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Research paper

Relevant Cash Flows Information for Engineering & Construction' Companies Investors

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Abstract

Purpose of the article is to analyze and improve approaches of making financial reports about cash flows to provide relevant cash flows information for Engineering & Construction' companies existing and potential investors. There were such research approaches used as analysis of financial reports, rating method and empirical analysis on open data. There is a fact found about non-compliance by Biggest Global Engineering & Construction' companies of IAS 7 about reporting cash flows from operating activities using the direct method found. It was suggested to make all parts of statement of cash flows by direct method. It is grounded by topicality of such cash flows information for existing and potential investors, including making them modeling cash flows. It is recommended to expand using some indicators such as «Net Cash Flows from Operating Activities», «Net Cash Flows from Investing Activities», and «Net Cash Flows from Financing Activities» and «Cash Flows Receipts as the most objective one for characterizing economical activity of entities while making Global Business ratings. It is suggested to continue researches in direction of analyzing the best practical approaches to make report of Cash Flows from Operating, Investing & Financing Activities to generalize the best international experience.

Keywords: *Statement of Cash Flows; Cash Receipts from Operating activity; Cash flow Management; Management and budgetary control; Engineering & Construction Companies*

1. Introduction

According to renewed in 2005 IAS 1 «Presentation of Financial Statements», the objective of financial statements is to provide information about the financial position, financial performance and cash flows of an entity that is useful to a wide range of users in making economic decisions. Financial statements also show the results of the management's stewardship entrusted resources. To meet this objective, financial statements provide information about an entity's:

(a) assets;
(b) liabilities;
(c) equity;
(d) income and expenses, including gains and losses;
(e) contributions by and distributions to owners in their capacity as owners;
(f) cash flows.

Users of an entity's financial statements are interested in how the entity generates and uses cash and cash equivalents. Necessity of Statement of Cash Flows is grounded because at first, Statement of comprehensive income Contains information about incomes and expense of the entity using accrual method independently of real incoming and outgoing cash-flows.

At second, content in Statement of Cash Flows, unlike Statement of comprehensive income, increases comparability of financial statements of different entities because it prevents impact of different approaches for accounting the same operations and events and that is why it reflects economical reality. There is reduction of number of main users of financial information is renewed version of The Conceptual Framework for Financial Reporting (2010), unlike previous one The Framework for the Preparation and Presentation of Financial Statements (1989). Earlier number of users included managers, owners, lenders, suppliers and trade creditors, customers, governments and their agencies, employees, financial analysts and advisers (according to European accounting traditions). Modern version assumes dominating of American approach to identify objective and users of financial reporting: «The objective of general purpose financial reporting is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity» [1].

To ensure usefulness of information in financial reports for existing and potential investors accountant has to provide qualitative characteristics of useful financial information. One of fundamental characteristics among them is relevance and faithful representation (**Fig. 1**).

According to annual rating of American business magazine «Fortune», that was established in 1996, there are 13 Engineering & Construction' companies in Top 500 Biggest Corporations by indicator Revenue ($M) in 2017 (**Table 1**):

1. Fluor is one of the world's largest publicly-traded engineering, procurement, fabrication, construction (EPFC) and maintenance companies, offering integrated solutions for Clients' complex and challenging capital projects.

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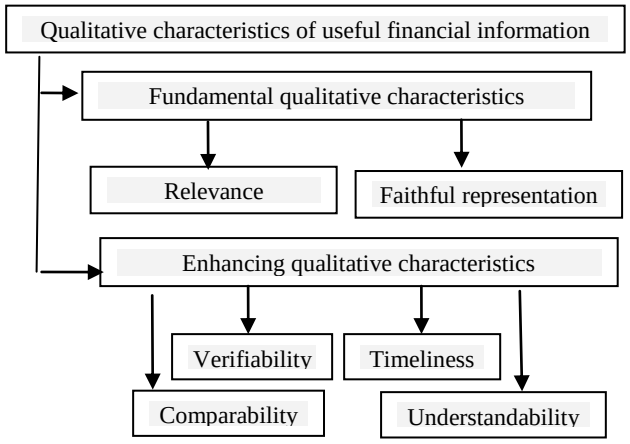


Fig 1: Qualitative characteristics of useful financial information according to The Conceptual Framework for Financial Reporting (2010)

2. AECOM – the global provider of architecture, design, engineering, and construction services is headquartered in Los Angeles.

