ACCT 101 - Chapter 12

I. Overview of the Statement of Cash Flows

A. Purpose of the Statement of Cash Flows

1. Measurement of Cash Flows

a.

b.

B. There are 3 sections of the Statement of Cash Flows

1.

2.

3.

C. Methods of preparing the Statement of Cash Flows

1.

2.

The **Indirect Method** is used by a vast majority of companies. It is easier to prepare, easier to use, and easier to understand. It is the only method you are responsible for.

II. Preparing the Statement of Cash Flows

A. Format of the Statement of Cash Flows

Cash flows from Operating Activities	
(List the individual inflow and outflows)	
Net cash provided (used) by Operating Activities	$XXXX
Cash flows from Investing Activities	
(List the individual inflow and outflows)	
Net cash provided (used) by Investing Activities	$XXXX
Cash flows from Financing Activities	
(List the individual inflow and outflows)	
Net cash provided (used) by Financing Activities	$XXXX
Net Increase (decrease) in Cash	XXXX
Cash balance at the beginning of the period	XXXX
Cash balance at the end of the period	XXXX

III. The Operating Activities Section

In essence, the Operating Section converts the Income Statement from the accrual method to the cash basis method of accounting. The complete the operating section:

1. Start with the Net Income figure as reported on the Income Statement

2. Compute the increases and decreases in the Current Assets and Current Liabilities

   a. Current Assets

   b. Current Liabilities

3. Adjust for any non-cash expenses that were reported on the Income Statement

   a. Depreciation Expense

4. Adjust for any non-operating gains or losses

   a. Gains

   b. Losses

Statement of Cash Flows

Operating Section

Net Income	$XXXX	
+ Decreases in Current Assets	XXX	
- Increases in Current Assets	(XXX)	
+ Increases in Current Liabilities	XXX	
- Decreases in Current Liabilities	(XXX)	
+ Depreciation, Amortization and Depletion	XXX	
+ Losses from non-operating items	XXX	
- Gains from non-operating items	(XXX)	
Net Cash flow provided (used) by Operating Activities		$XXXX

IV. The Investing Activities Section

1.

2.

3.

4.

V. The Financing Activities Section

1.

2.

3.

4.

VI. Tricky areas

1.

2.

3.

4.

Ex. 12-4

Ex. 12-5

Ex 12-6

Ex 12-9

Ex 12-10

P12-6B

P12-1B

P12-3B

Ex 12-12