

## **Statement of Cash Flows and financial analysis: The case of a multinational company in Mexico**

### **Estado de Flujos de Efectivo y el análisis financiero: El caso de una empresa multinacional en México**

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#### **Abstract**

The statement of cash flows, based on the financial information standard (NIF) B-2, issued by the Mexican Council of Financial Information Standards (CINIF, whose objective is to present to users, the generation and application of cash for activities of operation, investment and financing. The analysis of cash flows, the application of methods and techniques of analysis to the basic financial statements as a whole, provide relevant information about operational and financial strengths and weaknesses of an economic entity. In the case presented by a Mexican multinational company, the financial statements as of December 31, 2018, 2017 and 2016 are analyzed, using vertical and horizontal techniques, determining the generation and use of cash flows, financial ratios, percentages and trends. The statement of cash flows in conjunction with the statement of financial position, statement of comprehensive income and the statement of variations in stockholders' equity, they provide relevant information about the financial situation of an economic entity; and thus identify the reasons that explain the aspects of liquidity, leverage, profitability, activity and coverage, having more elements of judgment that allow it to support decision making.

**Financial Statements, Cash Flow Statement, Financial Reporting Standards, financial analysis**

#### **Resumen**

El estado de flujos de efectivo, basado en la norma de información financiera (NIF) B-2, emitida por el Consejo Mexicano de Normas de Información Financiera (CINIF, cuyo objetivo es presentar a los usuarios, la generación y aplicación del efectivo por actividades de operación, inversión y financiamiento. El análisis de los flujos de efectivo, la aplicación de métodos y técnicas de análisis a los estados financieros básicos en su conjunto, brinda información relevante acerca de fortalezas y debilidades operativas y financieras de una entidad económica. En el caso presentado de una empresa multinacional mexicana, se analizan los estados financieros al 31 de diciembre de 2018, 2017 y 2016, mediante las técnicas vertical y horizontal, determinando la generación y utilización de los flujos de efectivo, razones financieras, porcentajes y tendencias. Es así como el estado de flujos de efectivo en conjunto con el estado de situación financiera, estado de resultados integral y el estado de variaciones en el capital contable, proporcionan información relevante acerca de la situación financiera de una entidad económica; e identificar así las razones que expliquen los aspectos de liquidez, apalancamiento, rentabilidad, actividad y cobertura, teniendo más elementos de juicio que le permitan sustentar la toma de decisiones.

**Estados financieros, Estado de flujos de efectivo, normas de información financiera, análisis financiero**

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## Introduction

The economic entities require the cash to carry out their operations, pay their obligations and determine if their operation is generating sufficient resources to invest or require financing, these essential elements becoming an important input for financial analysis and planning. The basic financial statements that are used most frequently for the analysis of financial statements are: The Statement of Financial Position and the Income Statement, however, these alone do not provide sufficient information to determine the source and use of the financial statements. resources, so it is necessary to determine the origin and application of the cash generated by the activity of the company to support decision-making and the establishment of strategies. In that sense Vargas (2007) points out that the information generated by the statement of cash flows helps users reduce uncertainty and supports the decision-making process, allowing monitoring of the objectives set and improving business management.

Therefore, it is important to analyze the information contained in the Cash Flow Statement and recognize the relevance of this basic financial statement in decision making. This financial statement allows the economic entity and the user of financial information to know how cash and cash equivalents are generated and used.

It is important to mention that the financial analysis, based on the basic financial statements, established in the Financial Information Standard (NIF A-1, 2019) issued by the Mexican Council of Financial Information Standards, A.C. (CINIF), provide greater elements of judgment to users to know the financial and operational situation of an economic entity. This article will be useful to use as a case study in the finance courses of the degrees in Public Accounting and Economics and Finance of a Public University.

## Theoretical foundation

According to the IFRIC (2019) in the Financial Information Standard A-1, the basic financial statements useful to the needs of the users are: 1) statement of financial position, 2) statement of comprehensive income or, if applicable, in the case of non-profit entities the statement of activities.

