



51A Middle Street Newburyport MA 01950  
Phone: 800-588-7039 Fax: 877-902-4284  
[contact@bhfe.com](mailto:contact@bhfe.com) [www.bhfe.com](http://www.bhfe.com)

## Course Information

---

**Course Title:** *Statement of Cash Flows* #365518

**Number of continuing education credit hours recommended for this course:**

In accordance with the standards of the National Registry of CPE Sponsors CPE credits have been granted based on a 50-minute hour.

**CPA:** 2 (All states)  
National Registry of CPE Sponsors ID Number: 107615.  
Sponsor numbers for states requiring sponsor registration  
Florida Division of Certified Public Accountancy: 4761 (Ethics #11467)  
Hawaii Board of Accountancy: 14003  
New York State Board of Accountancy: 002146  
Ohio State Board of Accountancy: M0021  
Texas State Board of Accountancy: 009349

### Course Description

The statement of cash flows is the most difficult of the financial statements to prepare. This course makes the task easier by carefully defining each line item in the statement, noting the differing forms of allowable presentation, and illustrating how the statement can be assembled. The course also notes a multitude of special situations that may apply to one's specific circumstances. As an added bonus, *The Statement of Cash Flows* describes several key cash flow analyses, including how to interpret the statement.

**Program Delivery Method:** QAS Self-Study (interactive)

### Subject Codes/Field of Study

NASBA (CPA): Accounting

### Course Level, Prerequisites, and Advance Preparation Requirements

Program Level: NASBA (CPA): Overview.

This program is appropriate for professionals at all organizational levels.

Prerequisites: None

Advance Preparation: None

### Course Content

Publication/Revision date: 5/2/2018.

Author: Steven M. Bragg, CPA.

Final exam (online): Ten questions (multiple-choice).

### **Instructions for taking this course**

A passing grade of at least 70% is required on the final exam for this course. The exam may be retaken if not passed on the first attempt (no charge).

Complete the course by following the learning objectives listed below and studying the review questions after each major section (or chapter) in the text. Once you are confident that the learning objectives have been met, answer the final exam questions (online).

### **Instructions for Taking the Final Exam Online**

- Login to your account online at [www.bhfe.com](http://www.bhfe.com).
- Go to "My Account" and view your course.
- Select "Take Exam" for this course and follow instructions.

**Have a question?** Call us at 800-588-7039 or email us at [contact@bhfe.com](mailto:contact@bhfe.com).

---

## **Learning Objectives**

---

- Identify the classifications used within the statement of cash flows.
- Note the differences between the direct and indirect methods of presentation.
- Recognize the concepts of grouping and clustering information in the statement of cash flows.
- Note the origins of the information appearing in the statement of cash flows.
- Identify the treatment of acquisitions and foreign currency events in the statement of cash flows.
- Recognize the calculations used to compile ratios related to cash flows and the situations in which these measurements are most useful.

## About the Author

---

**Steven Bragg, CPA**, has been the chief financial officer or controller of four companies, as well as a consulting manager at Ernst & Young. He received a master's degree in finance from Bentley College, an MBA from Babson College, and a Bachelor's degree in Economics from the University of Maine. He has been a two-time president of the Colorado Mountain Club, and is an avid alpine skier, mountain biker, and certified master diver. Mr. Bragg resides in Centennial, Colorado. He has written the following books and courses:

Published by AccountingTools LLC, Centennial, Colorado.

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, except as permitted under Section 107 or 108 of the 1976 United States Copyright Act, without the prior written permission of the Publisher. Requests to the Publisher for permission should be addressed to Steven M. Bragg, 6727 E. Fremont Place, Centennial, CO 80112.

**Limit of Liability/Disclaimer of Warranty:** While the publisher and author have used their best efforts in preparing this book, they make no representations or warranties with respect to the accuracy or completeness of the contents of this book and specifically disclaim any implied warranties of merchantability or fitness for a particular purpose. No warranty may be created or extended by written sales materials. The advice and strategies contained herein may not be suitable for your situation. You should consult with a professional where appropriate. Neither the publisher nor author shall be liable for any loss of profit or any other commercial damages, including but not limited to special, incidental, consequential, or other damages.

Copyright © 2018 by AccountingTools LLC. All rights reserved.

# Table of Contents

---

<b>Course Information .....</b>	<b>ii</b>
<b>Learning Objectives .....</b>	<b>iii</b>
About the Author.....	iv
<b>Table of Contents.....</b>	<b>v</b>
<b>Chapter 1 The Statement of Cash Flows .....</b>	<b>1</b>
Learning Objectives .....	1
Introduction .....	1
Overview of the Statement of Cash Flows .....	1
Statement Objectives .....	2
Statement Requirements .....	2
Reporting Classifications .....	2
Sample Operating Activity Cash Inflows and Outflows .....	3
Sample Financing Activity Cash Inflows and Outflows .....	4
The Direct Method .....	4
The Indirect Method.....	7
Presentation Variations.....	10
Grouped Activities in a Partial Statement of Cash Flows .....	11
Combined Activities in a Partial Statement of Cash Flows .....	12
Information Sources .....	13
Illustration of the Preparation of a Statement of Cash Flows .....	15
Condensed Income Statement.....	15
Change in Certain Balance Sheet Accounts.....	15
Additional Topics.....	16
Business Combinations.....	16
Business Combination Presentation in a Partial Statement of Cash Flows .....	17
Discontinued Operations.....	17
Foreign Currency Cash Flows.....	17
Gains and Losses .....	18
Hedging Activities .....	18
Installment Sales .....	18
Interest and Dividend Receipts .....	18
Interest Payments.....	19
Non-Reportable Cash Events .....	19
Non-Use of Cash Equivalents.....	19
Receivables as Collateral .....	19
Restricted Cash .....	20
Sale of Receivables .....	20
Securities Recorded at Fair Value.....	20
Tax Payments.....	20
Advantages of the Statement of Cash Flows .....	20
General Advantages of the Statement of Cash Flows .....	20
Advantages of the Direct Method of Presentation .....	21
Advantages of the Indirect Method of Presentation.....	21
Disadvantages of the Statement of Cash Flows.....	21
Net Presentation .....	22

Data Collection Issues .....	22
Disclosures .....	23
Summary .....	24
<b>Chapter 2 Cash Flow Analysis.....</b>	<b>27</b>
Learning Objectives .....	27
Introduction .....	27
Overview of Cash Flow Measurements.....	27
Free Cash Flow.....	27
Cash Flow per Share .....	28
Cash Flow Return on Sales .....	29
Cash Flow Return on Assets .....	30
Cash Turnover Ratio .....	30
Cash Reinvestment Ratio .....	31
Interpreting the Statement of Cash Flows .....	31
Examination of Cash Flows from Operating Activities .....	32
Examination of Cash Flows from Investing Activities .....	33
Examination of Cash Flows from Financing Activities .....	34
Analysis Conclusions .....	35
Summary .....	35
<b>Answers to Course Questions .....</b>	<b>37</b>
<b>Glossary .....</b>	<b>40</b>
<b>Index .....</b>	<b>41</b>