

The Significance of Information Contained in the Cash Flow Statement of Libyan Investment Companies

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Abstract

This paper examines the significance of information contained in the cash Flow statement of Libyan investment companies. It focuses on explore the methods of Cash Flow Statement preparation do Libyan companies use and analysing external and internal of cash flow statement purposes. A questionnaire and interview methods were used to collect study data. Based on the research findings, it can be suggested that there are general agreed between study sample regarding the methods of Cash Flow Statement preparation. Most participants believed that the direct method of Cash Flow Statement was prepared to confirm their past evaluations and the management is kept abreast of the availability of cash to meet its ongoing needs. The main reasons for using the direct method is that it provides actual inflows and outflows generated and employed. Regarding the possible purposes for preparation of Cash Flow Statements in Libyan investment companies, the study results indicated that the purpose of Cash Flow Statements is for external and internal purposes. The respondents indicated that Cash Flow Statements were used in their companies for different purposes such as the ability of a company to generate and maintain adequate levels of liquidity, to pay back loans and obligations, and to distribute dividends.

Keywords: Cash Flow Statement (CFS), Libya

1. Introduction

The financial statements include the cash flow statement to provide information about a company's cash inflow and outflow for a period if the direct method is used. The growing importance in reporting cash flow data internationally can be seen from the IASC issuing IAS7 (revised 1992), which took effect from 1 January 1994 and superseded IAS7 "Statement of Changes in Financial Position" issued in July 1977. The objective of IAS7 (revised 1992) is to provide information about the historical change in cash and cash equivalents by means of a cash flow statement. The cash flow statement is classified under three standard headings cash flow from operations, investment, and financing activities. The direct method shows each major class of gross cash receipts and gross cash payments within operations. The indirect method adjusts accrual based net profit or loss for the effects of noncash transactions within cash flow from operations.

Cash Flow Statements are important sources within financial statements, as suggested by the Financial Accounting Standards Board (FASB 1978). Moreover, cash flows are involved in various economic decision contexts such as liquidity and solvency evaluation and performance Evaluation.

Many studies have investigated the ability of cash flow statement data to predict future cash flows. In addition, most research has been undertaken in the USA and UK. There has been no published research undertaken in Libya (Aloud, 2005). Libyan investment companies have doubts regarding the usefulness of cash flow statements as there is little evidence on the usefulness of the cash flow statement, in the case of Libya (Aloud, 2005).

This current research focuses exclusively on the information provided by cash flow statements in Libyan investment companies and fills a gap in the literature. The investment in Libya is important to the economy, as it represents a significant revenue base for the future of the country (Otman and Karlberg, 2005).

Consequently, this paper examines the significance of information contained in the cash Flow statement of Libyan investment companies. It focuses on answering following questions:

- What methods of Cash Flow Statement preparation do Libyan companies use?
- Should Cash Flow Statements be reported for external and/or internal purposes?

The remainder of this research is organised in 8 parts. Section 1 introduces the study. Part 2 presents the research aim and objectives which establishes the purpose of the study. Section 3 critically reviews the literature on Cash Flow Statements (CFS). Part 4 reviews the research methodology. Section 5 presents the results of the data obtained from questionnaires and interviews. Part 6 provides the conclusion.

2. Research Aim and Objectives

This research aims to evaluate the extent to which Libyan investment companies rely on the information provided by Cash Flow Statements (CFS).

To achieve the aim of the research, the following objectives are formulated:

- To analyse to what extent the alternative methods of Cash Flow Statement preparation assist in evaluating the operating activities of companies by investors.
- To find out what differences extent between the ways different sectors treat the information provided by Cash Flow Statements.

3. The Literature Review

Cash flows on the cash flow statement must be identified with three main activities of enterprises as required by FAS No. 95 (and IAS 7). These are cash flow from operating, investing and financing activities. (Nurnberg, 1993), that is, enterprises derive the cash used for investing activities and settlement of outstanding financial obligations in an accounting period from internal and external sources. Internal cash resources originate from the net cash generated from current operations. External cash resources

come from financing activities such as borrowing and receiving cash from the sale of equity shares (Wallace et al., 1997).

