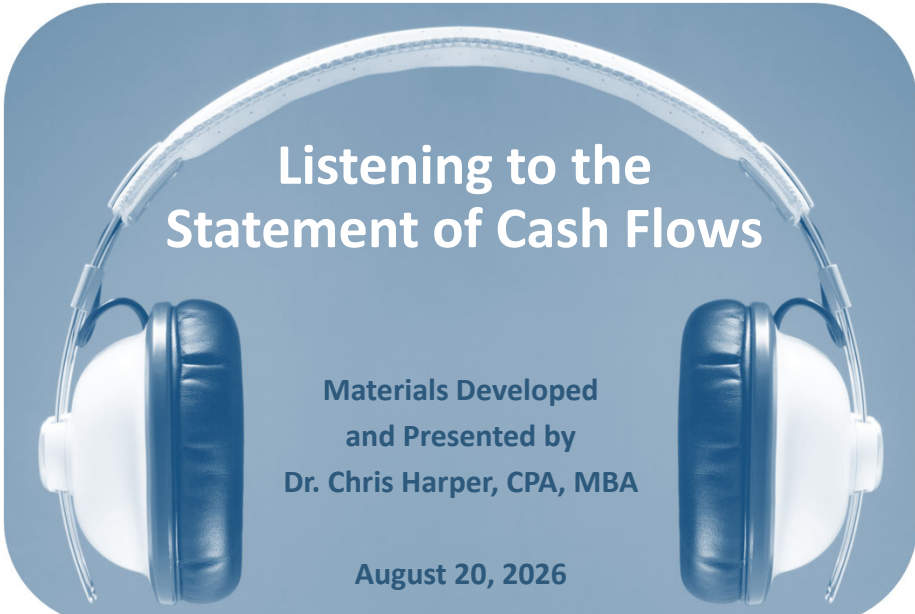


Listening to the Statement of Cash Flows



Listening to the Statement of Cash Flows

Materials Developed
and Presented by
Dr. Chris Harper, CPA, MBA

August 20, 2026



Listening to the Statement of Cash Flows: Fundamentals and Analytical Techniques | Copyright © 2026 Harp Doc, LLC

1



Meet Chris Harper

Dr. Christopher Harper, CPA, MBA – Chris is a CPA with the heart of a teacher. He is an assistant professor of accounting with Grand Valley State University's Seidman College of Business. He also serves as a senior manager and director of education for Hungerford CPAs + Advisors. Chris has been serving tax and accounting needs of closely held business and individuals since 1998. He has also owned and operated several of his own businesses throughout his career.

You can learn more about Chris by visiting his GVSU faculty page (<https://bit.ly/HarperGVSU>) and YouTube channel (<http://bit.ly/ChrisHarperYouTube>).

2

Listening to the Statement of Cash Flows

One Piece of Your Professional Puzzle



This thoughtfully-prepared course is just one element of your professional endeavors. These informational materials are not prescriptive; they are simply educational in nature. Users should conduct their own independent research before performing professional services, making significant decisions, and/or advising clients.

3

Discussion Topics



Preparation of the
Statement of Cash
Flows



Importance of
Identifying Sources
and Uses of Cash in
Financial Reporting



Financial
Statement Analysis



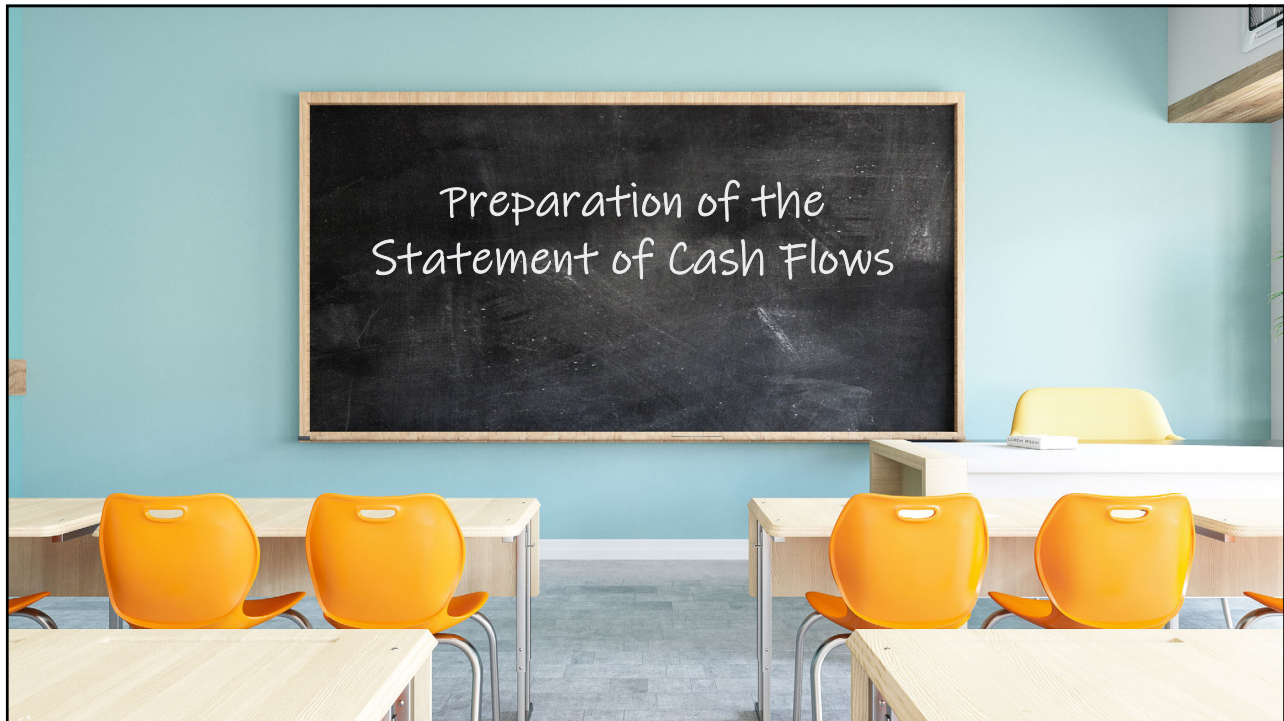
Cash-related
Financial
Statement
Disclosures



Summary

4

Listening to the Statement of Cash Flows



5

Is the Statement of Cash Flows Required?

STATEMENTS OF CASH FLOWS			
MANUFACTORY CORPORATION			
For the years ended December 31, 2017 and 2016			
	2017		2016
Cash Flows from Operating Activities			
Cash received from customers	\$ 15,293,688		\$ 13,858,077
Other operating cash receipts	29,900		23,367
Cash paid to suppliers and for operating expenses	(13,847,322)		(13,326,579)
Interest paid	(17,164)		(16,587)
Income taxes paid	(142,728)		(178,124)
Other operating expenses	(92,562)		(81,782)
Net Cash Provided by Operating Activities	1,223,812		278,378
Cash Flows from Investing Activities			
Capital expenditures	(98,297)		(84,846)
Proceeds from sale of property and equipment	-		1,000
Net Cash Used for Investing Activities	(98,297)		(83,846)
Cash Flows from Financing Activities			
Proceeds from short-term borrowing	-		255,000
Repayment of short-term borrowing	(100,000)		-
Repayment of long-term borrowing	(46,308)		(3,845)
Dividends paid	(64,295)		(64,295)
Net Cash Provided by (Used for) Financing Activities	(210,603)		186,860
Net Increase in Cash	914,912		381,392
Beginning Cash and Cash Equivalents	959,819		578,427
Ending Cash and Cash Equivalents	\$ 1,874,731		\$ 959,819
Schedule of Noncash Financing Activities			
Short-term borrowing converted to long-term borrowing	-		\$ 250,000

Presentation is required
per ASC 230-10-15-3 when ...

- Financial reports are for a profit-oriented business activity or not-for-profit organization
- GAAP framework is being utilized
- Both a balance sheet and income statement are presented

6

Listening to the Statement of Cash Flows



What is Cash?

- ✓ Coins and currency
- ✓ Demand deposits with financial institutions
- ✓ Items acceptable for deposit into bank accounts
- ✓ Other kinds of accounts that have the general characteristics of demand deposits

10%

7

What is Cash?

Cash Equivalents

- ✓ Short-term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of changes in interest rates
- ✓ Maturity is three months or less
- ✓ Equity securities are not cash equivalents
- ✓ Cryptocurrencies are not cash equivalents



12%

8

Listening to the Statement of Cash Flows

Crypto Assets



ASU 2023-08

Intangibles – Goodwill and Other – Crypto Assets (Subtopic 350-60)

ASU generally does not alter SCF presentation requirements

But does require specific presentation when non-cash crypto consideration is quickly converted into cash

13%

9

Cash Overdraft?

- ✓ May be presented as cash
- ✓ May be presented as a current liability
- ✓ Beginning and ending cash and cash equivalents in SCF must agree with similarly titled elements in the balance sheet
- ✓ Single net negative cash amount reported on balance sheet and SCF caption
- ✓ Reconciliation is recommended if there is a positive balance in its assets and negative balance in liabilities in a single year



15%

10

Listening to the Statement of Cash Flows

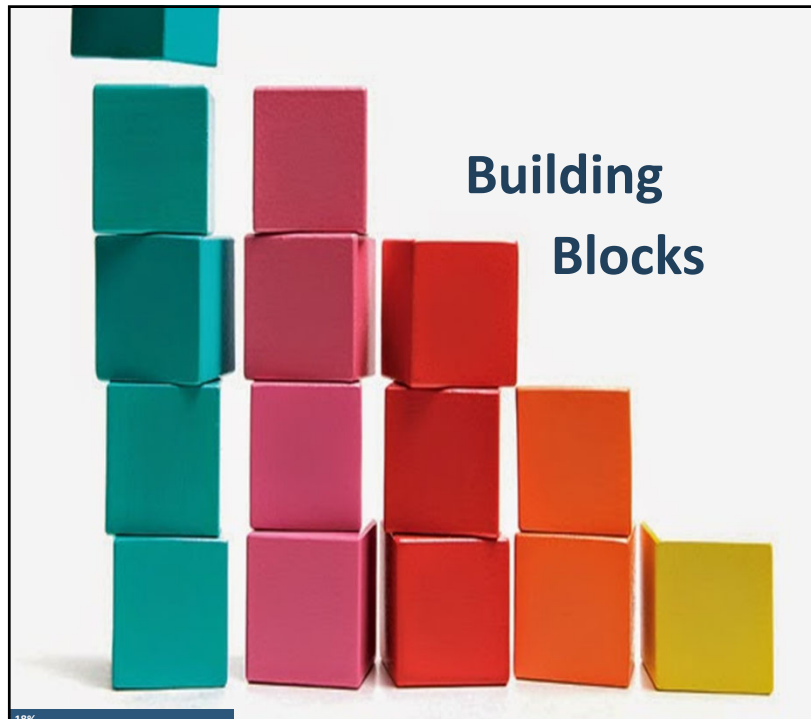
- ✓ Segregated from cash available for general operations
- ✓ Normally excluded from current assets
- ✓ After adoption of ASU 2016-18, beginning and ending cash and cash equivalents in the statement of cash flows should include restricted cash and cash equivalents