3. D.R.Horton – the largest homebuilder in the U.S. is headquartered in Arlington,Texas, and has operations in 27 states.

Table 1: Top 13 Engineering & Construction Companies by Fortune Global 500 at 2017 year [2]

Rank	Company	Industry	Revenue ($M)	Years on Fortune 500 List
149	Fluor	Engineering, Construction	19,037	16
161	AECOM	Engineering, Construction	17,411	9
232	D.R.Horton	Homebuilders	12,157	15
259	Jacobs Engineering Group	Engineering, Construction	10,964	17
260	Lennar	Homebuilders	10,950	13
324	Peter Kiewit Sons'	Engineering, Construction	8,573	18
353	PulteGroup	Homebuilders	7,669	15
355	Quanta Services	Engineering, Construction	7,651	5
360	EMCOR Group	Engineering, Construction	7,552	17
415	CalAtlantic Group	Homebuilders	6,447	2
446	NVR	Homebuilders	5,835	8
494	CH2M Hill	Engineering, Construction	5,236	9
497	Toll Brothers	Homebuilders	5,170	5

4. Jacobs Engineering Group – the engineering company offers design, construction, consulting and maintenance services for clients in different industries.

5. Lennar – the national homebuilder has operations in 40 markets in 17 states in the U.S.

6. Peter Kiewit Sons' – the contractor offers construction, mining and engineering services for the public, energy, water and transportation sectors, among others.

7. PulteGroup – the Atlanta-based homebuilder, whose brands include Del Webb and Centex, operates in 50 markets in 26 states.

8. Quanta Services – provides engineering and construction services to the electric energy and oil and gas industries.

9. EMCOR Group – services commercial, industrial, utility, and institutional customers with its electrical and mechanical construction and facilities business

10. CalAtlantic Homes, which have merged to Lennar for combine forces, positioning the company as the leading builder in the nation.

11. NVR – Operating in the homebuilding and mortgage-banking business segments, the company serves customers in 14 states as of 2017

12. CH2M Hill – the Colorado-based global engineering services firm works on large-scale projects, like the expansion of the Panama Canal

13. Toll Brothers – the real estate company is known for being the builder of luxury homes in major U.S. metropolitan areas.

There is information about every company in Fortune Top 500 such as industry, HQ location, years in Fortune 500 list, employees. Besides indicator of Revenue ($M) and general information about companies «Fortune» contains key financial information about such companies, such as information about Profits, Assets, Total Stockholder Equity, Market Value, Earnings Per Share and financial ratios Earnings Per Share (%), Profit & Return Ratios. Example of such information about Fluor Corporation is in **Table 2.**

Table2: Financial information of Fluor Corporation in Fortune Global 500 in 2017 year [2]

KEY FINANCIALS (LAST FISCAL YEAR)			PROFIT RATIOS	
	$ millions	% change		
Revenues ($M)	$19,037	5.1%	Profit as % of Revenues (Profit Margin)	1.5%
Profits ($M)	$281.4	-31.8%	Profits as % of Assets (ROTA)	3.1%
Assets ($M)	$9,216		Profits as % of Stockholder Equity (ROE)	9.0%
Total Stockholder Equity ($M)	$3,125			
Market Value – as of March 31, 2017 ($M)	$7,353			
EARNINGS PER SHARE (LAST FISKAL YEAR)			TOTAL RETURN	
Earnings Per Share ($)	2.00			
EPS % Change (from 2015)		-28.8%	Total Return to Investors (2016)	13.1%
EPS % Change (5 year annual rate)		-10.1%	Total Return to Investors (5 year, annualized)	2.2%
EPS % Change (10 year annual rate)		3.1%	Total Return to Investors (10 year, annualized)	3.7%

But in disclosure of financial information there is no cash flows information in Fortune Global 500 Biggest Corporations, despite of usefulness of such information for existing and potential investors for making them economical decisions.