Operating activities are the main activities involved in the revenue producing activities of the company and other activities that are not investing and financing activities. Investing activities involve the acquisition and disposal of long-term assets and other investments except short-term investments. Financing activities are activities that result in changes in the size and composition of the equity capital and borrowings of the enterprise (IASC, 2000).

Two methods of CFS presenting information of cash flows from operating activities: direct and indirect. Direct means to report in a straight-forward manner by revealing how much cash and cash equivalents came in from customer collections and how much went out in the form of payments to suppliers, employees, and other outside entities for goods and services. Indirect means not to follow the trading or operational sequence but to arrive at the net cash flow from operations by working backwards from net income. However, unlike the national pronouncements, IAS 7 (revised 1992) permits two formats of presenting each of the two methods. However, the indirect method has also been criticised on two grounds (Henderson and Peirson, 2002). First, the detail is unnecessary and may confuse users. Second, the addition of expenses such as depreciation, to calculate cash flows from operations suggests that expenses are a source of cash.

According to Lee (1997), the indirect method provides no additional information compared with a funds flow statement and therefore, it may not be as useful as the direct method. Another problem of using the indirect method is that it is possible that disclosure of only net cash flows may conceal important operating, investing and financing activities. For example, a company may have had few debts settled and few new loans during a reporting period. If the cash flow statement shows only net cash flows, it would disclose a balance in that debt account as an inflow or an outflow of cash. If the cash flow statement shows gross cash flows (i.e. direct method), it would show both a source of cash and a use of cash (Henderson and Peirson, 2002).

Analyses both direct method and/or indirect method of presenting operating cash flows in different countries have been described in the accounting literature. The debate as to whether companies should use the direct and/or indirect approach for their cash flow reporting is still a matter of discussion for some countries (Wallace et al., 1997). On the usefulness of the direct or indirect methods of cash flows reporting (Jones et al., 1995; Jones and Ratnatunga, 1997; Jones and Widjaja, 1998; Jones et al., 1995; and Clinch et al., 2002). These researchers have found that a variety of users prefer the direct method that assists them (together with other data) in making their decisions. For example, Jones et al. (1995) examined ratings of the direct versus indirect method by managers and other internal users of company reports and found wide spread support for the direct method of reporting cash flows.

Jones and Ratnatunga (1997) found strong support for reporting cash flows under the direct method by lenders and other users despite the direct method being considered more complex, costly and time consuming. Loan officers compared to financial analysts preferred to use direct cash flow information for their decision making (Jones and Widjaja, 1998).

Clinch et al. (2002) revealed a strong association between the direct method of cash flow reporting (cash collection from customers, and cash paid to suppliers and employees) and return on equity for industrial and mining firms in Australia.

This study extends the existing literature by analysing perceptions of usefulness in terms of both internal and external users. The findings show that for managers, shareholders, and suppliers, the direct method helps them to understand cash flow data, satisfies their needs for decision making purposes and is relevant and reliable. On the other hand, employees and customers believe only slightly that the direct method is superior to the indirect method of reporting cash flow.

Much of the literature has stressed that the prime purpose of reporting cash flow. Day (1986) aims to explore the following two issues: (1) the usefulness of all information in annual reports and accounts to investment analysts, and (2) the forecasting process used by investment analysts. Her sample contained 15

firms of stockbrokers. Her methodology was based on interviewing analysts and asking them to start analysing a company's accounts. Analysis of the results revealed that cash flow data is an important item for 11 analysts out of 15. The results also revealed that most analysts aimed to forecast earnings per share. 9 of the analysts aimed to forecast cash flow to enable them to examine the expected changes in debt level which eventually helps them to assess the interest charge.

Table (1): Summary of Key Previous Studies

Author(s)	Methodology	Finding indicated that:
Jones et al. (1995)	Interview	Revealed significant support for CFS by representatives of 210 public companies. They found that these preparers regarded CFS as having greater decision usefulness than funds statements.
Barke (2001)	Questionnaire and Interview	The study revealed that operating cash flow is the most important sub-heading in the cash flow statement.
Boyd et al. (2001)	Analytical Tools	This study preferred the direct method
Clinch et al. (2002)	Interview	Found a strong association between the direct method of cash flow reporting (cash collection from customers, and cash paid to suppliers and employees) and return on equity for industrial and mining firms in Australia.
Kwok (2002)	Interview	The cash flow was the second most used financial information, most of the subjects obtained this information from financial statements other than the