Restricted Cash



16%

11



- Operating
- Investing
- Financing
- Net change in cash
- Reconciliation with balance sheets
- Supplemental disclosure of non-cash investing and financing activities

18%

12

Listening to the Statement of Cash Flows

Operating Activities

Overriding Criteria

- ✓ Amounts represent cash effects of operational transactions or events
- ✓ Amounts result from a company's normal operations for delivering or producing goods or providing services for customers
- ✓ Amounts are derived from activities that influence the determination of net income



19%

13

Sale of goods and services

Short- and long-term notes
receivable from customers
arising from sale of
goods or services

Operating Cash Receipts

Interest and dividends

Other cash receipts that are
not from investing or
financing activities

21%

14

Listening to the Statement of Cash Flows

Operating Cash Disbursements

- ✓ Inventory
- ✓ Short- and long-term notes payable to suppliers for materials or goods
- ✓ Wages
- ✓ General and administrative expenditures
- ✓ Operating lease payments
- ✓ Interest (excluding capitalized amounts)
- ✓ Taxes
- ✓ Other operating expenditures
- ✓ Other payments not related to investing or financing activities

22%

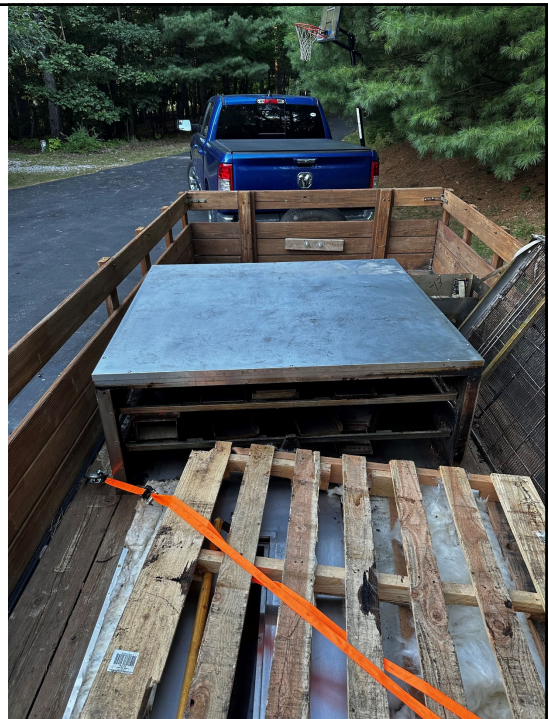
15

Investing Cash Receipts

- ✓ Sale of PP&E
- ✓ Sale of certain securities
- ✓ Collections on loans
- ✓ Insurance proceeds related to investing transactions
- ✓ Accrual-basis gains and losses are not cash flows but will be factored into calculations involving the direct operating section and/or reconciliation

24%

16



Listening to the Statement of Cash Flows



PP&E (including
capitalized interest)