Almost the same key financial indicators are used while making annual rating The World's Biggest Public Companies 2000. Such rating was established in 2003 by American business magazine «Forbes» [3]. Such rating is based on arithmetic mean of Sales, Profits, Assets of an entity and its Market Value. There is a question if content of useful financial information in modern world-wide ratings including Engineering & Construction companies is enough. This question is more topical especially for Engineering & Construction companies who have specific features of accounting incomes and expenses

according to IFRS 15 «Revenue from Contracts with Customers».

2. Research Problem

Issue of accounting incomes, expenses and cash-flows is based on notion of operating activity. According to the requirements of IAS 7 operating activities are the principal revenue-producing activities of the entity and other activities that are not investing or financing activities. The amount of cash flows arising from operating activities is a key indicator of the extent to which the operations of the entity have generated sufficient cash flows to repay loans, maintain the operating capability of the entity, pay dividends and make new investments without recourse to external sources of financing.

An entity shall report cash flows from operating activities using either: (a) the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed; or (b) the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

Entities are encouraged to report cash flows from operating activities using the direct method. The direct method provides information which may be useful in estimating future cash flows and which is not available under the indirect method [IAS 7, items 18-19]. But research of 10 available on-line Statement of Cash Flows of the biggest Engineering & Construction' Companies in Fortune Global 500 in 2017 has shown, that in reporting about cash flows from operating activities all companies used indirect method. That is why it is impossible to get information about cash receipts from operating activities and compare such information (**Table 3**).

Table 3: Cash flows information from financial statements of the biggest Engineering & Construction' Companies according to Fortune Global 500 in 2017 (amounts in thousands of dollars USA) [4-16].

Rank	Company	Revenue	Net earning	Net cash flows from operating activities
1	Fluor	19,036,525	327,449	705,919
2	AECOM	17,410,82	163,472	814,155
3	D.R.Horton	12,157,400	886.300	618.000
4	Jacobs Engineering Group	10,964,157	214,515	680,173
5	Lennar	10,949,999	913,091	507,804
6	Peter Kiewit Sons'	8,573,000	396.000	*
7	PulteGroup	7,668,476	602,703	68,270
8	Quanta Services	7,651,319	200,098	381,176
9	EMCOR Group	7,551,554	182,153	264,561
10	CalAtlantic Group	6,447,000	484.700	*
11	NVR	5,834,585	425,262	398,126
12	CH2M Hill	5,236,000	15,000	*
13	Toll Brothers	5,169,508	382,095	148,771

* Financial report is not available on-line. On March 2018 there is no financial reporting on web-sites of these companies.

Basing on available on-line financial reports of the biggest Engineering & Construction' Companies, it is interesting to evaluate their effectiveness using indicators of net earnings and net cash flows from operating activities» (**Fig. 2**).

If one takes into account indicator of net earning, companies Lennar ($th 913,091) and D.R.Horton ($th 886.300) will have the best result. Using indicator of net cash flows from operating activities one should consider the highest mark of AECOM ($th 814,155) and Fluor ($th 705,919). There is significant difference for such two indicators for analyzed companies majority (except NVR).

