

STATEMENT OF CASH FLOWS

Key point: Everything that affects cash. (Inflows and outflows of cash)

Cash received: Sources of cash (inflows)
Cash paid: Uses of cash (outflows)

Two methods (how the operating activities are prepared): Direct Method and the Indirect Method

Both methods include: Operating Activities, Investing Activities, and Financing Activities. The method determines how to complete the operating activities section. The Investing and Financing Activities are completed the same way under both methods.

	<u>Direct Method</u>	<u>Indirect Method</u>
Operating Activities:	<p>Receipts:</p> <ul style="list-style-type: none"> Collections from Customer Interest Revenue Received Dividends received on investments <p>Payments:</p> <ul style="list-style-type: none"> To Suppliers To Employees For Interest For Income Tax 	<p>Net Income</p> <p>Adjustments to net Income:</p> <ul style="list-style-type: none"> Add back depreciation, depletion, and amortization exp. Gains(-)/Losses(+) on dispositions of assets Changes in current assets and liabilities (see logic table) Interest received (+) or paid (-) Dividends received (+)
Investing Activities:	<ol style="list-style-type: none"> 1. Cash received on disposition of long-term assets (ex: property, plant, and equipment (PPE); investments like stock purchases, etc. 2. Cash paid for purchases of long-term assets 	
Financing Activities:	<ol style="list-style-type: none"> 1. Issuing (+) or repayments (-) of long-term debt (like notes and bond payables) 2. Issuing (+) or repurchases (-) of company stock (common, preferred, or treasury stock) 3. Payment of dividends (-) 	

Type of Account	Change in Balance Sheet Account	Add or Subtract on Statement of Cash Flows	Use or Source of Cash
Assets	Increase	Subtract	Use
	Decrease	Add	Source
Liabilities and Stockholders' Equity	Increase	Add	Source
	Decrease	Subtract	Use