Investing Cash Disbursements

Certain
securities

Loans made

17

Financing Cash Receipts

Short-term borrowing

Long-term borrowing

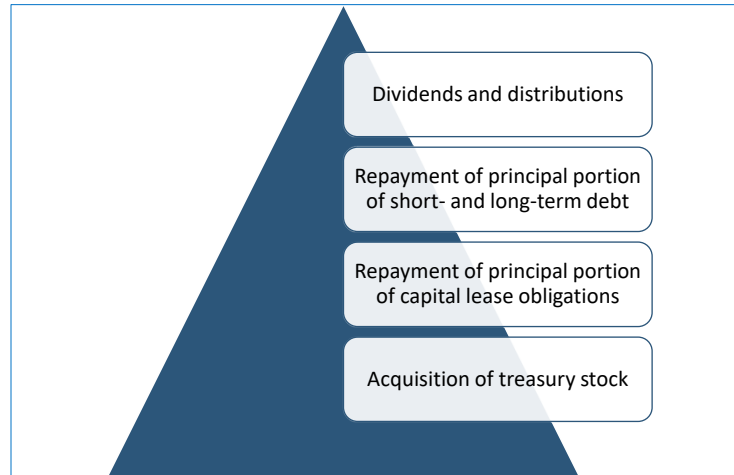
Issuance of equity



18

Listening to the Statement of Cash Flows

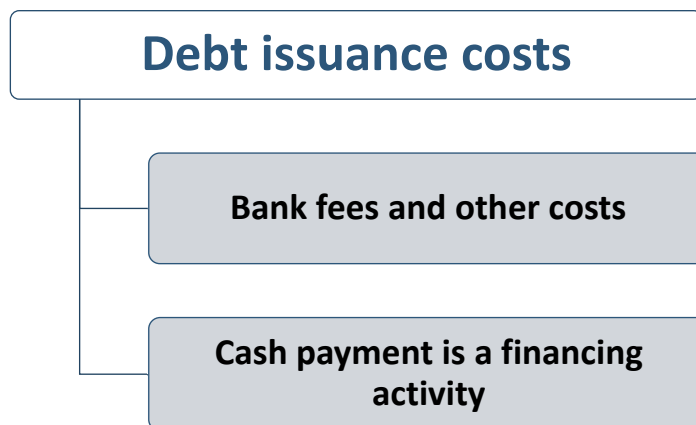
Financing Cash Disbursements



28%

19

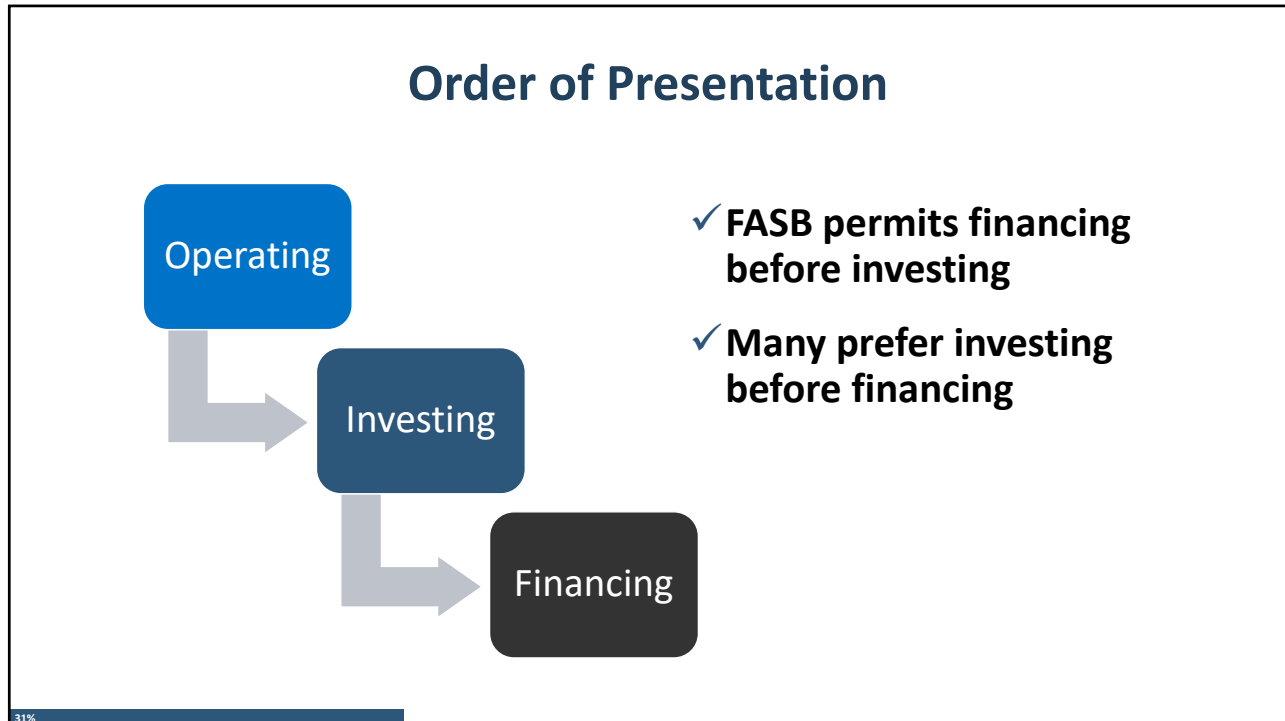
Financing Section Nuance



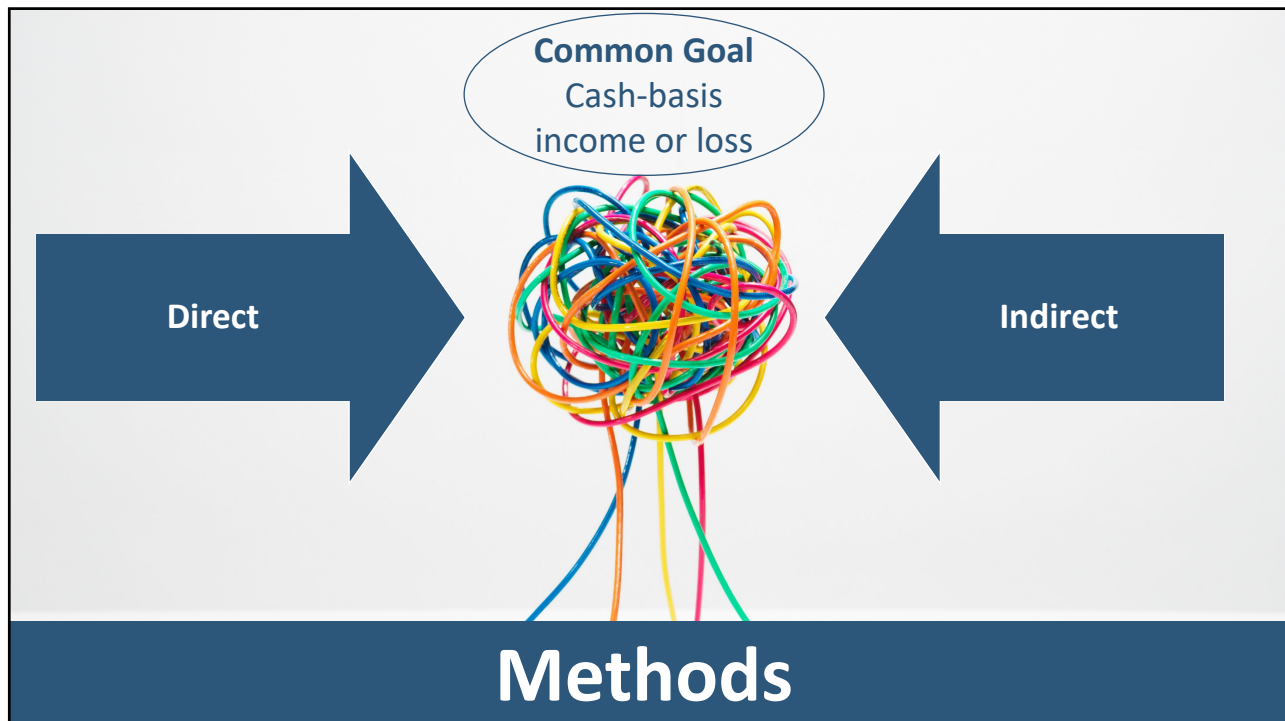
29%

20

Listening to the Statement of Cash Flows

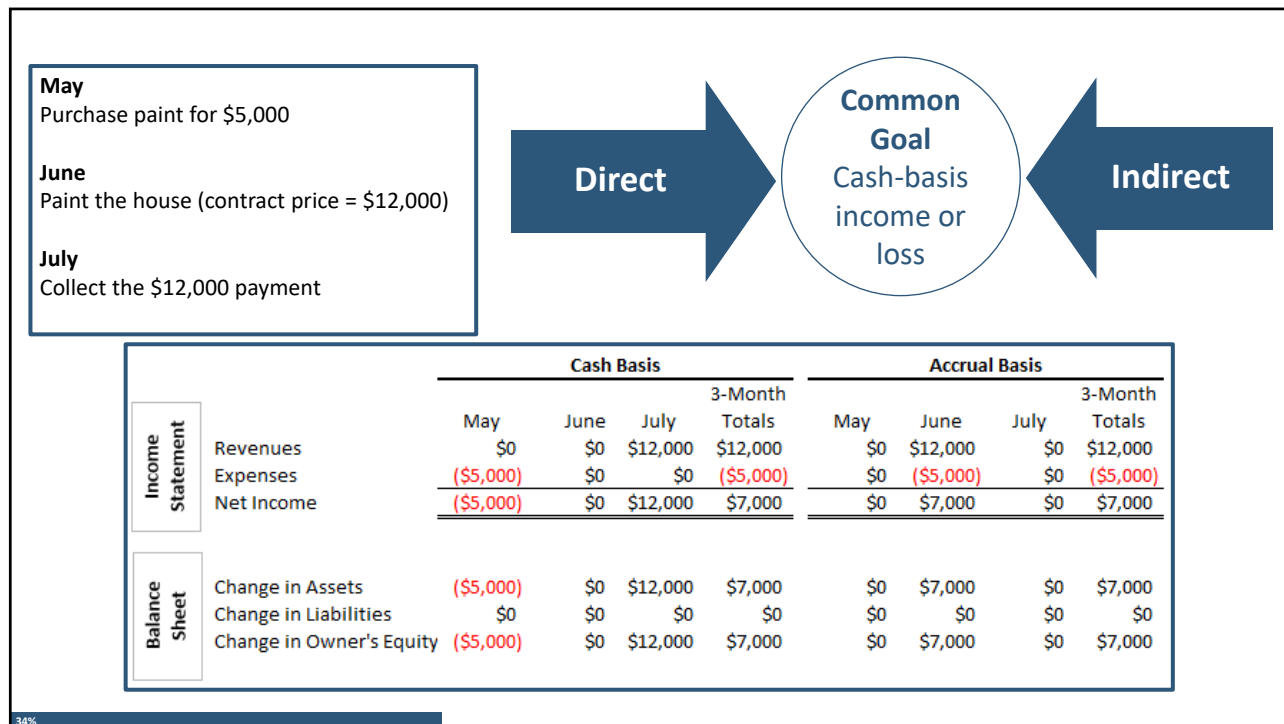


21

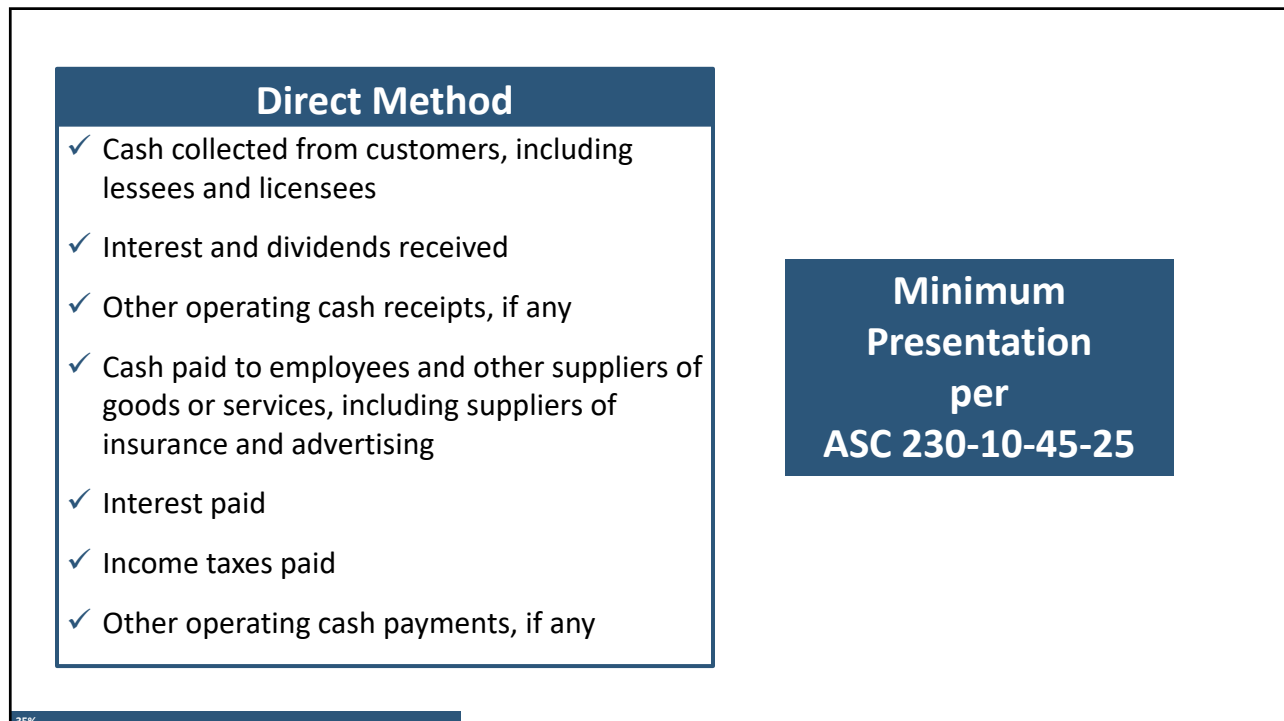


22

Listening to the Statement of Cash Flows



23



24

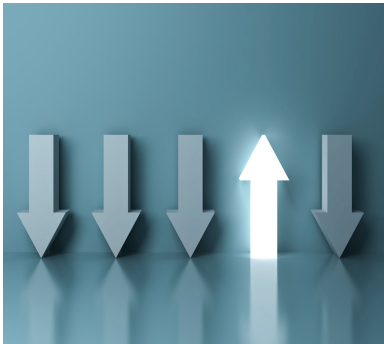
Listening to the Statement of Cash Flows

Direct Method	
(in millions)	
Cash Flows from Operating Activities	
Cash collected from customers	\$1,794
Cash paid to suppliers of inventory	(907)
Cash paid to employees and suppliers of services	(627)
Cash paid for interest	(5)
Cash paid for income tax	(76)
Net cash provided by (used in) operating activities	179

← FASB prefers the direct method

Many preparers use the indirect method →

25

Direct Method	
Reconciliation of Net Income and Operating Cash Flows	
	At a Minimum ✓ Changes in receivables ✓ Changes in payables ✓ Changes in inventory

26

Listening to the Statement of Cash Flows

Direct Method

STATEMENTS OF CASH FLOWS

MANUFACTORY CORPORATION

For the years ended December 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Cash received from customers	\$ 15,293,688	\$ 13,858,077
Other operating cash receipts	29,900	23,367
Cash paid to suppliers and for operating expenses	(13,847,322)	(13,326,573)
Interest paid	(17,164)	(16,587)
Income taxes paid	(142,728)	(178,124)
Other operating expenses	(92,562)	(81,782)
Net Cash Provided by Operating Activities	1,223,812	278,378
Cash Flows from Investing Activities		
Capital expenditures	(98,297)	(84,846)
Proceeds from sale of property and equipment	-	1,000
Net Cash Used for Investing Activities	(98,297)	(83,846)

40%

27

Direct Method

Cash Flows from Financing Activities		
Proceeds from short-term borrowing	-	255,000
Repayment of short-term borrowing	(100,000)	-
Repayment of long-term borrowing	(46,308)	(3,845)
Dividends paid	(64,295)	(64,295)
Net Cash Provided by (Used for) Financing Activities	(210,603)	186,860
Net Increase in Cash	914,912	381,392
Beginning Cash and Cash Equivalents	959,819	578,427
Ending Cash and Cash Equivalents	\$ 1,874,731	\$ 959,819
Schedule of Noncash Financing Activities		
Short-term borrowing converted to long-term borrowing	\$ -	\$ 250,000

41%

28

Listening to the Statement of Cash Flows

Direct Method - Calculations

Decrease in A.R. = \$1,141,084 - \$916,227 = \$224,857

Decrease in customer deposits = \$1,179,384 - \$731,455 = \$447,929

Cash received from customers = \$15,516,760 + \$224,857 - \$447,929 = \$15,293,688