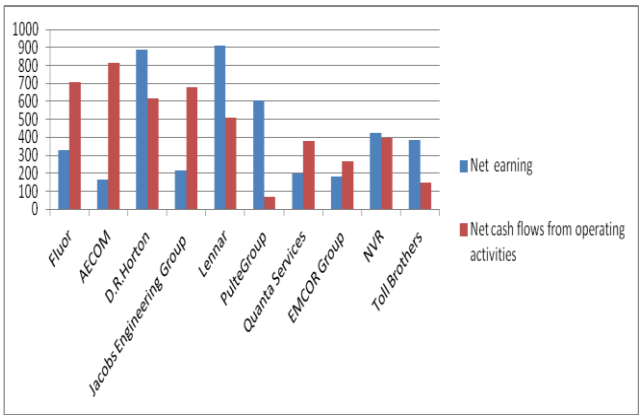


Fig 2: Net earning & net cash flows from operating activities of 10 the biggest Engineering & Construction' companies in 2016

Because of flexibility of calculating indicator of net earnings mostly financial analysts give an advantage to indicators of net cash flows from operating activities» and free cash flow – FSF. Indicator of free cash flow is considered as a measure of a company's financial performance, calculated as operating cash flow minus capital expenditures. FCF is a cash that a company is able to generate after spending the money required to maintain or expand its asset base» [17].

There is information "Adjustments to reconcile Net earnings to cash provided (utilized) by operating activities" (**Table 4**) in annual Report 2016 of Fluor Corporation with motto «Working As One» consolidated statement of cash flows.

Table 4: Presentation of Cash Flows information from Operating Activities of Fluor Corporation at December 31, 2016 [4]

№	(in thousands)	2016	2015	2014
1	Net earnings	327,45	475,0	647,54
2	Adjustments to reconcile net earnings to cash provided (utilized) by operating activities:			
	Loss from discontinued operations, net of taxes	–	5,66	204,55
	Pension settlement charge	–	239,9	–
	Depreciation of fixed assets	211,01	188,7	191,7
	Amortization of intangibles	14,82	1,04	89
	Loss on sale of equity method investments	–	–	2,16
	(Earnings) loss from equity method investments, net of distributions	12,18	(1,56)	1,29
	Gain related to a partial sale of a subsidiary	–	(68,16)	–
	Gain on sale of property, plant and equipment	(21,60)	(31,27)	(33,88)
	Amortization of stock-based awards	40,09	61,05	48,23
	Deferred compensation trust	(22,33)	44,23	(16,61)
	Deferred compensation obligation	29,32	(6,85)	14,75
	Statute expirations and tax settlements	(13,28)	(7,83)	(19,33)
	Deferred taxes	(7,91)	4,68	62,08
	Excess tax benefit from stock-based plans	–	–	(4,09)
3	Net retirement plan accrual (contributions)	(1,76)	(37,80)	(40,09)
4	Changes in operating assets and liabilities	135,4	303,9	(408,8)
5	Cash outflows from discontinued operations	–	(316,2)	(8,06)
6	Other items	2,46	(5,38)	286
7	Cash provided by operating activities	705,92	849,13	642,58

But the more useful information for investors would be not information about non-monetary operations but vice versa in-

formation about cash inflows and cash outflows according to IAS 7 (**Table 5**).

Table 5: Examples of cash flows from operating activities according to IAS 7 [IAS 7, item 14]

	Examples of cash flows from operating activities
(a) (b) (c) (d) (e) (f) (g)	Cash receipts from the sale of goods and the rendering of services; Cash receipts from royalties, fees, commissions and other revenue; Cash payments to suppliers for goods and services; Cash payments to and on behalf of employees; Cash receipts and cash payments of an insurance entity for premiums and claims, annuities and other policy benefits; Cash payments or refunds of income taxes unless they can be specifically identified with financing and investing activities; Cash receipts and payments from contracts held for dealing or trading purposes.

It is astonishing but there is a section «Operating activities» in Consolidated Statement of Cash Flows also built with indirect method (**Table 6**) with making an example of the direct method in Appendix 3 (**Table 7**) in Ernst&Young' publication of illustrative consolidated financial statements of good group (international) limited for the year ended in 31 December 2017 [18].