		CFS.
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Source: Authors

Reacting to the overwhelming adoption of a standard dealing with cash flow statements by the major standard-setting countries (Canada - 1985, New Zealand - 1987, USA - 1987, South Africa - 1988, UK - 1991 and the IASC - 1989) within such a short period of time, Wallace and Collier (1991) carried out a '*multi-country comparison*' and found that there were significant differences in the definition of cash and cash equivalents. The cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value. Using the annual accounts of 20 large non-financial listed companies selected from Canada, New Zealand, USA and South Africa - they found considerable variation in the positions when defining cash resources used in cash flow statements.

Table 1 provides a detailed summary of the previous literature. They are presented in chronological order:

The literature using cash flow data highlighted the diversity of research in this area. A key finding of the review is that most researchers find CFS important within the context of their research. However, used in most of the previous research, has been arrived at by adjusting accruals reported accounting numbers.

The importance of this study is the lack of research in seeking the perceptions of users of CFSs in the Libya. There has been limited perceived decision usefulness of cash flow statements in the UK and the US. The current research will examine the significance of information contained in the CFSs.

To summarise there is a gap in the CFS literature on the significance of information which this study addresses. The research seeks to fill in this gap through a longitudinal investigation the significance of information contained in the cash flow statements in Libyan investment companies. Moreover, this study

provides an opportunity to contribute knowledge from the perspective of a developing economies in a North African country.

4. Study Methodology

Research approaches were categorised into two types namely: qualitative and quantitative. In fact, much of the debate on the choice of research methods has tended to concentrate on and revolve around the choice between qualitative and quantitative methods. In this research the two approaches were chosen to achieve the main aim of the research.

The questionnaire was designed according to the model that contains the two main factors: methods of Cash Flow Statement preparation and purpose of preparing Cash Flow Statements. The first section aimed to identify the details of the respondents and provides demographic data, such as their gender, their classification such as general manager, director of department, internal auditor, Accountant, their experience, the qualifications of the respondents, and other information related to the type of company.

The second part attempts to measure methods of Cash Flow Statement assessment used by Libyan investment companies. The third section attempts to measure the purpose of preparing Cash Flow Statements.

Interval scales are used when the respondent is asked for responses in the form of a rank ordering as the evidence is put into categories. The numbers assigned indicate the ordering of the categories (Remenyi et al., 2002). In this questionnaire, they were asked to circle one of the five boxes on a five-point scale that ranged in agreement from (1) strong disagreement to (5) strong agreement. This type of scale suggested that every statement in the scale has the same attitudinal value, weight or importance in order to reflect an attitude towards the issues examined by the scale (Sekaran, 2003; Zakari, 2013).

The interviews (semi-structured and unstructured interview formats) were used as questions were designed to obtain open answers. Interviews were conducted in order to approach some issues that could not be captured properly or ana-

lysed through a quantitative approach. In general, this can be approached more easily by one-to-one discussion. Preparers and investors are represented in the sample of interviewees and are expected to provide information in private meetings. They are expected to explain issues related to the significance of information contained in the Cash Flow Statements of Libyan companies based on two factors (methods of Cash Flow Statement preparation and purposes of preparing Cash Flow Statements).

The collected data from interviewees is analysed by using key information. These procedures were continued in seeking the themes and patterns in the data. Concepts underlined in the analysis were analysed according to the research framework. In addition, new themes or concepts that were highlighted in the interviews were handled in a flexible way and considered in relation to the research's framework. This involved grouping together answers from the different interview transcripts by topic per the interview guide and allowing the guide to act as a descriptive framework for analysis.

5. Empirical Results

This research aims to evaluate the extent to which Libyan investment companies rely on the information provided by Cash Flow Statements (CFS). This section reports on the findings of the survey and interviews conducted in Libya.

5.1 *Questionnaire Analysis*

This part describes and summarises the questionnaire data that was collected from officials in the Libyan Investment Companies. The data collected from the survey were analysed by using the Statistic Package for the Social Sciences (SPSS).

The total sample in this research was 215, based on the number of returned questionnaires. The 180 individuals were drawn from the target groups which are covered in this study by type of company. Before starting to analyse the contents of the questionnaire, the total sample can be presented in terms of gender, age, education, experience and job position.