3) statement of changes in stockholders' equity and 4) statement of cash flows. On the other hand, NIF A-3 (2019) mentions that the financial statements provide elements of judgment to users to evaluate:

“a) the economic-financial behavior of the entity, its stability and vulnerability; as well as its effectiveness and efficiency in the fulfillment of its objectives and; b) the ability of the entity to maintain and optimize its resources, obtain financing, their remuneration and, consequently, determine the viability of the entity as an ongoing business”.

The financial statements as a whole provide useful information for decision making, allowing the analysis of investment and financing alternatives for the optimization of the resources of an entity, it is important to take into account in the decision making, the situation of the economic environment and how It affects the entity. Also, the financial statements allow to determine the level of liquidity, solvency, operational efficiency, as well as financial risk and profitability (NIF A 3, 2019).

The antecedent of the State of flows is the statement of changes in the financial situation of the same that was prepared at constant pesos. incorporating the effects of inflation.

Currently in Mexico, the Statement of Cash Flows is documented in the Financial Information Standard NIF B-2 issued by the CINIF, which reflects the general rules for the presentation, structure and preparation of this financial statement, as well as its disclosures. International Accounting Standard Number 7 (IAS 7, 2013) mentions that when the statement of cash flows is used in conjunction with the rest of the financial statements, it provides information that allows users to evaluate changes in the financial structure (assets, liabilities and capital) as well as the ability to generate cash.

On the other hand, IAS 7 (2013), indicates that, through cash flows, it is possible to determine the present value of the net cash flows of different entities, thus allowing comparability between them and having information for the decision making.

The IFRIC (2019) in NIF A-3 Needs of users and financial statements, mentions that the statement of cash flows is basic and shows the sources and applications of the entity's cash in the period, which they are classified in operation, investment and financing activities and in this regard NIF B-2 (2019) defines them as follows:

**Operating activities;** cash flows from operating activities are those that come from the operations of the main source of income of the entity, considering, the activities to determine the entity's net profit or loss, or where appropriate, in the net change in accounting equity.

**Investment activities;** Cash flows from investment activities are those related to the allocation of resources for the acquisition of long-term assets, as well as other investments not included in cash equivalents and which are expected to generate medium and long-term benefits..

**Financial activities;** they are the cash flows that are channeled to cover the cash requirements of an economic entity, resulting from the obligations arising from the operation and investment activities; they also include cash flows related to financial creditors, suppliers and owners and shows the entity's ability to return the cash granted to the entity and, where appropriate, the payment of returns.

Financial decisions in an economic entity are operational, financial and investment. In that sense Diaz (2006) points out that investment financing decisions, it is relevant to know how the organization obtains the cash and what is its destination. that assigns it. This is why it is important to have relevant, understandable and timely information, to properly plan the origin and destination of cash flows, and thus perform an efficient administration of cash.

For the preparation of the Cash Flow Statement, NIF B-2 (2019) and IAS 7 (2013), indicate that there are two methods; direct and indirect.

**Direct method:** The gross receipts and payments are presented separately, through the adjustment of the accounting items in accounts receivable, payable and inventories.

In this method, the determination of cash flows from operating activities must be done with one of the following procedures: a) Use accounting records of the entity, considering the items that were affected by the entry or exit of cash and b) Modify items in the income statement or activity statement for changes in accounts receivable, accounts payable and inventories.

**Indirect method:** It is prepared from the profit before income taxes, adjusting it for increases and decreases in the items of operating activities, investment and financing activities. The profit is adjusted for depreciation, profit or loss for sale. of property, plant and equipment, as well as the amortization of intangible assets, among others, these items have the characteristic that do not imply cash outflows.

The basic financial statements are essential for conducting the financial analysis, allowing to know the financial performance and operational efficiency of an economic entity.

The Financial Analysis allows to detect strengths and weaknesses of an operational and financial nature of an economic entity. It also allows to know the capacity to generate profits and cash, determining if the entity has the cash that allows it to meet its financial obligations, recovery of accounts receivable in a reasonable time, efficient inventory management, sufficient installed capacity of property, plant and equipment, optimal capital structure that allows owners and / or investors to generate economic value (Álvarez and Ochoa, 2009).