Table 6: Illustrative Presentation of Cash Flows information from Operating Activities of Good Group at December 31, 2017 [18]

№		Notes	2017	2016
1	Profit before tax from continuing operations		11,108	8,880
	Profit/(loss) before tax from discontinued operations	13	213	(193)
	Profit before tax		11,321	8,687
2	Adjustments to reconcile profit before tax to net cash flows:			
	Depreciation and impairment of property, plant and equipment	16	3,907	3,383
	Amortization and impairment of intangible assets	18	325	174
	Contribution of equipment by customers	16	(190)	(150)
	Share-based payment expense	30	412	492
	Decrease in investment properties	17	306	300
	Net foreign exchange differences		(365)	(240)
	Gain on disposal of property, plant and equipment	12.1	(532)	(2,007)
	Fair value adjustment of a contingent consideration	7	358	
	Finance income	12.4	(1,186)	(211)
	Finance costs	12.3	2,766	1,123 I
	Share of profit of an associate and a joint venture	9, 10	(671)	(638)
	Movements in provisions, pensions and government grants		(732)	202
3	Working capital adjustments:			
	Increase in trade and other receivables and prepayments		(9,264)	(1,239)
	Decrease in inventories		6,030	2,245
	Increase in trade and other payables		4,095	4,246
			15,951	16,495
4	Interest received		336	211
5	Interest paid		(484)	(1,026)
6	Income tax paid		(3,131)	(3,200)
7	Net cash flows from operating activities		13,300	12,351

So there is a general information omission (gap) in financial reporting of Engineering & Construction' companies in part of cash flows information, that is necessary for investors and other stakeholders. But such approach to presentation of information is widely used, that is proved not only by Ernst&Young' illustrative presentation of cash flows information from operating activities of good group, but by made review of companies of other branches.

For example, Onyshchenko, Bondar & Dubovaya research done in 2015 concerning practice presenting information in financial reporting according to IFRS and/or European Directives on the examples of eight transnational corporations has shown that only British Tesko plc and Russian OAO Gazprom used the direct method for presentation of Cash Flows from Operating.

Table 7: Example of Cash Flows information from Operating Activities of Good Group at December 31, 2017 [18]

№		Notes	2017	2016
1	Receipts from customers		227,113	235,776
2	Payments to suppliers		(175,98)	(184,105)
3	Payments to employees		(35,815)	(35,048)
4	Interest received		336	211
5	Interest paid		(484)	(1,025)
6	Income tax paid		(3,131)	(3,200)
7	Net cash flows from operating activities		13,300	12,351

There were three American companies (General Electric Company, Chevron, Microsoft), two British companies (TT electronics plc and Tesko plc), one Finnish company (Nokia), one Sweden company (DUNI AB), and one Russian company (OAO Gazprom) analyzed in research of Onyshchenko, Bondar & Dubovaya. Russian companies according to national Acconting Regulation 23 «Statement of Cash Flows» must compose Statement of Cash Flows by the direct method [19]. By the way, form of Statement of Cash Flows approved by Ministry of Russian Federation demands of more detailed form of cash flows from operating activities comparing with IAS 7.

In Ukraine form of Statement of Cash Flows (by direct method) contains information about items (lines) "Special-purpose finance", «Payments to Insurance», «Payments to taxes» etc. It is clear that existing investors unlike potential ones have more sources of information, for example statements of management accounting. But the same conclusion about underestimating of information about cash flows is possible even from the position of managerial accounting.

To bridge the gap between theory and practice of managerial accounting Institute of Chartered Accountants of New Zealand made an interview of accredited Tertiary Education Institutions and 300 randomly selected New Zealand companies about comprenehcing and evaluating the significance of 21 accounting techniques in managerial accounting. (**Table 8**).

Hawkes, Fowler & Tan (2003) published the results of such interview:

practical specialists mostly highly evaluated budgeting and analysis of budgets implementation: (1) Cashflow Management, (2) Operational Budgeting, (3) Variances Analyses, (4) Performance Evolution, (5) Capital Budgeting;

scientists mostly highly evaluated (1) Behavioral Implications, (2) Activity-based Costing, (3) Performance Evolution, (4) Product Costing, (5) Operational Budgeting.

