

- What is the reporting purpose of the statement of cash flows?

. The primary purpose of the statement of cash flows is to provide information about cash receipts, cash payments, and the net change in cash resulting from the operating, investing, and financing activities of a company during the period.

- What are some investing activities reported on the statement of cash flows?
- Purchase of fixed assets (negative cash flow)
- Sale of fixed assets (positive cash flow)
- Purchase of investment instruments, such as stocks and bonds (negative cash flow)

- What are some financing activities reported on the statement of cash flows?

The financing activity in the cash flow statement focuses on how a firm raises capital and pays it back to investors through capital markets. These activities also include paying cash dividends, adding or changing loans, or issuing and selling more stock.

- Describe the direct methods of reporting cash flows from operating activities.

The direct method is one of two accounting treatments used to generate a cash flow statement. The statement of cash flows direct method uses actual cash inflows and outflows from the company's operations, instead of modifying the operating section from accrual accounting to a cash basis.

- When a statement of cash flows is prepared using the direct method, what are some of the operating cash flows?

The direct method is one of two accounting treatments used to generate a cash flow statement. The statement of cash flows direct method uses actual cash inflows and outflows from the company's operations, instead of modifying the operating section from accrual accounting to a cash basis.

- Describe the indirect method of reporting cash flows from operating activities.

The indirect method presents the statement of cash flows beginning with net income or loss, with subsequent additions to or deductions from that amount for non-cash revenue and expense items, resulting in cash flow from operating activities.

- Where on the statement of cash flows is the payment of cash dividends reported?

Investors can view the total amount of dividends paid for the reporting period in the financing section of the statement of cash flows. The cash flow statement shows how much cash is entering or leaving a company. In the case of dividends paid, it would be listed as a use of cash for the period.

- If a company reports positive net income for the year, can it also show a net cash outflow from operating activities? Explain briefly.

Yes; even though a company reports positive net income for the year, it may still show a net cash outflow from operating activities.

- Is depreciation a source of cash flow?

While the amount of depreciation expense is not a source of cash, it does reduce a corporation's taxable income.