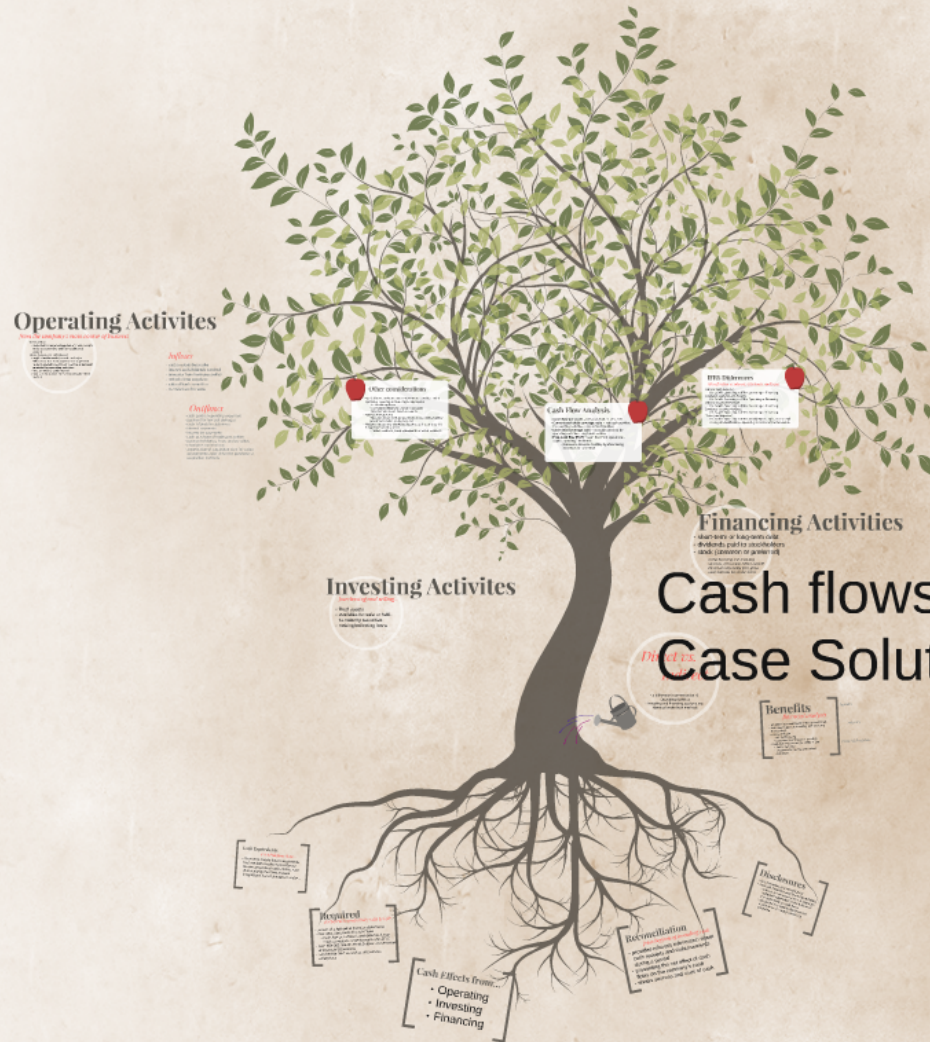


Cash flows and likely distribution of values

Case Solution



Cash Equivalents

GAAP defines it as...

- short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value...

Required

prepared in conformity with GAAP

- as part of a **full set** of financial statements
- ASC 230, *Statement of Cash Flows*
 - *cash flow per share is prohibited as it may imply a measure of performance (ie: EPS)*
- ASC 958-205 *Not-for-Profit Entities: Presentation of Financial Statements*
- *required for NFP as well as all business enterprises*

Cash Effects from...

- Operating
- Investing
- Financing

Reconciliation

from beginning to ending cash

- provides relevant information about cash receipts and disbursements during a period
- presenting the net effect of cash flows on the company's *cash*
- shows *sources* and *uses* of cash

Disclosures

- Income taxes and interest paid
- noncash investing and financing activities
 - can be in narrative form in a separate schedule appended at the bottom of the statement of cash flows
 - disclosed in a note to the financial statements or a supplementary schedule

Benefits

financial analysis

- enables the assessment of future cash flows
- indicates impact on investing and financing transactions
- shows ability to
 - obtain financing
 - generate recurring cash earnings
- evaluates the company's ability to pay
 - debt when due
 - expenses for normal operations
 - dividends