BALANCE SHEETS			
MANUFACTORY CORPORATION			
December 31, 2017 and 2016			
ASSETS	2017		2016
Current Assets			
Cash and cash equivalents	\$ 1,874,731		\$ 959,819
Accounts receivable	916,227		1,141,084
Inventory			

STATEMENTS OF INCOME		
For the		
	2017	
	Amount	P
Net Sales	\$ 15,516,760	10

LIABILITIES AND SHAREHOLDERS' EQUITY			
	2017		2016
Current Liabilities			
Accounts payable	\$ 763,914		\$ 812,976
Line of credit	155,000		255,000
Current portion of long-term liabilities	48,177		46,340
Customer deposits	731,455		1,179,384
Accrued expenses			

2017	
Cash Flows from Operating Activities	
Cash received from customers	\$ 15,293,688
Other operating cash receipts	29,900
Cash paid to suppliers and for operating expenses	(13,847,322)
Interest paid	(17,164)

43%

29

Direct Method - Calculations

Decrease in A.P. = \$812,976 - \$763,914 = \$49,062

Increase in inventory = \$2,787,126 - \$2,593,828 = \$193,298

Increase in prepaid expenses = \$53,352 - \$42,474 = \$10,878

Increase in accrued expenses (excluding income taxes) = \$771,226 - \$271,654 = \$499,572

Accrual basis COGS + operating expenses = \$11,777,948 + \$2,443,248 = \$14,221,196

Depreciation and/or amortization expense = \$127,540

Cash paid to suppliers and for operating expenses = \$14,221,196 - \$127,540 + \$49,062 + \$193,298 + \$10,878 - \$499,572 = \$13,847,322

LIABILITIES AND SHAREHOLDERS' EQUITY			
	2017		2016
Current Liabilities			
Accounts payable	\$ 763,914		\$ 812,976
Line of credit	155,000		255,000
Current portion of long-term liabilities	48,177		46,340
Customer deposits	731,455		1,179,384
Accrued expenses:			
Wages and vacation pay	84,821		174,538
Incentive compensation	600,000		25,000
Accrued state income tax	29,000		-
Other taxes	12,161		22,105
Other	74,244		50,011
Total Current Liabilities	2,498,772		2,565,354

44%

30

Listening to the Statement of Cash Flows

Direct Method - Calculations

Decrease in A.P. = \$812,976 - \$763,914 = \$49,062

Increase in inventory = \$2,787,126 - \$2,593,828 = \$193,298

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Cash paid to suppliers and for operating expenses =

\$14,221,196 - \$127,540 + \$49,062 + \$193,298 + \$10,878 - \$499,572 = \$13,847,322

ASSETS			
	2017		2016
Current Assets			
Cash and cash equivalents	\$ 1,874,731		\$ 959,819
Accounts receivable	916,227		1,141,084
Inventory:			
Raw materials and spare parts	1,518,198		1,376,942
Work in process	1,195,409		1,012,223
Finished goods	73,519		204,663
Prepaid expenses	53,352		42,474
Prepaid federal income tax	70,000		90,000
Total Current Assets	5,701,436		4,827,205

46%

31

Direct Method - Calculations

Decrease in A.P. = \$812,976 - \$763,914 = \$49,062

Increase in inventory = \$2,787,126 - \$2,593,828 = \$193,298

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Depreciation and/or amortization expense = \$127,540

Cash paid to suppliers and for operating expenses =

\$14,221,196 - \$127,540 + \$49,062 + \$193,298 + \$10,878 - \$499,572 = \$13,847,322

	2017		2016	
	Amount	Percent of Net Sales	Amount	
Net Sales	\$ 15,516,760	100.0 %	100.0 %	\$13,117,531
Cost of Goods Sold				
Materials and parts	7,431,533	48.0	55.3	7,252,592
Labor	2,955,570	19.0	20.0	2,625,481
Plant costs	488,150	3.1	3.7	491,700
Other direct costs	902,695	5.8	5.1	664,112
Total Cost of Goods Sold	11,777,948	75.9	84.1	11,033,885
Gross Profit	3,738,812	24.1	15.9	2,083,646
Operating Expenses				
General and administrative	1,630,702	10.5	11.5	1,509,152
Selling expenses	212,546	1.4	2.3	302,218
Incentive compensation	600,000	3.9	.2	27,000
Total Operating Expenses	2,443,248	15.8	14.0	1,838,370
Operating Income	1,295,564	8.3	1.9	245,276

47%

32

Listening to the Statement of Cash Flows

Direct Method - Calculations

Decrease in A.P. = \$812,976 - \$763,914 = \$49,062

Increase in inventory = \$2,787,126 - \$2,593,828 = \$193,298

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STATEMENTS OF CASH FLOWS			
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Cash paid to suppliers and for operating expenses	(13,847,322)		(13,326,573)
Interest paid	(17,164)		(16,587)
Income taxes paid	(142,728)		(178,124)
Other operating expenses	(92,562)		(81,782)
Net Cash Provided by Operating Activities	1,223,812		278,378

49%

33

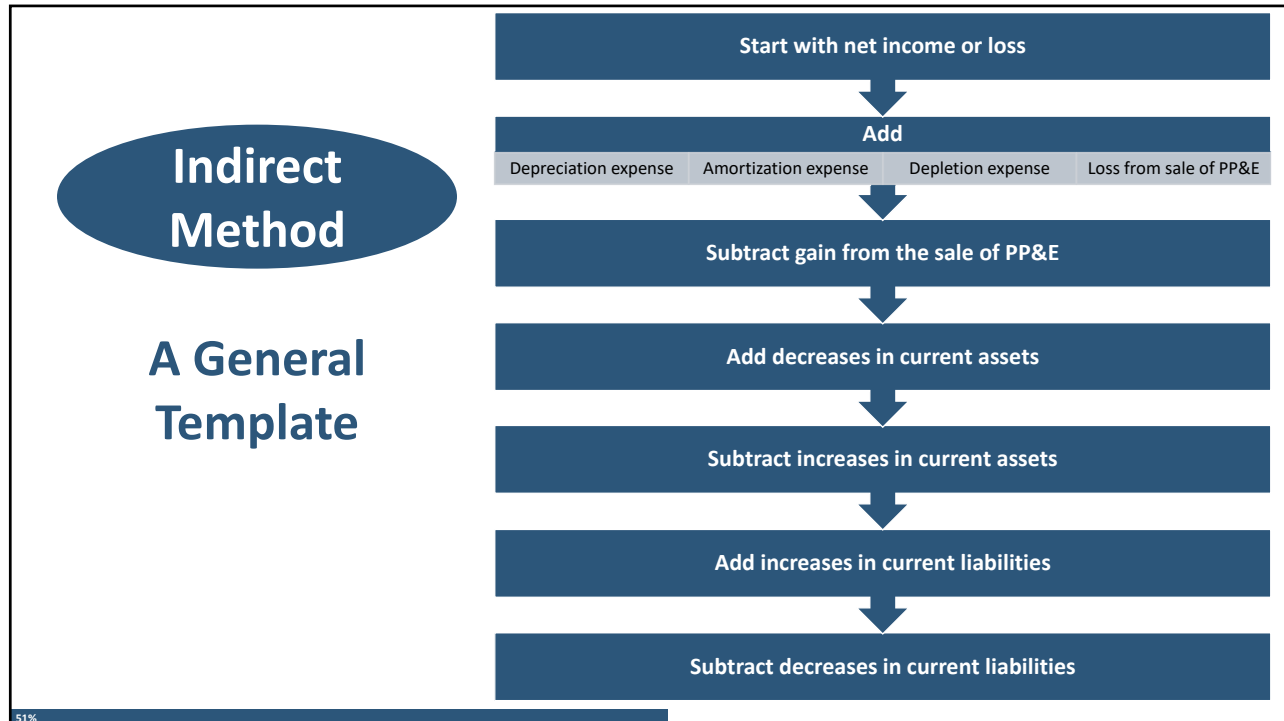
Indirect Method

	2017		2016
Reconciliation of Net Income to Net Cash Provided by Operating Activities			
Net income	\$ 846,010		\$ 143,650
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	127,540		126,284
Prepaid royalties expense	-		69,525
Change in deferred tax	178,000		59,500
(Gain) on sale of assets	-		(1,000)
(Increase) decrease in:			
Accounts receivable	224,857		161,223
Inventory	(193,298)		27,425
Prepaid federal income tax	20,000		(90,000)
Prepaid expenses	(10,878)		(22,774)
Increase (decrease) in:			
Accounts payable	(49,062)		(127,336)
Customer deposits	(447,929)		579,323
Accrued state income tax	29,000		-
Accrued expenses	499,572		(647,442)
Net Cash Provided By Operating Activities	\$ 1,223,812		\$ 278,378

50%

34

Listening to the Statement of Cash Flows



35

Indirect Method

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Change in deferred tax	178,000	59,500
(Gain) on sale of assets	-	(1,000)
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Accounts receivable	224,857	161,223
Inventory	(193,298)	27,425
Prepaid federal income tax	20,000	(90,000)
Prepaid expenses	(10,878)	(22,774)
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Direct Method

STATEMENTS OF CASH FLOWS

MANUFACTORY CORPORATION

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Net Cash Provided by Operating Activities	1,223,812	278,378

36

Listening to the Statement of Cash Flows

Bringing it All Together



Operating



Investing



Financing



Change in cash



Beginning cash



Ending cash

54%

37

STATEMENTS OF CASH FLOWS

MANUFACTORY CORPORATION
For the years ended December 31, 2017 and 2016

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Net Increase in Cash	914,912	381,392
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Schedule of Noncash Financing Activities		
Short-term borrowing converted to long-term borrowing	\$ -	\$ 250,000