In that sense Ochoa and Saldívar (2012) mention the financial analysis, as the process of selection, relationship and evaluation of the available financial information, with the aim of interpreting the data, which were obtained as a result of the application of analysis techniques.

In this regard Rubio (2007), points out that the analysis process consists in the application of a set of analytical techniques and instruments to the financial statements to obtain a series of measures and relationships that are significant and useful for decision making. In addition, you should know the company's operations, such as technology, human resources, administration, among others.

Ochoa and Saldívar (2012) mention that to perform an analysis of the financial statements it is necessary to consider the analysis, quantitative and qualitative analysis, both being complementary, because they take into account the financial information of the companies and, the non-financial information.

On the other hand, there are various methods and techniques to perform the analysis of financial statements, 1) the vertical method, whose purpose is to analyze the financial statements at a specific time or date, and 2) the horizontal method, which considers the analysis of the financial information of two or more periods. The techniques of vertical analysis are: financial ratios and percentages and the techniques of horizontal analysis are: increases and decreases in monetary and percentage terms, commonly called trends. Table 1 shows the main financial reasons according to [NIF A-3 (2019); Ochoa and Saldívar (2012)].

Reason	Formula
Liquidity	Current assets / Short-term liabilities
Acid test	Current assets - inventories / short-term liabilities
Net working capital	Current assets - Short-term liabilities
Indebtedness	Total liabilities / Total assets
Short-term debt	Short-term liabilities / Total assets
Long-term debt	Long-term liabilities / Total assets
Liability Protection	Total liabilities / equity
Interest coverage	Profit before interest and taxes / Comprehensive financing result
Cash flow	Operating cash flow / comprehensive financing result
Gross profit margin	Gross Profit / Net Sales
Operating profit margin	Operating income / net sales
Net profit margin	Net income after tax / sales
Average sales term	Days / Inventory Rotation
Average payment term	Days / Rotation of accounts receivable
Average payment term	Days / Rotation of accounts payable
Financial cycle	Average term of sales + Average term of collection - Average term of payment

**Table 1** Financial reasons.

Source: Own elaboration with information [NIF A-3 (2019); Ochoa and Saldívar (2012)]

## Methodology

The objective of the present investigation was to demonstrate the importance of the Cash Flow Statement and the financial analysis in conjunction with the statement of financial position and income statement, applying for this purpose, the techniques of horizontal and vertical analysis, with the purpose of Know the operational and financial performance of an economic entity. For this reason, a multinational company of Mexican origin was selected as a case study, which is listed on the Mexican Stock Exchange, and the financial information is public. The company selected is the company Grupo Bimbo, S.A.B de C.V. and Subsidiaries, considering the periods 2018, 2017 and 2016.

## Company description

The 2018 annual report published on the official website of the company Grupo Bimbo, S.A.B de C.V. and Subsidiaries, it mentions that it is a Mexican company, controlling companies whose main activities are oriented to the bakery industry. Grupo Bimbo, is a Stock Market of Variable Capital (S.A.B. de C.V.) organized under the laws of the United Mexican States, or Mexico.

The company was founded in Mexico in 1945 and since then happened to have a local presence, until it became one of the leading global companies in the bakery industry in the world, with a 4.5% share of the global market, with close of 138,000 employees, distributed in 199 plants located in different parts of the world. Currently, it is strategically positioned in 32 countries in the Americas, Europe, Africa and Asia. This network of operations produces and distributes fresh and frozen box bread, buns, cookies, cupcakes, English muffins, bagels, packaged products, tortillas, salted snacks and confectionery, among others that are sold in more than 100 registered trademarks. The strategic philosophy is presented in the Bimbo group portal:

Purpose: "Build a sustainable, highly productive and fully human company."

Mission: "Delicious and nutritious food in everyone's hands".

Vision: "In 2020 we transformed the bakery industry and expanded our global leadership to better serve more consumers".