Concerning rank of Cashflow Management, Academics of New Zealand evaluated it as 19 in the list of 21 accounting techniques in managerial accounting, but practitioners ranked it the first.

Australian scientists Forsaith, Tilt and Xydias-Lobo (2003) published results of interview of 161 enterprise in Australia of different branches and size about using 13 management accounting techniques [21]. Such techniques are shown in **Table 9** in alphabetical order.

Results of Forsaith, Tilt and Xydias-Lobo prove that different kinds of budgeting, including cash flow budgeting are widely used. Operational budgeting is used by 90% of participants of the interview; Cash Flow Budgets – 86%, Strategic Planning – 81%; Capital Budgeting – 78%. About Costing & Analyses Techniques this research proved that 62% of participants of the interview use Profitability Analysis, 57% of par-

ticipants of the interview use Benchmarking, 32% – Absorption Costing;, 31% – ABC , 29 % – Variable Costing, 22% – Shareholder Value Analysis, 21% – CVP analysis, 9% – Life Cycle Costing, 7% – Target Costing.

Table 8: Ranked Importance of Management Accounting Techniques – Practitioners versus Academics of New Zealand (2003) [20]

Rank	Practitioners	Mean	Rank	Academics	Mean
1	Cashflow Management	4,29	1	Behavioral Implications	4,45
2	Operational Budgeting	4,24	2	Activity-based costing	4,35
3	Variance Analysis	4,14	3	Performance Evaluation	4,35
4	Performance Evaluation	4,06	4	Product Costing	4,27
5	Capital Budgeting	3,97	5	Operational Budgeting	3,83
6	Strategic management Accounting	3,94	6	Activity-Based Management	3,83
7	Customer Profitability	3,91	7	Responsibility Accounting	3,70
8	Product Costing	3,88	8	Strategic management Accounting	3,65
9	Activity-based costing	3,68	9	Customer Profitability	3,64
10	Cost Volume	3,61	10	Costs of Quality	3,48
11	Standard Costing	3,48	11	Variance Analysis	3,59
12	ERP Systems	3,48	12	Variable Costing	3,35
13	Process Costing	3,35	13	Cost Volume	3,35
14	Ethical Issues	3,32	14	Ethical Issues	3,46
15	Transfer Pricing	3,31	15	Standard Costing	3,23
16	Activity-Based Management	3,30	16	Transfer Pricing	3,18
17	Job Costing	3,28	17	Job Costing	3,00
18	Costs of Quality	3,28	18	Process Costing	2,64
19	Behavioural Implications	3,19	19	Cashflow Management	2,60
20	Variable Costing	3,18	20	Capital Budgeting	2,55
21	Responsibility Accounting	3,18	21	ERP Systems	2,43

Table 9: Usage of management accounting techniques in Australia (2003) [21]

№	Management accounting techniques	%
1	Absorption costing	32,3
2	Activity Based Costing	31,1
3	Benchmarking	57,4
4	Capital budgeting	78,3
5	Cash flow budgets	86,3
6	CVP analysis	20,5
7	Life cycle costing	9,3
8	Operating budget	90,1
9	Profitability analysis	62,1
10	Shareholder value analysis	22,4
11	Strategic planning	81,4
12	Target costing	6,8
13	Variable costing	29,2

Sunarni (2013) publishes importance analysis results and significance of 11 management accounting tools/techniques by evaluations of 16 Big-Scale and 30 Medium-Scale Manufacturing Companies throughout Yogyakarta, Indonesia. Researched groups of entities as the most important have chosen (**Table 10,11**): (1) Budgets (100% big-scale and 57% medium-scale), (2) Cost Variance Analysis (50% big-scale and 40% medium-scale), (3) Standard Costing (50% big-scale) та Total Quality Management (43% medium-scale).

