

Statement of Cash Flows

2nd Edition

Steven M. Bragg

Table of Contents

Chapter 1 – The Statement of Cash Flows.....	1
Learning Objectives.....	1
Introduction	1
Overview of the Statement of Cash Flows	1
Statement Objectives.....	2
Statement Requirements	2
Reporting Classifications.....	3
The Direct Method.....	5
The Indirect Method	9
Presentation Variations	12
Information Sources	14
Illustration of the Preparation of a Statement of Cash Flows	16
Additional Topics.....	18
Business Combinations.....	19
Discontinued Operations.....	19
Foreign Currency Cash Flows.....	20
Gains and Losses	20
Hedging Activities	20
Installment Sales	21
Interest and Dividend Receipts.....	21
Interest Payments.....	21
Non-Reportable Cash Events.....	22
Non-Use of Cash Equivalents	22
Receivables as Collateral.....	22
Restricted Cash	23
Sale of Receivables	23
Securities Recorded at Fair Value.....	23
Tax Payments.....	23
Advantages of the Statement of Cash Flows.....	23
General Advantages of the Statement of Cash Flows.....	24
Advantages of the Direct Method of Presentation.....	24
Advantages of the Indirect Method of Presentation.....	25
Disadvantages of the Statement of Cash Flows	25
Net Presentation	26
Data Collection Issues.....	27
Disclosures	28
Chapter Summary	30
Review Questions	31
Review Answers.....	32
Chapter 2 – Cash Flow Analysis	35
Learning Objectives.....	35
Introduction	35

Table of Contents

Overview of Cash Flow Measurements.....	35
Free Cash Flow.....	36
Cash Flow per Share.....	37
Cash Flow Return on Sales.....	38
Cash Flow Return on Assets	39
Cash Turnover Ratio	40
Cash Reinvestment Ratio.....	40
Interpreting the Statement of Cash Flows	41
Examination of Cash Flows from Operating Activities.....	42
Examination of Cash Flows from Investing Activities	44
Examination of Cash Flows from Financing Activities	45
Analysis Conclusions	46
Chapter Summary	47
Review Questions	48
Review Answers.....	49
Glossary.....	51
Index.....	53