

case 1-429-179
revised Sept 24, 2012

Cash Flow Statements (A): Financial Due Diligence for a Strategic Acquisition

You are Charlie Cashflow, a new accounting hire at a prominent firm in Detroit, Michigan. Upon your arrival at your desk this morning, you find the following e-mail in your inbox:

From: Redmond, Richard
To: Cashflow, Charlie
Subject: Urgent Acquisition Recommendation
Attachments: *Company A.pdf, Company B.pdf, Company C.pdf, Company D.pdf*

Dear Charlie,
I need your assistance with an urgent project:

We at Detroit Financial Group are considering an acquisition that is vital to our competitive strategy. Our Acquisition Committee has been working on this decision for months; however, there has been some disagreement within the group as to how to proceed. Though the committee members have provided me with a recommendation, I would like a second opinion.

Particularly, I want a careful analysis of four different firms' cash flow statements. I've always found the cash flow statement to reveal important information about a company's prospects. Further, our company's cash flow situation is precarious. We need to understand these statements. If they look good everywhere else, but not on cash, they could sink us. It could make it really hard for us to get financing in the future.

Please read over these four cash flow statements and recommend which firm you think we should acquire and why. I appreciate your discretion in this urgent matter.

Best Regards,
Rick "Rewind" Redmond
CEO and Founder, Detroit Financial Group

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