Table 10: Management Accounting Tools, Indonesia (2013) [22], Big-scale Manufacturing Companies

		Big-Scale (B), %		
		VI	AI	N
1	Budgets	100	0	0
2	Cost Variance Analysis	50	44	6,3
3	Standard Costing	50	43,8	6,3
4	Target Costing	43,8	56,3	0
5	Activity Based Costing (ABC)	37,5	50	12,5
6	Just In Time	31,3	43,8	25
7	Balance Scorecard	25	56,3	18,8
8	Total Quality Management	25	56,3	18,8
9	Business Forecasting	25	56,3	18,8
10	Cost Driver analysis	25	62,5	12,5
11	Value added analysis	25	56,3	18,8

Notes: VI=vitally Important. AI=Average Important. N=negligible. MW=Mann Whitney

Table 11: Management Accounting Tools, Indonesia (2013) [22], Medium-scale Manufacturing Companies

		Big-Scale (B), %		
		VI	AI	N
1	Budgets	56,7	43,3	0
2	Cost Variance Analysis	40,1	56,6	3,3
3	Standard Costing	33,3	63,3	3,3
4	Target Costing	33,3	66,7	0
5	Activity Based Costing (ABC)	23,3	73,3	3,3
6	Just In Time	40	30	20
7	Balance Scorecard	26,7	63,3	10
8	Total Quality Management	43,3	56,7	0
9	Business Forecasting	30	66,7	3,3
10	Cost Driver analysis	23,3	63,3	13,3
11	Value added analysis	10,0	73,3	16,7

Notes: VI=vitally Important. AI=Average Important. N=negligible. MW=Mann Whitney

CPA Legaspi (2014) as the result of interview of managers from 3496 entities in Philippines defined priority of 10 Management areas, and demonstrated appropriate 7 Research Topic List, that include also some management accounting techniques [23]:

1) Management Control Systems (Budgets etc)
2) Cost Accounting (cost allocation, cost accounting overall, ABC etc)
3) Cost Management (Quality, JIT etc)
4) Cost Drivers
5) Management Accounting Information and Systems
6) Research Methods and Theories
7) Capital Budgeting and Investment Decisions.

So as can be proved by different researches abroad about management accounting techniques, different methods of budgeting have more priority than costing methods today.

In 2014 two the most prestigious world-wide accounting organizations American Institute of Certified Public Accountants (AICPA) and Chartered Institute of Management Accountants (CIMA) with total more than 600 thousands of participants from 177 countries together made consulting project Global Management Accounting Principles (February 2014). Such project after public discussion with attraction more than 400 specialists from enterprises of different branches of industry became the first international guide about managerial accounting.

There are four universal principles of managerial accounting and their usage in practice in published Global Management Accounting Principles (December 2015) by research of accounting practices of 20 countries from 5 continents. Besides list of main practice areas of managerial accounting was increased from 12 to 14 in GMAP (December 2015) (**Table 12**). There are the last (penult) positions of treasury and cash management in both lists.

Table 12: The main practice areas of the management accounting function by Global Management Accounting Principles (February 2014) and Global Management Accounting Principles (December 2015) [24-25]

GMAP 2014	GMAP 2015
1. Budgeting 2. Cost transformation and management 3. External reporting 4. Financial controls 5. Investment appraisal 6. Price and product decisions 7. Project management 8. Regulatory adherence and compliance 9. Resource allocation 10. Risk management 11. Strategic tax management 12. Treasury and cash management	1. Cost transformation and management 2. External reporting 3. Financial strategy 4. Internal control 5. Investment appraisal 6. Management and budgetary control 7. Price, discount and product decisions, 8. Project management 9. Regulatory adherence and compliance 10. Resource management 11. Risk management 12. Strategic tax management 13. Treasury and cash management 14. Internal audit

There is a question, what one should comprehend as treasury and cash management? As it is mentioned in GMAP 2015, treasury and cash management is «the corporate handling of all financial matters, the generation of external and internal funds for business, incorporating the management of currency and interest rate risk, bank facilities, funding and cash management» (**Table 13**). One can consider that notion of «treasury and cash management» is quite narrow because includes only part of cash flows management, that are classified as financing activities in Statement of Cash Flows.

