Cash Flow from Assets = Cash Flow to Creditors + Cash Flow to Stockholders

CFFA = Operating cash flow – net capital spending – changes in net working capital

Operating cash flow = EBIT + depreciation – taxes

Net capital spending = ending fixed assets – beginning fixed assets + depreciation

Changes in NWC = ending NWC – beginning NWC

CFFA = Operating cash flow – net capital spending – changes in net working capital

Cash flow to creditors = interest paid – net new borrowing = interest paid – (ending long-term debt – beginning long-term debt)

Cash flow to stockholders = dividends paid – net new equity raised = dividends paid – (ending common stock, additional paid-in-capital, & Treasury stock – beginning common stock, additional paid-in-capital, & Treasury stock)

ROE = ROA x equity multiplier

ROE = profit margin x total asset turnover x equity multiplier

Retention ratio = addition to retained earnings / net income

Retention (plowback) ratio = b = 1 – dividend payout ratio

Internal growth rate = (ROA x b) / [1 – ROA x b]

Sustainable growth rate = (ROE x b) / [1 – ROE x b]