By using a Cronbach's Alpha test the reliability was tested for all items in the scales. Cronbach Alpha was used to measure internal consistency for the study survey, based on the sample estimation. Although George and Mallery (2003) suggest 0.7 as the accepted level, a value more than 0.6 is regarded as a satisfactory level (Pallant, 2007). The reliability test was conducted for all 19 items. According to Sekaran (1992: p.173),

"The reliability of a scale indicates the stability and consistency with which the instrument is measuring the concept and helps to assess the goodness of a measure"

After coding all answers from completed questionnaires, the reliability test using Cronbach's alpha was conducted. Table 2 illustrates the results of this test. In this table, Cronbach's alpha was 0.780; this is acceptable in social science research (Field, 2009). Thus, the Inter-item Consistency Reliability (ICR) of the measures used in this study can be considered to be very acceptable.

Table (2): Cronbach's Alpha Test Result

No. of Items	No. of Cases	Cronbach's Alpha
19	180	0.780

The differences between officials' perceptions were examined by analysing how the answers to 9 questions requesting them to rate their opinions in five scales to address their opinions regarding the methods of Cash Flow Statement preparation. The one-way ANOVA was used, as shown in table below.

Table (3): Results of one-way ANOVA test

No.	Statement	Significance
1	Cash flow statement is a valid measure of cash generating ability	0.205
2	Cash flow statements is a more meaningful statement than net income from operations in evaluating the economic performance of a firm	0.137
3	Cash flow statements should be shown in the annual report	0.062

4	Cash flow statement should be included in the annual report on a comparative basis for the same number of years as the income statement	0.558
5	Cash flow statements should be prepared according to International Standard 7	0.321
6	Cash flow statement should be classified as operating, investing, financing	0.216
7	Cash flow statement is to provide relevant information about cash receipts and cash payments	0.178
8	Cash flow statement provides information about the historical change in cash and cash equivalents	0.398
9	Cash flow statement assists in internal control procedures	0.004

Table 3 shows the results of one-way ANOVA test. Based on these findings, it can be suggested that there are generally no significant differences between official's opinions regarding the methods of Cash Flow Statement preparation.

The differences between official's perceptions were examined by analysing how the answers to 10 questions requesting them to rate their pinions in five scales addressing their opinions regarding the purpose of preparing Cash Flow Statement.

As we can see in table 4 above. Based on above findings, it can be suggested that there are no significant differences between official's opinions regarding the purpose of preparing Cash Flow Statement.

Table (4): Results of one-way ANOVA test

No.	Statement	Significance
1	Cash flow statement provides information about liquidity	0.627
2	Cash flow statement provides information about the quality of cash flow management	0.341
3	Cash flow statement helps users to understand financial results in a better way	0.053
4	Cash flow statement is used for internal purposes	0.983
5	Cash flow statement is used for external purposes	0.525
6	Cash flow statements useful in evaluating the financial position of the	0.024

	company and comparing performance between companies	
7	Cash flow statement provides information not included in the income statement and the balance sheet	0.731
8	Cash flow statement is useful for discovering	0.496
9	The cash flow statement provides information about future cash flows	0.030
10	Cash flow statement provides more disclosure	0.541

5.2 Interview Findings

This section describes and summarises the interview data that was collected from preparers and investors in Libyan Investment Companies.

The collected data from interviewees is analysed by using key information. These procedures were continued in seeking the themes and patterns in the data. Concepts underlined in the analysis were analysed according to the re-search framework. Also new themes or concepts that were highlighted in the interviews were handled in a flexible way and considered in relation to the re-search framework.

The interviewees and their positions in their organisations are shown in the table 5. Each interviewee was labelled accordingly, and these labels are used to identify the origin of quotes used in this section.