Table 13: The content of main practice areas of the management accounting function (GMAP 2015) [25]

№	Practice area	Contents
1	Cost transformation and management	The exercise of cutting waste while preserving or enhancing value generation. It involves the sustained identification and reduction of waste across the organization while freeing up resource to invest in customer focused innovation that will drive future value
2	External reporting	The provision of an integrated and comprehensive view of the organization's financial and non-financial performance, business model, risks and strategy which together forms the basis for an effective assessment of expected future performance.
3	Financial strategy	The identification of the possible strategies capable of maximizing an entity's net present value, the allocation of scarce capital resources among the competing opportunities and the implementation and monitoring of the chosen strategy to achieve stated objectives.
4	Internal control	A documented framework of policies, systems, processes and procedures for managing risks to value generation and preservation, the efficient and effective implementation and operation of the framework and the reporting on and supervision of the framework.
5	Investment appraisal	The assessment of whether or not to pursue a particular investment based on alignment with strategy, prioritization of options, affordability and acceptable returns versus unacceptable risks.
№	Practice area	Contents
6	Management and budgetary control	The system of proactively controlling performance against predetermined targets at all levels of the organization, which may include projects, people, activities, processes, sales volumes and revenues, resource quantities, operating costs and expenses, assets, liabilities and cash flows, as well as other non-financial measures
7	Price, discount and product decisions	Deciding what to produce or what service to provide and determining the selling price and discount structures for products and services.
8	Project management	Integration of all aspects of a project, so that the proper knowledge and resources are available when and where needed and above all, to ensure that the expected outcome is produced in a timely, cost-effective and quality controlled manner.
9	Regulatory adherence and compliance	The fulfillment of statutory and regulatory obligations in relation to accounting, statutory reporting, tax and other regulatory compliance. The objective is to prevent penalties and other enforcement activity and promote the reputation of the organization for good corporate citizenship
10	Resource management	The consideration of the priority of resource availability in the context of organizational decision-making. It helps organizations to efficiently and effectively manage transformational or continuous improvements to products and processes. It involves the alignment of resources, systems and employees to strategic objectives and the organization's priorities.
11	Risk management	The process of identifying, assessing and responding to uncertainty arising from the organization's activities to support the delivery of its strategic objectives.
12	Strategic tax management	The role of tax in financial analysis and decision-making while proactively managing the organization's tax position so that legal requirements are met.
13	Treasury and cash management	The corporate handling of all financial matters, the generation of external and internal funds for business, incorporating the management of currency and interest rate risk, bank facilities, funding and cash management.
14	Internal audit	The provision of independent assurance that an organization's risk management, governance and internal control processes are operating effectively. It is sometimes referred to as the management review of controls.

There is a question, what one should comprehend as treasury and cash management? AS it is mentioned in GMAP 2015, treasury and cash management is «the corporate handling of all financial matters, the generation of external and internal funds for business, incorporating the management of currency and interest rate risk, bank facilities, funding and cash management» (**Table 13**). One can consider that notion of «treasury and cash management» is quite narrow because includes only part of cash flows management, that are classified as financing activities in Statement of Cash Flows.

3. Conclusion

To summarize research result there were some conclusions made

1. There is non-compliance by Biggest Global Engineering & Construction' companies of IAS 7 about reporting Cash Flows from Operating Activities using the direct method found. That is why it was suggested to make all parts of Statement of Cash Flows by direct method. It is grounded by topicality of such Cash Flows information for existing and potential investors, including making them cash flows modeling.

2. It is recommended while making Global Business ratings to add useful information about indicators «Net Cash Flows from Operating Activities», «Net Cash Flows from Investing Activities», «Net Cash Flows from Financing Activities». As a maximum it is suggested to use indicator «Cash Flows Receipts» as the most objective one for characterizing economical activity of entities.

3. It is suggested to continue researches in direction of analyzing the best practical approaches to make report of Cash Flows from Operating, Investing & Financing Activities to generalize the best international experience.

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