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Daniel Servitje, Chairman of the Board and General Director of the company in the message to the shareholders published in the 2018 annual report, mentions the following:

“We reached record figures in net sales, gross profit, operating income, adjusted EBITDA and in the number of sales points served, increasing our penetration in the global market by regularly visiting more than 3.3 million customers. In addition, our net income increased 25%, which resulted in an improvement in the return on capital of 90 basis points. The increase we achieved of 7.8% in net sales was mainly due to the good performance in Mexico and North America, as well as the acquisitions of Bimbo QSR, Bays English Muffins and Mankattan. We will continue to focus on building a company that grows sustainably, boosting profitability, accelerating transformation and supporting our employees. At the same time, we will proactively seek opportunities to invest in research and development, improve the nutritional profile and innovate in our product portfolio and in automations throughout our supply chain, with a view to achieving our Vision to transform the bakery industry and expand our global leadership to better serve more consumers”.

The company maintains the implementation of the following processes to be sustainable 1) Legal compliance and governance, 2) Good practices and standards, 3) Environmental Management System, 4) Technology and Innovation, 5) Continuous Improvement (Annual report, pp: 24) . In 2018, he received the distinction of the most ethical company in the World and the first place in the ranking of the most responsible company in Mexico.

The information used for this case study is what the company reported to the Mexican Stock Exchange and the investing public in the 2018 annual report, which was available at <https://grupobimbo.com/es/inversionistas/informacion-anual>. The quantitative information that served as the basis for the financial analysis are the following financial statements:

- Comparative Financial Statement for the years to 2018, 2017 and 2016.
- Comparative Income Statement for the years as of December 31, 2018, 2017 and 2016.

- Cash Flow Statement for 2018, 2017 and 2016.
- Notes to the financial statements 2018
- Annual report 2018, presenting to the Mexican Stock Exchange.

### Process

The procedure for financial analysis is mentioned below:

1. The summary of the operation, investment and financing activities was prepared based on the statement of cash flows of 2018, 2017 and 2016, which includes the amounts and percentages of these activities, see table 2, 3 and 4.
2. The percentage trends of the statement of financial position and the income statement for the years ended 2018, 2017 and 2016 were calculated. See table 5 and 6; Figure 1 and 2;
3. Analysis of percentages of the Statement of comprehensive income for the years 2018, 2017 and 2016, see table 7;
4. The financial ratios were calculated, considering the statements of financial position, income statement and statement of cash flows 2018, 2017 and 2016. See table 8, 9, 10, 11 and 12;
5. Based on the results obtained by the application of each of the methods and techniques, the results were interpreted.
6. The figures are expressed in millions of Mexican pesos.

It is important to mention that the results presented here are only for academic purposes and at no time present value judgments of the authors of this article, nor recommendation of purchase or sale on the values of the company.

### Results

The cash flow statement of the company Grupo Bimbo, S.A.B de C.V. and Subsidiaries (hereinafter, “the company”) as of December 31, 2018, 2017 and 2016 obtained a net cash increase of \$ 368, \$ 402 and \$ 2,989, respectively for each year.

Resources Generation	2018	2017	2016
Operation activities	20,982	21,170	23,127
Investment activities			
Financial activities		6,492	
Effective adjustment by exchange rate	99		560
Total cash generated	21,081	27,662	23,687
Use of resources			
Investment activities	18,391	27,070	16,315
Financial activities	2,322		4,383
Effective adjustment by exchange rate		190	
Cash increase	368	402	2,989
Total cash used	21,081	27,662	23,687

**Table 2** Generation and use of Grupo Bimbo, SAB de CV  
Source: Own elaboration with information from the annual report of Grupo Bimbo SAB de CV (2018)

The cash flow from operating activities was \$ 20,982, \$ 21,170 and \$ 23,127 respectively, showing a decrease in 2018 compared to the previous two years. The company in its 2018 annual report explains that this was due to an increase in raw material costs, as well as distribution expenses.