56%

38

BALANCE SHEETS

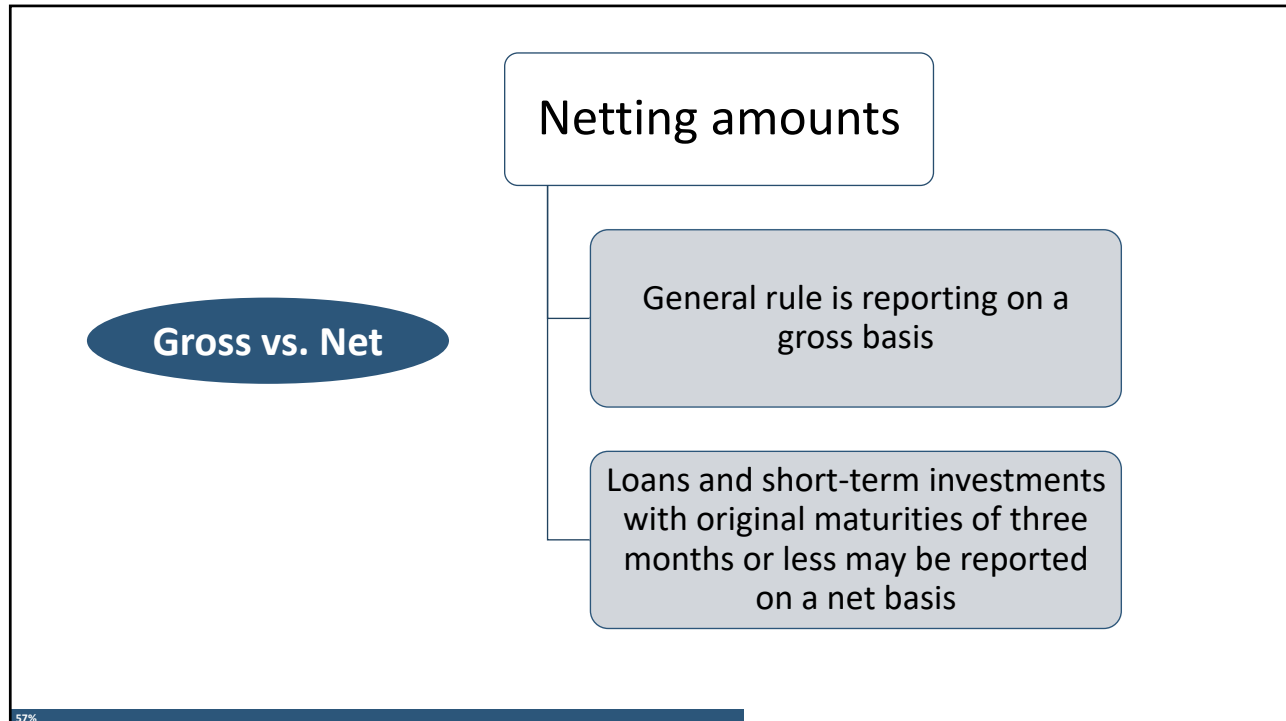
MANUFACTORY CORPORATION
December 31, 2017 and 2016

ASSETS	2017	2016
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Finished goods	73,519	204,663
Prepaid expenses	53,352	42,474
Prepaid federal income tax	70,000	90,000
Total Current Assets	5,701,436	4,827,205

Bringing it All Together



Listening to the Statement of Cash Flows



39

ASC 230-10-45-7

Generally, information about the gross amounts of cash receipts and cash payments during a period is more relevant than information about the net amounts of cash receipts and payments.

ASC 230-10-45-7

For certain items, the turnover is quick, the amounts are large, and the maturities are short. For certain other items, such as demand deposits of a bank and customer accounts payable of a broker-dealer, the entity is substantively holding or disbursing cash on behalf of its customers. Only the net changes during the period in assets and liabilities with those characteristics need be reported because knowledge of the gross cash receipts and payments related to them may not be necessary to understand the entity's operating, investing, and financing activities.

Gross vs. Net

ASC 230-10-45-9

Providing that the original maturity of the asset or liability is three months or less, cash receipts and payments pertaining to any of the following qualify for net reporting for the reasons stated in the preceding paragraph:

- a. Investments (other than cash equivalents)
- b. Loans receivable
- c. Debt

40

Listening to the Statement of Cash Flows

ASU 2016-18

❖ Restricted cash and equivalents should be considered part of unrestricted cash and equivalents

- Transfers between unrestricted and restricted should not be classified in any of the three sections of the SCF
- Intended to eliminate diversity in practice
- Nature of restrictions must be disclosed on face of SCF or in notes

❖ Caption modifications

- Net increase in cash ~~and cash equivalents~~, cash equivalents, and restricted cash
- Cash ~~and cash equivalents~~, cash equivalents, and restricted cash at beginning of year
- Cash ~~and cash equivalents~~, cash equivalents, and restricted cash at end of year

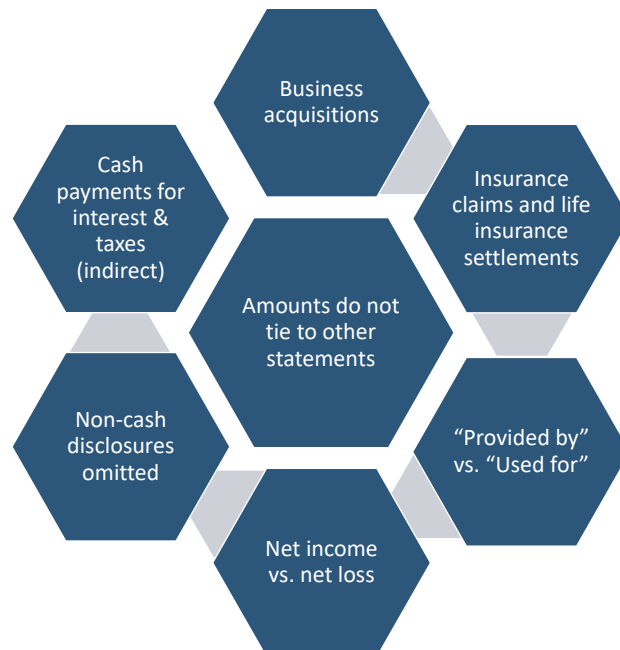
❖ Effective date for non-public entities

- Fiscal years beginning after December 15, 2018
- Retrospective application

60%

41

Common Problems



62%

42

Listening to the Statement of Cash Flows

ASU 2016-15

❖ Debt prepayment or extinguishment costs

- Financing

❖ Settlement of zero-coupon debt instruments

- Operating and financing

❖ Contingent consideration paid in business combination

- Soon after closing—Investing
- Other payments—Financing and/or operating

❖ Proceeds from settlement of insurance claims

- Depends upon nature of the loss

❖ Proceeds from life insurance settlements

- Investing

63%

43

ASU 2016-15

❖ Distributions from equity method investees

- Cumulative earnings approach
 - Operating
 - Investing if distributions > earnings
- Nature-of-distribution approach
 - Classification per investee's determination

❖ Beneficial interest in a securitized transaction

- Non-cash disclosure

❖ Cash flows with multiple characteristics

- First apply specific guidance if available
- Classify separately identifiable cash flows based upon nature of underlying cash flow
- Use the predominant source if there are not separately identifiable cash flows

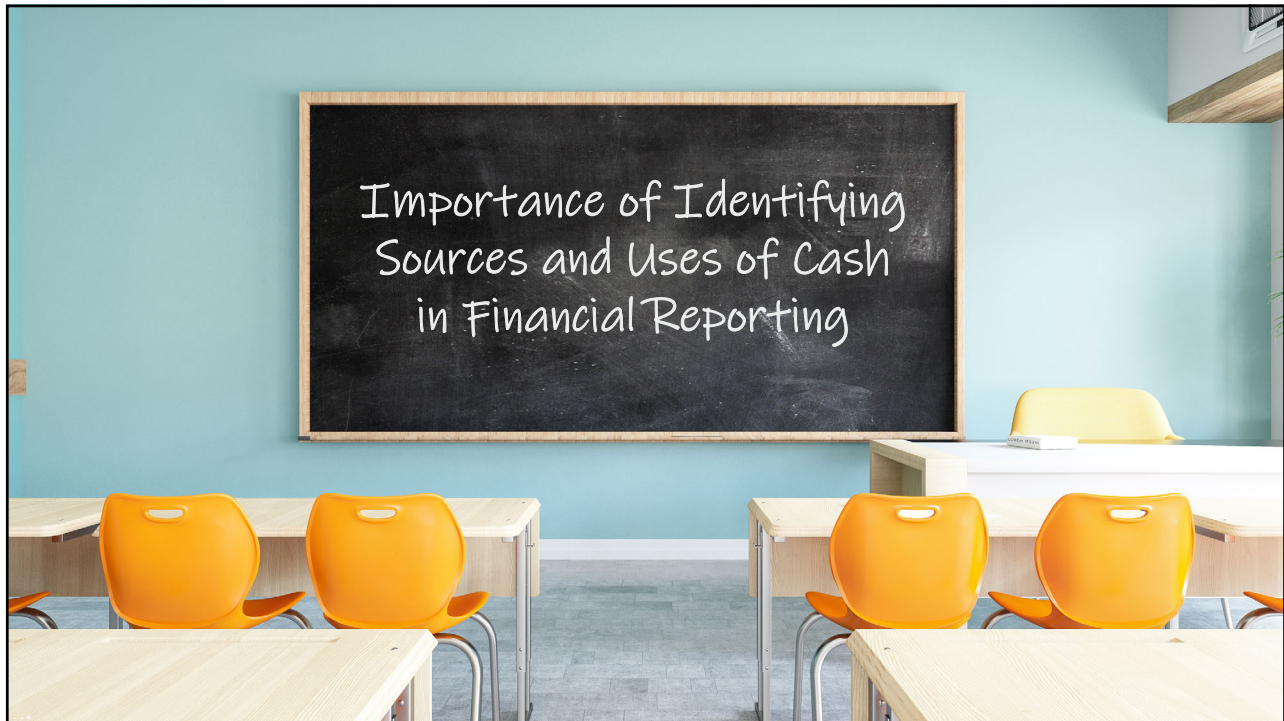
❖ Effective date for non-public entities

- Fiscal years beginning after December 15, 2018

65%

44

Listening to the Statement of Cash Flows



45

Cash is the Lifblood of an Organization

Liquidity

Stability

Capital Allocation Decisions

THE LAKER NATIONAL BANK
101 BUCK CTR
GRAND VALLEY MI 49401

THREAD GENIUS, LLC
730 CASH STREET
ALLENDALE, MI 49401

Have a Question or Concern?
Stop by your nearest Laker National office or contact us at:
1-800-425-4567

Laker Community Business Checking Account: 00000000000000000000

Statement Activity From 12/01/25 to 12/31/25

Beginning Balance	\$20,527.74
Deposits (+)	\$17,268.76
Checks (-)	\$1,268.76
Other Debits (-)	\$1,268.76
Ending Balance	\$22,726.43

Check in Statement Period: 31

Average Ledger Balance* 16,702.17

Average Collection Balance* 16,702.17

*The above balance corresponds to the service charge cycle for this account.