Table (5): Interviews with officials at the Libyan Investment

Label	Position	Type of company
In 1	Investor	Commercial company
In 2	Investor	Commercial company
In 3	Investor	Agricultural company
In 4	Investor	Agricultural company
In 5	Preparer	Service company
In 6	Preparer	Service company
In 7	Preparer	Manufacturing company
In 8	Preparer	Manufacturing company

The interviews were structured around two key themes:

- Methods of Cash Flow Statement preparation Libyan companies' use
- Purpose of preparing Cash Flow Statements in Libyan companies

The first issue discussed the methods of Cash Flow Statement preparation Libyan companies' use, some interviewees typically mentioned the following opinions:

"The direct method is best to highlight the main inflows and outflows of cash. The most important is to compare cash generation from operations to those raised from investing activities and to cash dedicated to financing activities" (In4)

"Under direct method the cash flow statement provides evidence of all actual inflows and outflows generated and employed by the company and therefore would be more consistent with the Objective of the statement" (In3)

Other interviewees confirmed that the direct method of Cash Flow Statement preparation was used due to confirm or correct their past evaluations and that management is kept abreast of the availability of cash to meet its outgoings:

"Within our company we use the direct method to confirm or correct past evaluations and was perceived to enable managers to assess their accountability" (In8)

"We prepare regular cash flow statements and we use the direct method. Being a company that is relatively highly geared with substantial exposure, it is important that management is kept abreast of the availability of cash to meet its ongoing and long-term commitments" (In2)

Some interviewees illustrated a preference for the use of the direct method because can be traced to the cash records of the entity and which cannot be deduced from the other financial statements and assessing the economic value of sales:

"The direct method provides information about the amount of sales that have actually resulted in cash inflows. This can be very useful in better assessing the economic value of sales shown in the profit and loss account" (In6)

"We prefer to use the direct method as the main advantage of the direct method is that it presents a summary of the major categories of operating cash inflows and outflows which

can be traced to the cash records of the entity and which cannot be deduced from the other financial statements" (In1)

The interviewees mentioned some reasons for preparing direct method such as difficult process of using the indirect method

"We do not use the indirect method because it is a difficult therefore, we used the direct method" (In7)

One interviewee explained that the financial system in their company recommended the direct method:

"Our financial system in my organization recommends the direct method" (In5)

In general, the Libyan investment companies prefer to use the direct method in preparation of Cash Flow Statement, and they believe the direct method is better, because it is easier to understand. The result is compatible with many previous studies findings such as McEnroe (1996) and Boyd et al. (2001). Furthermore, the survey results reflected that 55% (appendix 5) of the surveyed respondents stated that the direct method of preparation should be used in Cash Flow Statement. An important advantage of the direct Statement of Cash Flows for current analysis would be the tracing of cash flows from firms' activities.

As firms should control their cash flows for internal purposes. The direct Statement of Cash Flows should not cause much additional effort and cost and would be easily initiated. However, the management should assure the reasonable classification of cash flows as cash flows from operating, investing and financing activities.

The second point discussed the issue of methods of Cash Flow Statement Libyan companies' use. Does the Cash Flow Statement assist in the internal control procedure? Three interviewees explained that the Cash Flow Statement assists in the internal control procedure by the preparation of the Cash Flow Statement, in order to be useful as a management and control tool. This result is consistent with Kmhagen (2005). Some interviewees typically mentioned the following opinions:

"The cash flow statement gives a synopsis of the cash movements of the organisation for the given period and this can pinpoint the main areas which would require more internal controls "(In3)

"For management purposes having the cash flow statement prepared by the direct method, aids in the control, especially when compared to prior periods and budgets "(In7)

Another interviewee confirmed that the Cash Flow Statement assists in the internal control process is the assurance that it gives within the risk review to movements of stocks, accounts receivable and payable:

"The main use of the cash flow statement within the internal control process is the assurance that it gives within the risk review (movements of stocks, accounts receivable and payable) thus ensuring that policies in these areas are being adequately monitored and controlled. A relative increase in accounts receivable over a period might suggest that the company is finding problems with the collection of its accounts receivable that could eventually lead to cash shortages etc., increase in stocks could indicate mis-management in this area whilst a decrease of accounts payable could indicate that the company is not taking advantage of supplier credit periods"(In8)

However, two interviewees explained that the Cash Flow Statement does not assist in the internal control procedure generally with the exception that it shows cash inflow and cash outflow.