The cash flow used in investment activities for the fiscal years studied was \$ 18,391, \$ 27,070 and \$ 16,315 in each of those periods, there is a decrease in 2018 with respect to 2017 for \$ 8,679 and as reported by the The company was due to acquisitions of other companies such as Nutra Bien in Chile, International Bakery in Peru, Paise in Colombia and Mankattan in China. On the other hand, in 2017 I also made important acquisitions being these; East Balt Bakeries located in 11 countries, Bay Foods Inc., in the United States, Ready Roti in India, Adghal Morocco, and Stonemill in Canada. In 2016, he acquired Panrico in Spain and Portugal, Panettiere in Colombia and General Mills in Argentina. This is how the company has established itself as one of the most important bakery industries in the World. Cash flows from financing activities in the periods studied are: \$ 2,322, \$ 6,492 –generation of resources- and \$ 4,383 respectively. These results were due according to the company in its 2018 annual report, because these flows were due to interest paid on debt, repurchase of shares, as well as financing obtained for company acquisitions..

Resources Generation	2018	2017	2016
Operation activities	99.53%	76.53%	97.64%
Investment activities			
Financial activities		23.47%	
Effective adjustment by exchange rate	0.47%		2.36%

**Table 3** Resource generation  
Source: Own elaboration with information from the annual report of Grupo Bimbo SAB de CV (2018)

The generation of resources by operating activities for the periods of 2018, 2017 and 2016, expressed in percentages, representing 99.53%, 76.53% and 97.64% respectively, meaning that most of the resources are generated by the realization of the own activities at the turn of the company (Table 3).

On the other hand, in table 4, the cash used is presented, obtaining the following data: 87.24% is represented by investment activities, mainly the acquisition of other companies in different parts of the world, according to annual report 2018.

Regarding financing activities, this represents 11.01% of the resource used. The company has a debt of 67.88%, mainly represented by financing obtained with foreign and domestic financial institutions, as well as stock market debt. On the other hand, the increase in cash for the years studied is 1.75%, 1.45% and 12.65% respectively of the total resource used.

The company reports that the resources from the financing activities have been used for the acquisitions of other companies.

### Analysis of the financial situation of Grupo Bimbo, S.A.B de C.V. and Subsidiaries

By applying the techniques of financial ratios, comprehensive percentages and trends to the company, as of December 31, 2018, 2017 and 2016, the following results were obtained:

	2018	2017	2016	2017	2016
Current assets	44,851	42,490	40,710	5.56%	4.37%
Non-current assets	218,465	216,759	204,455	0.79%	6.02%
Total assets	263,316	259,249	245,165	1.57%	5.74%
Passive in a short time	48,749	46,917	43,632	3.90%	7.53%
Long-term liabilities	129,992	135,308	126,457	-3.93%	7.00%

**Table 5** Trends in the statement of financial position for the years 2018, 2017 and 2016

Source: Own elaboration with information from the annual report of Grupo Bimbo SAB de CV (2018)

The percentage trends in the statement of financial position and the income statement, presented in Tables 5 and 6, as well as in Figures 1 and 2 respectively, were calculated based on the figures of the 2018 financial statements in relation to the year immediate previous.

The company presents a 5.56% increase in short-term investments, presented in its current assets in 2018, compared to 2017 and 4.37% in 2017 compared to 2016. Likewise, investments in non-current assets present an increase of .79% in 2018 compared to 2017 and 6.02% in 2017.

With respect to financing, there was an increase in short-term debts of 3.90% in 2018 and 7.53% in 2017. In that sense, long-term debts decreased 3.93% in 2018 and increased 7% in 2017.