Deposits (+) Account: 00000000000000000000

Date	Amount	Serial #	Type	Date	Amount	Serial #	Type
12/01	\$1,268.76	30255444	Remode	12/17	\$10.00	30255470	Remode
12/07	\$1,268.76	30255480	Remode				

Checks (-) Account: 00000000000000000000

Date	Amount	Check #	Date	Amount	Check #
12/01	\$1,268.76	2075	12/16	\$1.37	2077
12/05	\$1,268.76	2076	12/25	\$10.00	2078

Other Debits (-) Account: 00000000000000000000

Date	Amount	Description
12/01	\$1,268.76	INTERNET FMT TO CDD: 120625 0000000000000000
12/11	\$1.37	COLLECTOR BANK GRANT Pymt: 251205 THREAD GENIUS

68%

Going Concern?

Safety Net

Stewardship

46

Listening to the Statement of Cash Flows

Cash & Cash Equivalents

What Amount of Cash Is Appropriate?

This will vary from company to company

It also can vary for a particular company based upon circumstances



69%

47

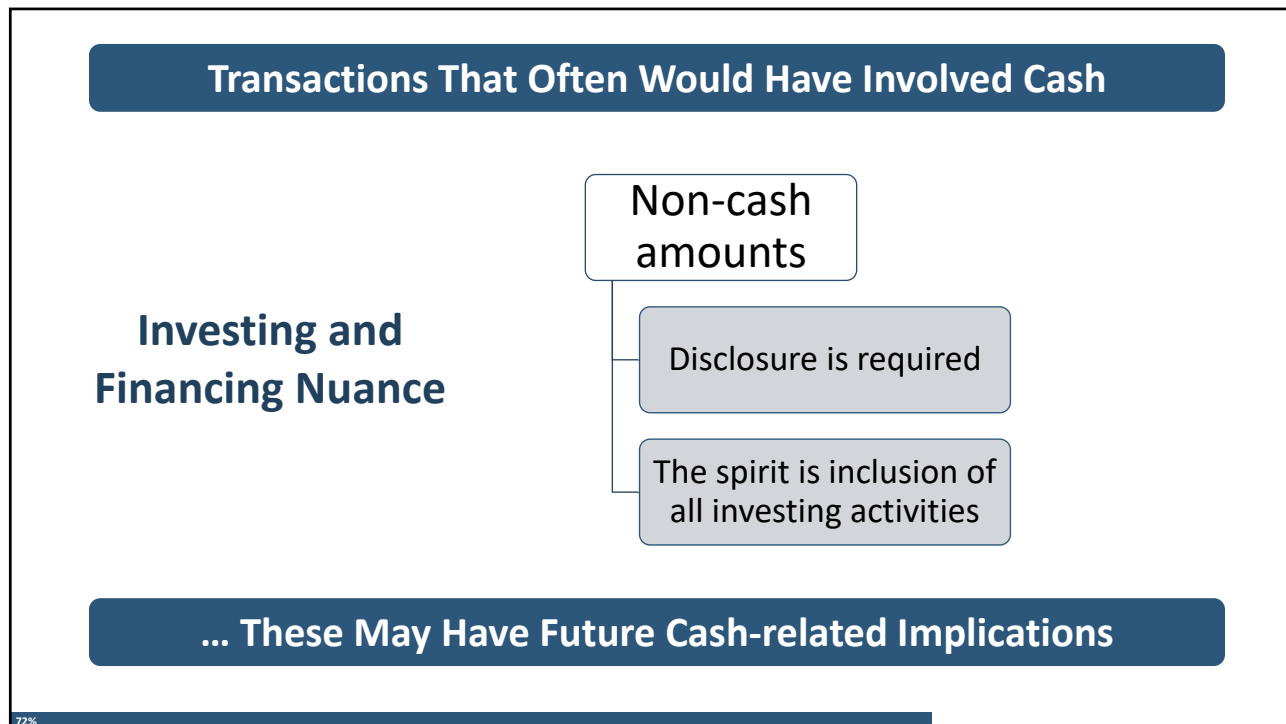
What Method Should You Use?



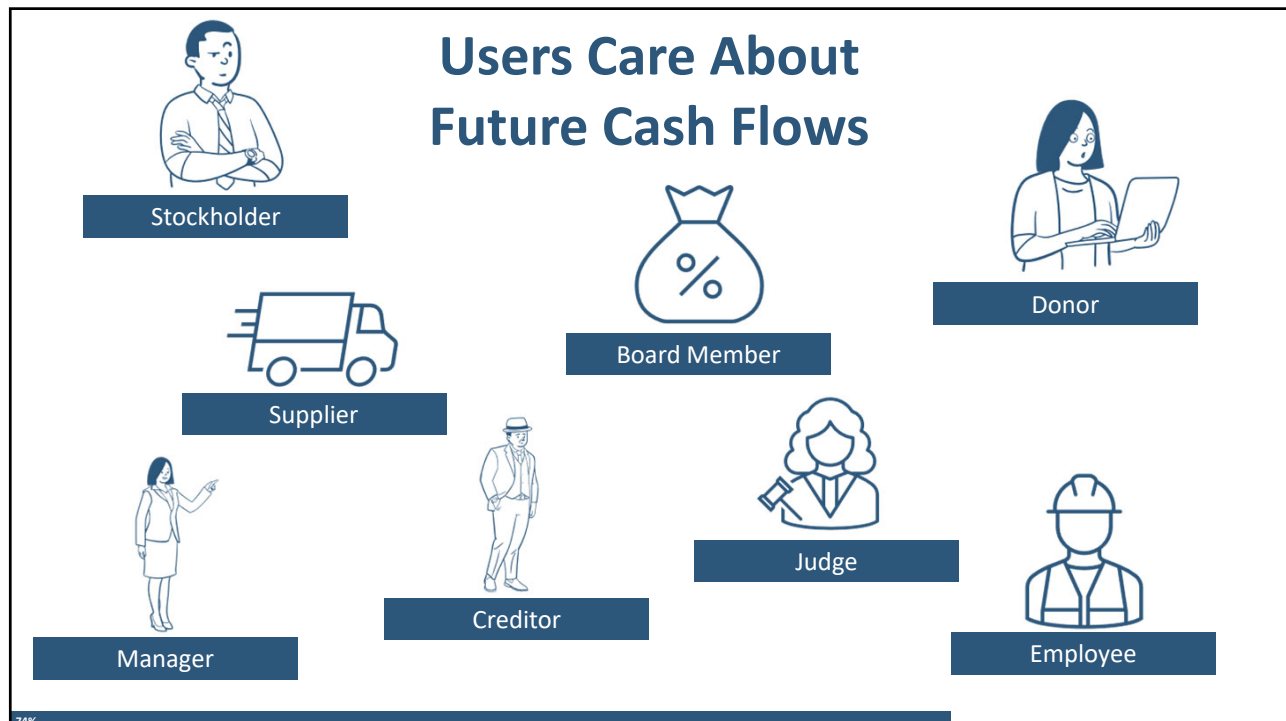
71%

48

Listening to the Statement of Cash Flows



49



50

Listening to the Statement of Cash Flows

Users Care About Future Cash Flows

Identifying Contracts with Customers?

“The contract has commercial substance (that is, the risk, timing, or amount of the entity’s future cash flows is expected to change as a result of the contract).” ASC 606-10-25-1(d)

Useful Life for a Right-of-use Asset?

“The period over which an asset is expected to contribute directly or indirectly to future cash flows.” ASU 2016-02

Future Cash Flow

Amount

Timing

Uncertainty

75%

51



52

Listening to the Statement of Cash Flows

Financial Statement Analysis

Images courtesy of <http://www.thebluediamondgallery.com/> under CC BY-SA 4.0

78%

53

Listening to the Statement of Cash Flows

STATEMENTS OF CASH FLOWS

LAKER MANUFACTURING CORPORATION
For the years ended December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Cash received from customers	\$ 11,045,262	\$ 11,316,748
Interest earned	410	400
Cash paid to suppliers and for operating expenses	(12,157,653)	(10,914,329)
Interest paid	(151,239)	(65,454)
Provided by (Used for) Operating Activities	(1,263,220)	337,365
Cash Flows from Investing Activities		
Capital expenditures	(136,762)	(167,029)
Proceeds from sale of property and equipment	-	13,000
Net Cash Used for Investing Activities	(136,762)	(154,029)
Cash Flows from Financing Activities		
Repayment of related-party obligations	(49,056)	(202,813)
Proceeds from short-term borrowing	1,776,624	214,640
Proceeds from long-term borrowing	72,414	(95,163)
Distributions paid to shareholders	(400,000)	(100,000)
Net Cash Provided by (Used for) Financing Activities	1,399,982	(183,336)
Net Increase in Cash	-	-
Beginning Cash Balance	10,000	10,000
Ending Cash Balance	<u>\$ 10,000</u>	<u>\$ 10,000</u>

79%

54

STATEMENTS OF CASH FLOWS

GROCERY WAREHOUSE CORPORATION
For the years ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Cash received from customers	\$ 42,676,184	\$ 42,444,836
Interest received	4,719	2,616
Cash paid to suppliers and for operating expenses	(42,572,508)	(41,280,538)
Interest paid	(12,753)	(5,004)
Net Cash Provided by Operating Activities	95,642	1,161,910
Cash Flows from Investing Activities		
Capital expenditures	(236,908)	(440,790)
Loans made to related parties	(313,032)	(125,000)
Payments received on related-party loans	43,870	19,308
Net Cash Used for Investing Activities	(506,070)	(546,482)
Cash Flows from Financing Activities		
Proceeds from short-term obligations	367,000	119,000
Shareholder distributions	(207,000)	(484,000)
Net Cash Provided by (Used for) Financing Activities	160,000	(365,000)
Net Increase (Decrease) in Cash	(250,428)	250,428
Beginning Cash Balance	250,428	-
Ending Cash Balance	<u>\$ -</u>	<u>\$ 250,428</u>