"The Cash Flow Statement does not add much to control. What in fact adds to such control is the cash flow forecast that we prepare on a monthly basis. This serves as a basis for short term financial planning. This adds a lot of value in ensuring that payments are made in line with financial requirements"(In6)

"I do not think the cash flow statement assists in the internal control procedure with the exception it shows cash inflow and cash outflow"(In1)

The last point is discussed in methods of Cash Flow Statement preparation Libyan companies' use, such as the Cash Flow Statement prepared according to IAS 7. Interviewees expressed the following opinions:

"The cash flow that is included in the financial statements is compiled in conformity with the requirements of MS's as required by the law "(In4)

"For financial statement purposes the cash flow is compiled using IAS 7" (In2)

"Cash flows are prepared in line with IAS7 - The Company is by law required to produce financial statements in line with MS requirements" (In5)

"Our company prepared according to IAS 7 because we are required to do so by law " (In8)

Two interviewees explain that as Libya is a developing country, there is no local accounting standard in Libya about the Cash Flow Statement therefore the companies rely on the international accounting standard:

"I can say all the companies prepared according to international accounting standard because there is no local accounting standard in Libya about the cash flow statement" (In6)

"Like most of the companies in Libya, we have not a local standard regarding the cash flow statement, the companies rely on the international accounting standard" (In1)

The results of interviews suggested that all the interviewees agreed that the Cash Flow Statement is prepared according to IAS 7.

Based on the above results it seems that interviewee's demonstrated acceptance of IAS 7. Interviewees have paid attention to the main reason that there is no local accounting standard about the Cash Flow Statement in Libya. The interviews results supported Questionnaire results in this area. This result is consistent with the questionnaire results in section 5.1.

The second issue was discussed with interviewees is the purpose of preparing Cash Flow Statements in Libyan companies. This issue was addressed by the following factors:

- What are the advantages of preparing a Cash Flow Statement?
- Is the Cash Flow Statement prepared for external and/ or internal purposes?
- Is the Cash Flow Statement useful in the evaluation of the financial position by users?

In general, in interviews there was an agreement among the respondents concerning the purpose of preparing Cash Flow Statements in Libyan companies. Re-

garding the first question, all the respondents agreed that the Cash Flow Statement has advantages such as providing information about liquidity and providing information about cash receipts and cash payments. It provides information which enables the users to estimate future cash flows if prepared under the direct method. Interviewees expressed the following opinions:

"Profitability without liquidity is as good as no profit at all. Cash and profits are for a business what engine oil and fuel are for a car. You will not go too far without either of them. Financial statements do not show the full picture if movements in cash and cash equivalents is not disclosed in detail " (In5)

Some interviewees mentioned that advantages of preparing a Cash Flow Statement as a type of control it also shows what are the main sources of financing of the company internal/external sources and what strength the organisation has meeting its obligations to assess cash requirements:

"It is a type of control. Furthermore, it assists in assessing the use of cash" (In3)

"That the cash flow actually shows the ability of the organisation to crystallise its operating activities into a highly flexible cash asset. Moreover, it also shows what are the main sources of financing of the company Le. Internal/external sources and what strength the organisation has meeting its obligations. Cash flows also highlight the actual deployment of cash and assess the ability of the entity to generate cash and cash equivalents and enable users to develop models to assess and compare present value of the future cash flows of different entities " (In1)

"The main advantage is that the cash flow statement to assess cash requirements to ensure that it does not run out of liquidity " (In7)

Other interviewees confirmed that the Cash Flow Statement explains how a company has obtained its financial resources and how these resources have been used.

"I agree that the cash flow statement has advantages as the evaluation of risk which includes both the expected variability of future return and probability of insolvency or bankruptcy" (In4)

"The statement intends to explain how a firm has obtained its financial resources and how these resources have been utilised in the reporting period " (In6)

One interviewee explained that the Statement of Cash Flow gives more disclosure in financial statements.

"In general, the statement of cash flow has advantages and gives more disclosure in financial statements" (In8)

The interview results gave the impression that the Cash Flow Statements have advantages such as indicator for liquidity. This result is consistent with previous studies. In general, this result was in line with the questionnaire results in previous section.