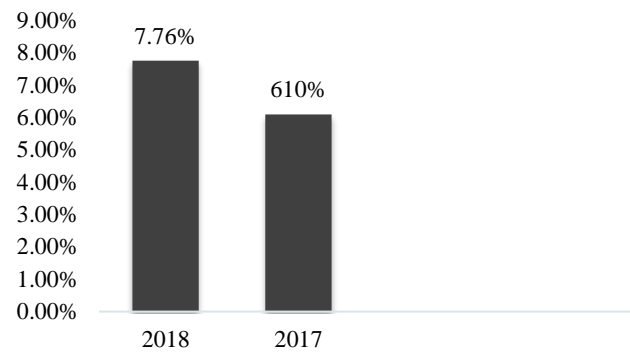
	Trends				
	2018	2017	2016	2017	2016
Net sales	288,266	267,515	252,141	7.76%	6.10%
Sales cost	135,667	124,763	115,998	8.74%	7.56%
Gross profit	152,599	142,752	136,143	6.90%	4.85%
General expenses	134,090	125,280	118,059	7.03%	6.12%
Utility operation	18,509	17,472	18,084	5.94%	-3.38%
Financial costs	6,995	5,755	4,592	21.55%	25.33%
Participation in the results of associated companies	194	234	121	-17.09%	93.39%
Profit before income taxes	11,708	11,951	13,613	-2.03%	-12.21%
Income taxes	4,897	6,282	6,845	-22.05%	-8.22%

**Table 6** Trends in the income statement for the years 2018, 2017 and 2016

Source: Own elaboration with information from the annual report of Grupo Bimbo SAB de CV (2018)

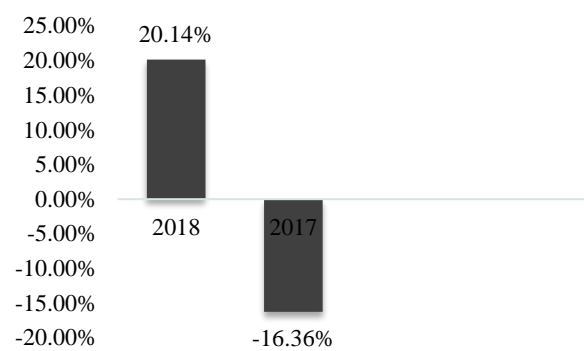
Sales revenue reflects an increase in each year, being 7.76% in 2018 with respect to 2017 and 6.10% in 2017 with respect to 2016. In that same sense the cost of sales increased 8.74% and 7.56% respectively in Each of the years studied. The increase in cost of sales is greater than the increase in sales. The company explains this situation to the increase in the cost of raw materials. Gross profit reflects increases of 6.90% and 4.85%. In terms of operating income in 2018, it increased 5.94% and in 2017 it reflects a decrease of 3.38% compared to 2016. Consolidated net income increased in 2018 with 20.14%, decreasing 16.24% in 2017 in relation to to 2016. In the 2018 annual report, the company mentions benefits for a lower restructuring cost in North America, as well as a benefit for the valuation of employer obligations.

In Figure 1 and 2, the behavior of sales and net income for the periods of 2018 and 2017 are shown graphically.



**Figure 1** 2018 and 2017 sales trends

Source: Prepared by the author with information from the annual report of Grupo Bimbo SAB de CV (2018 - 2016)



**Figure 2** Trends in consolidated net income of 2018 and 2017

Source: Prepared by the author with information from the annual report of Grupo Bimbo SAB de CV (2018 - 2016)

	Percentages		
	2018	2017	2016
Net sales	100.00%	100.00%	100.00%
Sales cost	47.06%	46.64%	46.00%
Gross profit	52.94%	53.36%	54.00%
General expenses	46.52%	46.83%	46.82%
Utility operation	6.42%	6.53%	7.18%
Financial costs	2.43%	2.15%	1.82%
Participation in the results of associated companies	0.07%	0.09%	0.05%
Profit before income taxes	4.06%	4.47%	5.40%
Income taxes	1.70%	2.35%	2.71%
Consolidated Net Profit	2.36%	1.97%	2.69%

**Table 7** Percentages of the Income Statement for the years 2018-2016

Source: Prepared by the author with information from the annual report of Grupo Bimbo SAB de CV (2018.)

In relation to the income statement integration, the cost of sales represents 47.06%, 46.64% and 46% of sales in 2018, 2017 and 2016. The gross profit margin represents 52.94%, 53.36% and 54% of the sales General expenses represent 46.52%, 46.83% and 46.82%, giving an operating profit margin of 6.42%, 6.53% and 7.18%. of the total sale. Consolidated net income represents 2.36%, 1.97% and 2.69% of sales.