Listening to the Statement of Cash Flows

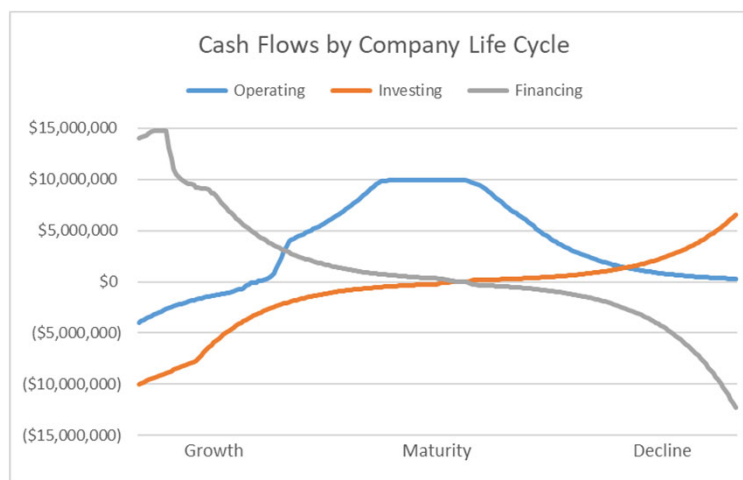
Listening to the Statement of Cash Flows

B	C	D	E	F	G	H	I	J
Common Financial Statement Metrics								
Metric	Formula		2021	2020	2019	2018	2017	Industry
Current Cash Debt Coverage Ratio	Cash Provided by Operations Average Current Liabilities		0.04	0.66	0.41	-0.01	0.32	0.50
Cash Debt Coverage Ratio	Cash Provided by Operations Average Total Liabilities		0.04	0.66	0.41	-0.01	0.15	0.20
Free Cash Flow	Cash Provided by Operating Activities - Capital Expenditures - Cash Dividends		(\$348,266)	\$237,120	\$874,362	(\$19,764)	\$64,676	

81%

55

Listening to the Statement of Cash Flows



82%

56

Listening to the Statement of Cash Flows

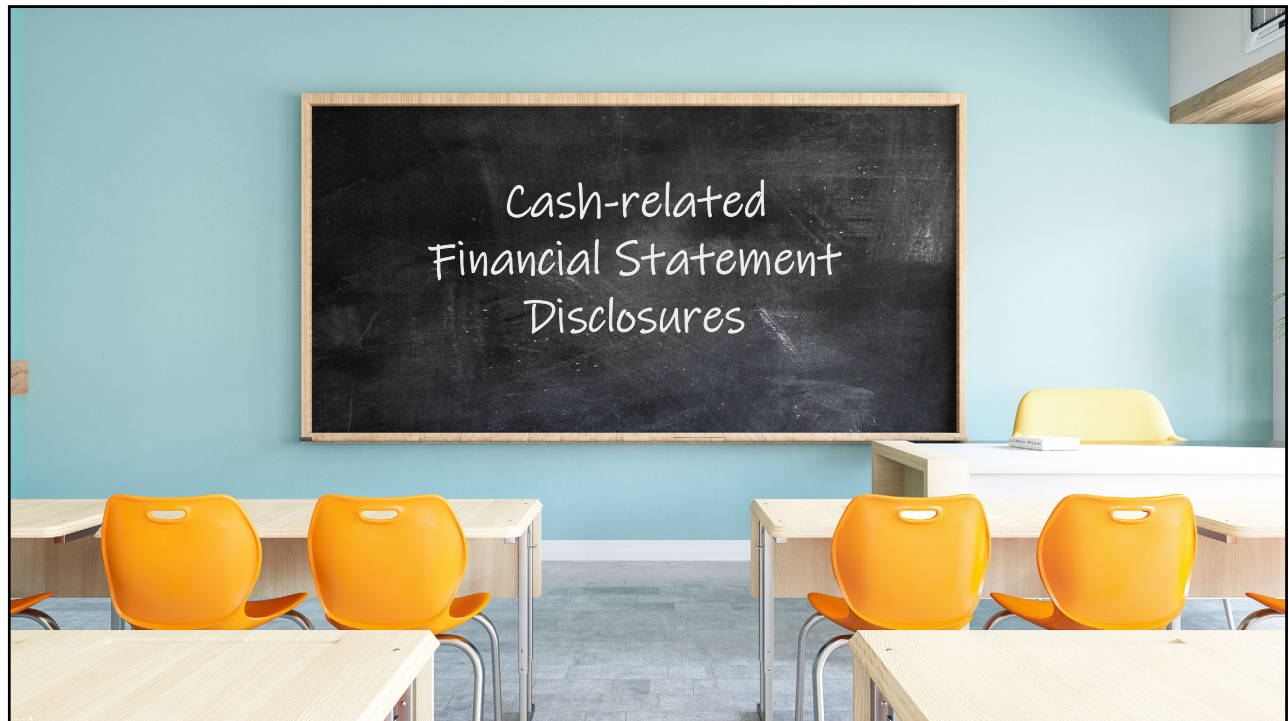
Listening to the Statement of Cash Flows

	2018	2019	2020	2021	2022
Sales Revenue	\$1,000,000	\$1,050,000	\$1,100,000	\$1,150,000	\$1,300,000
Cash Receipts	900,000	1,000,000	1,100,000	1,200,000	1,300,000
Year-end A.R. Balance	100,000	150,000	150,000	100,000	100,000
Net Income	200,000	210,000	220,000	230,000	260,000
Depreciation Expense	50,000	50,000	50,000	50,000	50,000
Increase in A.R.	(100,000)	(50,000)	0	50,000	0
Other Adjustments	50,000	50,000	50,000	50,000	50,000
Cash Provided by Operations	\$200,000	\$260,000	\$320,000	\$380,000	\$360,000

	2018	2019	2020	2021	2022
Sales Revenue	\$1,000,000	\$1,400,000	\$1,600,000	\$1,800,000	\$2,000,000
Cash Receipts	900,000	1,000,000	1,100,000	1,200,000	1,300,000
Year-end A.R. Balance	100,000	500,000	1,000,000	1,600,000	2,300,000
Net Income	200,000	560,000	720,000	880,000	960,000
Depreciation Expense	50,000	50,000	50,000	50,000	50,000
Increase in A.R.	(100,000)	(400,000)	(500,000)	(600,000)	(700,000)
Other Adjustments	50,000	50,000	50,000	50,000	50,000
Cash Provided by Operations	\$200,000	\$260,000	\$320,000	\$380,000	\$360,000

