed during the period in terms of significant cash inflows and outflows, organized by types of economic activities.

Second purpose of cash flow statements
Explain the reasons net income differs from net cash from operating activities.

Operating
Net income
Adjustments
Net cash from operations
How Do Accounting Judgments Affect Cash Flow Statements?

Introduction to Financial Statements

Cash Flow Statements

How do accounting judgments affect cash flow statements?

- Determine how activities are classified
- Determine level of detail provided
- Determine format of operating section
  - Direct
  - Indirect
How Do Accounting Judgments Affect Cash Flow Statements?

Introduction to Financial Statements

Cash Flow Statements

How do accounting judgments affect cash flow statements?

Direct Cash Flow Statement

Beginning cash

Operating
Customer collections
Supplier payments
Other
Net cash from operations

Investing
Purchase building & equipment
Sell investment securities
Other
Net investing cash flows

Financing
Issue common stock
Loan payment
Other
Net financing cash flows

Ending cash

Meets first purpose of cash flow statements
Explain how cash changed during the period in terms of significant cash inflows and outflows, organized by types of economic activities.
How Do Accounting Judgments Affect Cash Flow Statements?

Introduction to Financial Statements
Cash Flow Statements
How do accounting judgments affect cash flow statements?

Meets second purpose of cash flow statements
Explain the reasons net income differs from net cash from operating activities
How Do Accounting Judgments Affect Cash Flow Statements?

**Introduction to Financial Statements**

**Cash Flow Statements**

How do accounting judgments affect cash flow statements?

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<td><strong>Net investing cash flows</strong></td>
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<td><strong>Ending cash</strong></td>
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<th>Indirect Cash Flow Statement</th>
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<tr>
<td>Net income</td>
</tr>
<tr>
<td>Adjustments</td>
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What Determines Usefulness?

Introduction to Financial Statements
Cash Flow Statements

What determines the usefulness of cash flow statement information?

- Assess how effectively cash was managed
- Predict capacity to meet future cash needs and distribute cash to owners.