The cost of sales and general expenses were stable as a percentage of the sale, during the mentioned period. The financial cost is represented by interest paid and exchange rate fluctuations (table 7).

Liquidity	2018	2017	2016
Liquidity	0.92	0.91	0.93
Acid Test	0.73	0.73	0.76

**Table 8** Razones Financieras de liquidez the company Grupo Bimbo, S.A.B. of C.V and subsidiaries

Source: Own elaboration with information from the annual report of Grupo Bimbo SAB de CV (2018)

Table 8 shows the liquidity indicators. This index was \$ .92, \$ .91 and \$ .93 in 2018, 2017 and 2016, in addition to an acid test of \$ .73, in 2018 and 2017, as well as \$ .76 in 2016. This situation caused a deficit in working capital for \$ - 3,898, - \$ 4,427 and \$ 2,922 pesos, in each of the years under study. The liquidity index that the company reflects a very marginal decrease, the above can be explained, by accounts payable to suppliers and other accounts payable, they represent the majority of short-term liabilities, this being greater than current assets.

Operating Efficiency	2018	2017	2016
Inventory rotation	15.32	15.80	17.93
Sales term	23.49	22.79	20.08
Accounts receivable rotation	11.36	10.95	11.60
Collection days	31.69	32.89	31.04
Rotation of accounts payable	6.66	6.74	7.61
Paydays	54.07	53.42	47.33
Financial cycle	1.12	2.26	3.79

**Table 9** Financial reasons of operational efficiency of the company Grupo Bimbo, S.A.B. of C.V and subsidiaries

Source: Own elaboration with information from the annual report of Grupo Bimbo SAB de CV (2018)

The financial cycle of the company is reasonable according to its activity, the recovery of cash for the period of 2018, 2017 and 2016 is 1.12, 2.26 and 3.53 days respectively, reflecting an improvement in this indicator in 2018. This means the ability to the company to convert the accounts receivable and its inventories into cash, reflecting the efficiency in the company's operations, a situation that is observed in the ability to generate cash for its operation, (Table 9).

Leverage	2018	2017	2016
Indebtedness	67.88%	70.29%	69.38%
Short term	18.51%	18.10%	17.80%
long-term	49.37%	52.19%	51.58%
Debt to capital	2.113	2.366	2.266
Interest Coverage	2.65	3.04	3.94
Flow coverage	3.00	3.68	5.03

**Table 10** Financial reasons of leverage of the company Grupo Bimbo, S.A.B. of C.V and subsidiaries

Source: Own elaboration with information from the annual report of Grupo Bimbo SAB de CV (2018)

The financial reasons applicable to leverage. The total debt of the company during the study period remains at 67.88%, 70.92% and 69.38% of the total investment, with a short-term financing mix of 18.51%, 18.10% and 17.80%, as well as the debt to Long term represents 49.37%, 52.9% and 51.58% in each of the years. The highest level of indebtedness with respect to total investment was presented in 2017 and the lowest was in 2016. Total debt as of December 31, 2018 was \$ 89,846, compared to \$ 93,432, as of December 31, 2017 (Table 10).

The company reports in its 2018 annual report, that this decrease was significantly related to the "prepayment of US \$ 123 million of the revolving credit line and, to a lesser extent, to the repurchase of approximately 450 million pesos in stock certificates. The average maturity of the debt was 10.6 years with an average cost of 5.97%." 59% of the debt was in US dollars, 36% in Mexican pesos and 5% in Canadian dollars. It is important to mention that the financing mix does not greatly compromise the liquidity of the company, being mostly with long-term maturities. This level of indebtedness is caused by leveraged acquisitions with long-term debt, (table 11).

