Profit or cash?

Profit or cash? is a free 40-minute lesson for Class 12 Commerce on the cash flow statement. Students compare profit with cash from operating activities at ITC and Eternal in FY26, and explain why the two differ.

5-minute prep

- Print one worksheet per student, or plan to show the student page (cityfort.in/class/profit-cash) on the projector.
- Optional: open each company's consolidated cash flow statement in the FY26 annual report, to show the real page.
- Read the ground rule aloud before groups start: we explain differences, we don't rank companies.
- Skim the answer key notes on Eternal's stock and on ITC's other income.

Class	Senior secondary, Class 11–12 (Commerce)
Time	One 40-minute period. A 10-minute version for a revision class is in the teacher guide.
Edition	2026–27 first edition v1.0
Lesson page	cityfort.in/teachers/how-indian-companies-earn-and-spend/profit-or-cash

Objective

Students can find cash from operating activities in a real cash flow statement, set it beside profit, and give one reason why the two differ.

CBSE units the lesson supports

- Accountancy (055), Class XII, Part B: Cash Flow Statement (CBSE Accountancy (055)), in part

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Timing

Minutes	Step	What happens
0–4	**Hook**	Ask: "ITC made ₹20,689 crore of profit in FY26. Did that much cash come in from its business?" Students write higher, lower or the same in Part A.
4–12	**From profit to cash**	Walk through the made-up stationery shop in Part B: profit ₹20,000, plus depreciation ₹5,000, minus the rise in stock ₹15,000, gives ₹10,000 of cash. (made-up numbers)
12–20	**ITC: profit above cash**	Students read ITC's four numbers in Part C: profit ₹20,689 crore, cash from operating activities ₹18,464 crore, capex ₹2,183 crore and free cash flow ₹16,281 crore.
20–30	**Eternal: cash above profit**	Groups read Eternal in Part D. Its stock rose from ₹176 crore to ₹2,181 crore after Blinkit began owning most goods it sells.
30–36	**Compare without ranking**	Whole class: for every ₹100 of profit, ITC brought in ₹89.2 of operating cash and Eternal ₹172.7. Ask what business reasons could explain each. Ground rule: we explain differences, we don't rank.
36–40	**Exit ticket**	Students answer the three exit-ticket questions on the worksheet.

Materials

- The student worksheet (one per student), or the student page on phones or the class projector
- The answer key (teacher only)
- Optional: the slides, projected
- Optional: the consolidated cash flow statement pages from ITC's and Eternal's FY26 annual reports, printed or projected

Discussion questions

1. ITC's profit was ₹2,225 crore more than its cash from operating activities. Which lines of the cash flow statement would you read to find out why?
2. Eternal's stock of goods rose from ₹176 crore to ₹2,181 crore in FY26. How does buying stock that is not yet sold use cash without lowering profit?
3. Eternal's cash from operating activities was ₹632 crore, but its free cash flow was −₹1,119 crore. What did the difference pay for?
4. ITC paid ₹18,271 crore of dividends in FY26, more than its free cash flow of ₹16,281 crore. Where in the cash flow statement would you find the rest?
5. Profit follows the accrual rule: income and costs count when they are earned or used, not when cash moves. Give one example from a school canteen where the two happen in different months.
6. What can a cash flow statement show that a statement of profit and loss cannot, and what can it not show?

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Adapting the lesson

Students still building their English: Pre-teach five words with the word bank: profit, cash, operating activities, capex and inventory. Students may answer in a mix of English and their home language, then share one sentence in English.

Students who need more support: Give Part C with profit and cash from operating activities already circled, so students only compare two numbers. Allow answers as "more" or "less" with an arrow, and read Part D aloud.

Students ready for more: ITC's FY25 profit was ₹34,747 crore, including ₹15,016 crore from the demerged hotels business, mainly from a ₹15,583 crore fair-value gain. Cash from operating activities was ₹17,627 crore. Why does the cash flow statement subtract that gain?