The second point addressed the issue of whether Cash Flow Statements are prepared for external and/ or internal purposes. Most interviewees stated that the Cash Flow Statements are prepared for external and internal purposes. The respondents indicated that Cash Flow Statements were used in their companies for different purposes such as the ability of accompany to generate and maintain adequate levels of liquidity, to pay back loans and obligations, to distribute dividends. The result is compatible with many previous studies findings such as Lee (1981) and McEnroe (1989). Interviewees expressed the following opinions:

"The cash flow is prepared both for internal and external purposes. For internal purposes this is done on a monthly basis based on the monthly management accounts, whilst on a six-monthly basis it is prepared for outsiders (including banks, shareholders, financial institutions etc.)" (In8)

Most interviewees mentioned that the Cash Flow Statement is prepared for both internal and external use: as internal to provide level of liquidity in a company and as external to give a full picture of financial situation for investors, banks and creditors:

"Cash flow in terms of IFRSs is used for external use monthly cash flow forecasts which do not follow any standard are used for short term financial planning" (In5)

"I think both for management accounting as internal purposes, for investors, banks and creditors as external purposes " (In3)

"The cash flow included in the financial statements is mainly prepared for external purposes while another detailed cash flow is prepared for management purposes" (In2)

"In fact, in both to be useful for internal and external as internal to provide a level of liquidity in a company for external to give full picture of the financial situation for users" (In6)

Another interviewee explains that the Cash Flow Statement providing information that is not available in other financial statements

"In all purposes the cash flow statements are useful in supplying information not available elsewhere" (In4)

To summarise the results of interviews indicated the Cash Flow Statements prepared for internal and external purposes. Furthermore, the survey results reflected that Cash Flow Statement used for external purposes by bankers, creditors and analysts. In addition, is used for internal purposes.

The last point discussed is the Cash Flow Statement is useful in the evaluation of the financial position. The interviewees explained that the Cash Flow Statement is useful in the evaluation of the financial position, because the Cash Flow Statements are also an easily understandable measure of performance and usually provide a good indication of financial distress. They can therefore be particularly useful to help less experienced users of financial reports to understand the financial position of a company. This result is consistent with Marc (2006). Interviewees expressed the following opinions:

"Our company bases a lot of reliance on cash flows for the points mentioned earlier and for the fact that being a rapidly growing company with substantial investment still at the embryonic stage i. e. in a phase where investment still needs to be properly supported, cash flow sourcing and management is of major relevance " (In7)

The interviewees in this question stated that the Cash Flow Statement is useful in the evaluation of the financial position, since it aids in highlighting the use and source of cash and in valuing a business, cash flow is much more indicative than profit.

"Definitely - in valuing a business, cash flow is much more indicative than profit. It is the main value indicator. When a business is being valued, the present value of future cash generation is the key indicator and not profitability - this is done on the cash generation capabilities. In arriving at profitability, one needs to account for non-cash items such as depreciation, amortisation and deferred tax which blur the real value of a business. In arriving at Cash Flow, one takes account of real capital expenditure requirements and real taxes paid. This is a far better indicator "(In2)

"Definitely, since it aids in highlighting the use and source of funds "(In5)

"It is useful up to an extent since the cash flow statement included in the financial statements does not show the future position. Normally such a statement needs to be also seen in conjunction with the company's "(In1)

Some interviewees confirmed that the Cash Flow Statement evaluated what is really happening in a business and what it will do next and evaluated all activities in the company.

"As we are reporting the cash flow statement evaluated all activities in the company during the period"(In8)

"Statement of cash flow evaluated what is really happening in a business and what it will do next"(In6)

In conclusion, it is apparent that interviewees were satisfied the Cash Flow Statement believe that it is useful in evaluating the financial position of the company and comparing performance between companies. The questionnaire results in section 5.1 consistent with interview results.

6. Conclusion

Based on the research findings, it can be suggested that there are general agreed between official's opinions regarding the methods of Cash Flow Statement preparation. Interview results in this area were in line with questionnaire results. Interviewees believed that the direct method of Cash Flow Statement was prepared to confirm or correct their past evaluations and the management is kept abreast of the availability of cash to meet its ongoing needs. The main reasons for using the direct method is that it provides actual inflows and outflows generated and employed.

Regarding the possible purposes for preparation of Cash Flow Statements in Libyan investment companies, the participants in the survey indicated that the purpose of Cash Flow Statements is for external and internal purposes. The respondents indicated that Cash Flow Statements were used in their companies for different purposes such as the ability of a company to generate and maintain adequate levels of liquidity, to pay back loans and obligations, and to distribute dividends. The result is compatible with many previous studies findings such as Lee (1981) and McEnroe (1989).

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