Passive	2018	2017	2016
Short-term portion of long-term debt	0.44%	0.73%	0.59%
Accounts payable to suppliers	8.00%	7.59%	7.08%
Other accounts payable and accrued liabilities	8.76%	8.41%	8.72%
Accounts payable to related parties	0.35%	0.37%	0.35%
Income tax	0.10%	0.41%	0.43%
Employee participation in profits	0.54%	0.50%	0.48%
Derivative financial instruments	0.33%	0.09%	0.15%
<b>Short liabilities</b>	18.51%	18.10%	17.80%
Long Term Debt	33.68%	35.31%	32.77%
Derivative Financial Instrument	0.13%	0.00%	1.37%
Employee benefits and social security	9.83%	11.82%	12.61%
Deferred income taxes	2.17%	1.81%	2.02%
Other long-term liabilities	3.55%	3.26%	2.81%
<b>Long term liabilities</b>	49.37%	52.19%	51.58%
<b>Total liabilities</b>	67.88%	70.29%	69.38%

**Table 11** Debt structure of Grupo BIMBO, S.A.B de C.V and Subsidiaries

Source: Prepared by the author with information from the annual report of Grupo Bimbo SAB de CV (2018)



Table 11 shows that most of the short-term debt is represented by accounts payable to suppliers and long-term debt for loans with banks and stock markets (Grupo Bimbo, 2018).

Cost Effectiveness	2018	2017	2016
Gross Profit Margin	52.94%	53.36%	53.99%
Operating profit margin	6.42%	6.53%	7.17%
Net profit margin	2.36%	2.12%	2.68%
Asset performance	2.59%	2.19%	2.76%
Return on capital	1.62	1.34	1.60
Earnings per share	0.64	0.55	0.73
Number of shares	4703.2	4703.2	4703.2
Earnings per share	1.24	0.98	1.25
Dividing by action	0.35	0.29	0.24
Market price	39.15	43.51	47.01
Book value per share	17.98	16.38	15.96
Cash flow per share	1.61	1.53	1.45
Price / book value	2.18	2.66	2.94
Price / UPA	61.03	78.95	64.12

**Table 12** Financial reasons for profitability of the company Grupo Bimbo, S.A.B. of C.V and subsidiaries  
Source: Prepared by the author with information from the annual report of Grupo Bimbo SAB de CV (2018)

The company's gross profit margin was 52.94%, 53.36% and 53.99%, respectively in the 2018 - 2016 periods, while the operating profit margin was 6.42%, 6.53% and 7.17%. The decrease in profit is derived from an increase in the cost of sales of 8.74% and operating expenses by 7.03% compared to the increase of 7.76% of sales, indicating that in 2018, the increase in costs is greater than the increase in sales, which led to a decrease in gross profit and operating margin (table 12).

The company's share is traded under the BIMBO slate key, and the multiples indicate that it is sold above its earnings per share, book value per share, this as a result of the company's financial strength and growth expectations of the company globally.

## Conclusions

Grupo Bimbo 2018, 2017 and 2016, presents a liquidity of .93, however, the cash flows are not committed in the short term, because most of these originate from the operation of the company, reflecting this situation the ability of the company to convert accounts receivable and inventories into cash, in addition to the bargaining power with its suppliers. On the other hand, most of its debt is in the long term 72.73%.

The high degree of leverage is due to bank and stock market debts that the company has contracted for the acquisition of companies abroad and thus become one of the most important companies in the bakery industry worldwide, with a presence in 32 countries on the continents of America, Europe, Asia and Africa.

The profitability of the company increased in 2018, due to the increase in sales. The multiples of the share indicate a market value above the profit per share and the book value per share, product of the investor's public trust in the company.

Undoubtedly, the statement of cash flow together with the statement of financial position, statement of comprehensive income and the statement of changes in capital, provide relevant information to users, the financial situation and the results of operations. of an economic entity. It is very important to know the origin of the generation and use of cash, because they allow managers to identify situations that explain the aspects of liquidity, efficiency, leverage and profitability, thus having more elements of judgment that provide information to support decision making.

This type of analysis represents case studies to support finance courses for students in the financial economic areas, allowing them to apply the techniques in real companies.

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