Extension: Students take one more company's annual report filed on NSE. They copy profit for the year, cash from operating activities and capex, with the page and the financial year. They write two sentences on why profit and cash differ. No ranking.

Teacher background

Where is the cash flow statement in an annual report?

It comes after the balance sheet and the statement of profit and loss, in both the standalone and the consolidated financial statements. This lesson uses the consolidated set: the group, including its subsidiaries.

Ind AS 7 or AS 3?

Listed companies report under Ind AS 7, Statement of Cash Flows; the textbook teaches AS 3. Both split cash into operating, investing and financing activities. Ind AS 7 (para 31) puts interest and dividends received under investing and dividends paid under financing for a company that is not a financial institution; the headings match the textbook's.

What does the Cityfort page say about Eternal's stock?

Since the first quarter of FY26, Blinkit has owned most of the goods it sells. Its inventory rose from ₹176 crore on 31 Mar 2025 to ₹2,181 crore a year later. Goods bought but not sold use cash, but they are not yet a cost in profit.

Did Eternal say anything itself about cash and stock?

In its Q2 FY27 shareholders' letter, Eternal said its cash balance fell ₹1,813 crore in the quarter, to ₹16,475 crore. It linked the fall to festive stock and the timing of supplier payments.

Why does ITC's FY25 look so different?

FY25 profit of ₹34,747 crore included ₹15,016 crore from the demerged hotels business. It came mainly from a ₹15,583 crore gain on valuing the hotel net assets handed out at fair value, which the cash flow statement takes back out as a non-cash item; the hotels' own profit, other one-off costs and tax brought the total to ₹15,016 crore. The FY25 cash flow also includes the hotels business for April to December 2024.

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If your class runs a stock-market simulation, these lessons can come before it: they explain what a company does and how it reports results. They do not suggest which companies to choose, and Cityfort does not run, rank or judge simulation picks.

Teaching notes

- Keep the hook honest: most students expect cash to equal profit. Let them be surprised by ITC first.
- If a student asks which company to put money in, say the lesson is about how each business works, and that Cityfort gives no advice.
- The Cityfort page gives a company reason for Eternal's stock (Blinkit owning goods), but no stated reason for ITC's gap. Treat ITC's possible reasons as questions to check in the statement.
- All numbers use the consolidated statements: the group, including its subsidiaries.

CBSE units this lesson supports

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- Cash Flow Statement in Accountancy (055) Class XII, Part B (Unit 4 in the marks table, Unit 5 in the detailed syllabus): partial. Students read finished statements prepared under Ind AS 7; they do not prepare one under AS 3.

10-minute version

Use only ITC and one Eternal question: guess (2 minutes), ITC's profit and operating cash (3), Eternal's free cash flow and capex (3), one-sentence exit (2).

student page

Scan the code or type: **cityfort.in/class/profit-cash**

Sources

1. S1: Report and Accounts 2026 (FY26), with standalone and consolidated financial statements and BRSR, ITC Limited, filed with NSE, 26 Jun 2026. https://nsearchives.nseindia.com/annual_reports/AR_29459_ITC_2025_2026_A_14678177_26062026165422.pdf
2. S2: Annual Report FY26 (2025-26), with consolidated financial statements and BRSR, Eternal Limited, filed with NSE, 29 Jul 2026. https://nsearchives.nseindia.com/annual_reports/AR_30059_ETERNAL_2025_2026_A_48211721_29072026204435.pdf
3. S3: Shareholders' letter Q2 FY27 (21 Oct 2026), Eternal Limited, filed with NSE, 21 Oct 2026. https://nsearchives.nseindia.com/corporate/ZOMATO_21102026152512_SHLsigned.pdf
4. S4: Ind AS 7, Statement of Cash Flows (as notified by MCA, amended to 13 Aug 2025), ICAI, Compendium of Indian Accounting Standards 2025-26, 13 Aug 2025. https://indasaccess.icai.org/download/2026/asb2026/1098/1098indas2025-26-7.pdf

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