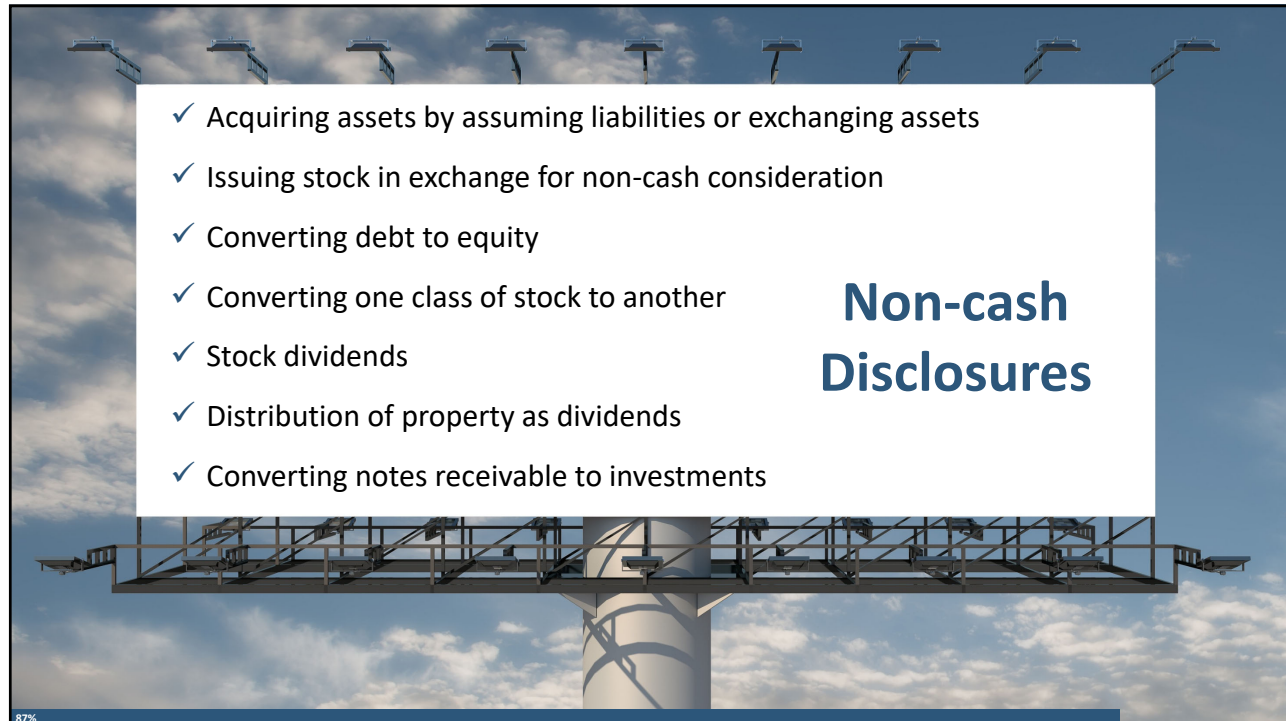
84%

57



58

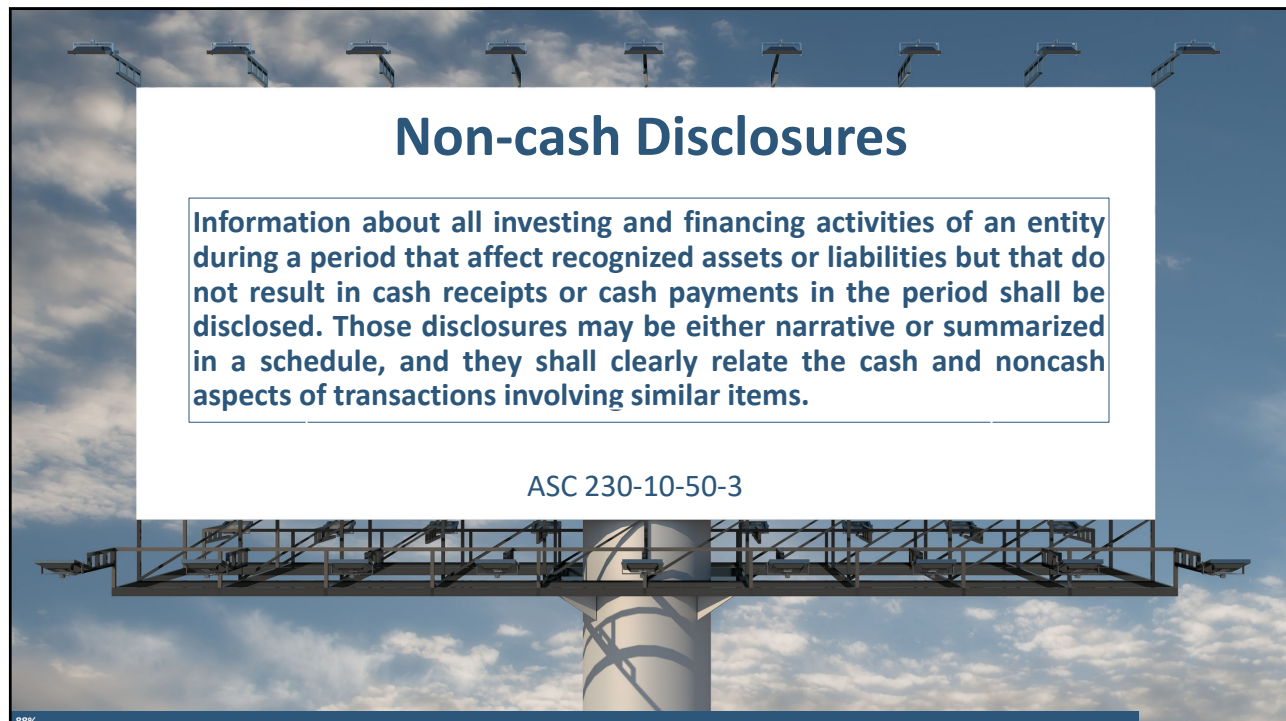
Listening to the Statement of Cash Flows



- ✓ Acquiring assets by assuming liabilities or exchanging assets
- ✓ Issuing stock in exchange for non-cash consideration
- ✓ Converting debt to equity
- ✓ Converting one class of stock to another
- ✓ Stock dividends
- ✓ Distribution of property as dividends
- ✓ Converting notes receivable to investments

Non-cash Disclosures

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Non-cash Disclosures

Information about all investing and financing activities of an entity during a period that affect recognized assets or liabilities but that do not result in cash receipts or cash payments in the period shall be disclosed. Those disclosures may be either narrative or summarized in a schedule, and they shall clearly relate the cash and noncash aspects of transactions involving similar items.

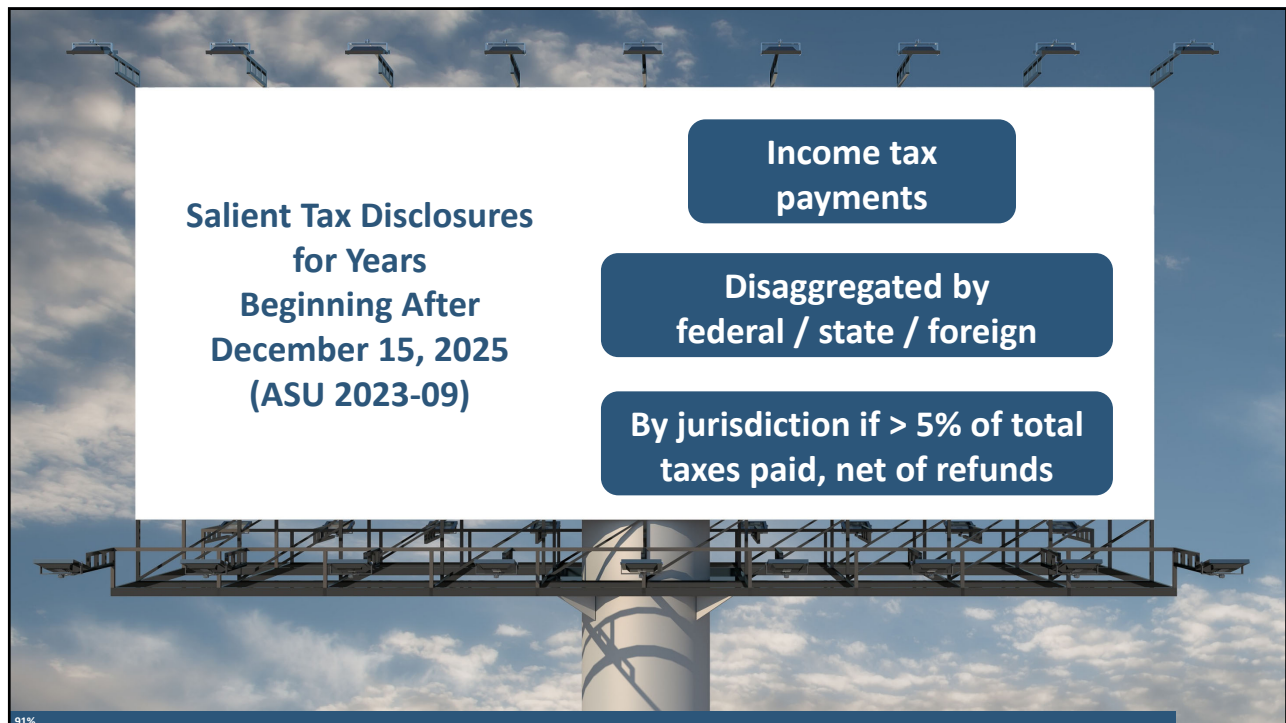
ASC 230-10-50-3

60

Listening to the Statement of Cash Flows

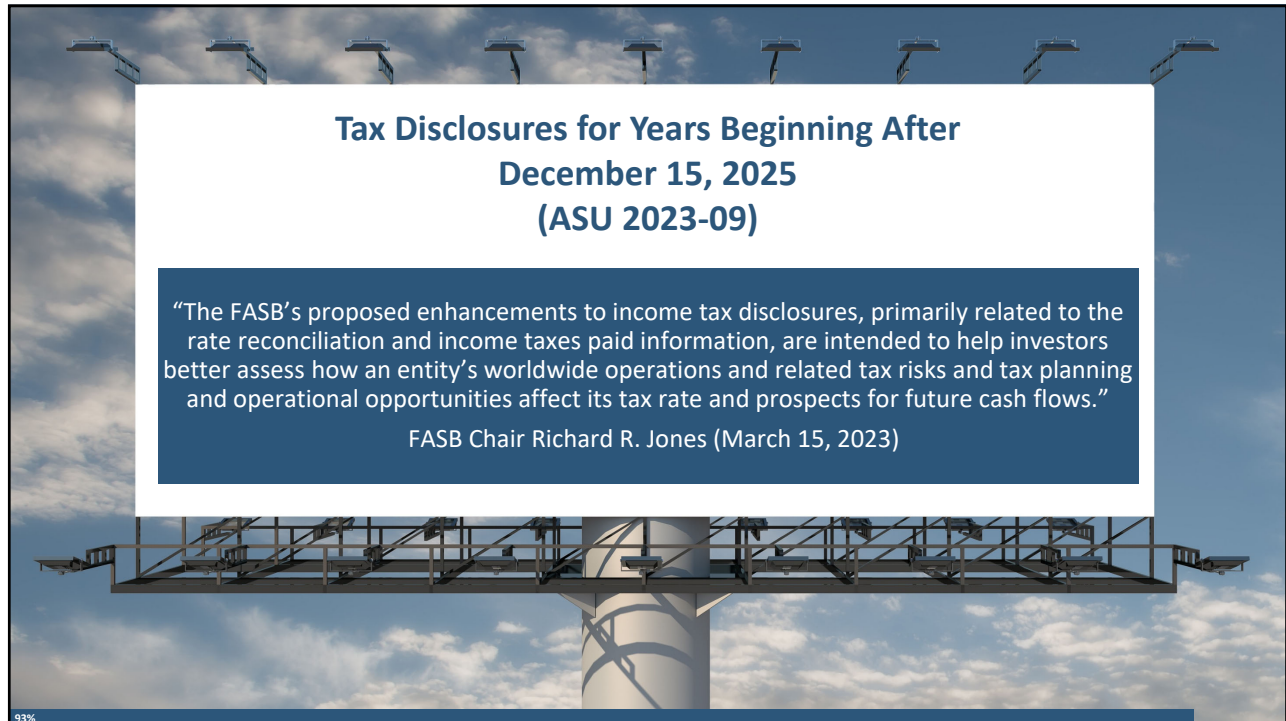


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Listening to the Statement of Cash Flows



63



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Listening to the Statement of Cash Flows

TODAY'S JOURNEY



Preparation of the
Statement of Cash
Flows



Importance of
Identifying Sources
and Uses of Cash in
Financial Reporting



Financial
Statement Analysis



Cash-related
Financial
Statement
Disclosures

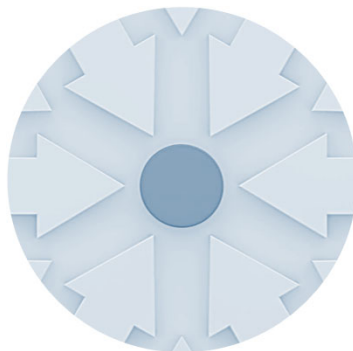


Summary

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IF YOU REMEMBER NOTHING ELSE

The statement of
cash flows is vital
for a holistic view



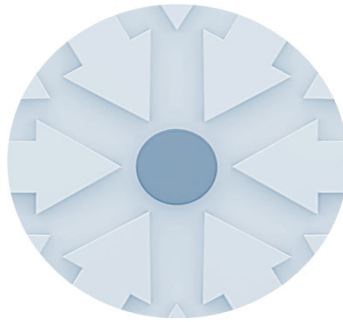
Financial statements
should help users
assess the amount,
likelihood, and timing
of future cash flows

66

Listening to the Statement of Cash Flows

IF YOU REMEMBER NOTHING ELSE

ASU 2023-09
introduces novel
disclosures regarding
cash payments for
income taxes



The statement of
cash flows tells
stories if you know
how to listen to it

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Listening to the Statement of Cash Flows



Materials Developed and Presented by:

Dr. Chris Harper, CPA, MBA
www.harpdoc.net

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