



Department of Education  
**SCHOOLS DIVISION OF CITY OF MEYCAUAYAN**  
Pag-asa St., Malhacan, City of Meycauayan, Bulacan



Senior High School

**12**

# **Activity Sheet** **in** **Fundamentals of** **Accountancy, Business** **and Management 2**

**Statement of Cashflow**

**ABM FABM12-If10 & ABM FABM12-If11**



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## STATEMENT OF CASH FLOW



### LET US KNOW

From Michelle Cagans' book Accounting 101 she mentioned that cash are the most complicated of the standard financial reports prepared at the end of every accounting period. The ending cash balance is always equal to the current cash amount reported in the balance sheet. In this activity sheet, we will practice the skill of preparing statement of cashflow and learned it significance in managing our business operation.



### LET US REVIEW

Copy and complete the **sandwich chart** below and recall the important details we learned from our previous lesson Statement of Changes in Equity financial statement. Write your answer on a separate sheet of paper.

Topic:	<b>Statement of Changes in Equity</b>		
Detail:			
Detail:			
Detail:			
Concluding Sentence:			

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## LET US STUDY

**Cash flow statement is under (PAS 7).** The objective of the standard is to require provision on the historical changes in cash and cash equivalents of an entity by means of a cash flow statement which classifies cash flow during the period from operating, investing and financing activities. The purpose of this financial report is to provide users of financial statement with a basis to assess the ability of an entity to generate cash and cash equivalent, and ability of a firm to source out and utilized cash available within the firm. It is considered integral part of an entity's financial statement according to Roberto Palma author of Basic Accounting 1, Sole Proprietorship. Cash flow is a conjunction with the rest of the financial statement which evaluates the changes in net assets of an entity, its financial structure and timing in adapting to the changes in business environment.

### Definition of Terms :

- **Cash** comprises cash on hand and demand deposit.
- **Cash equivalents** are short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.
- **Cash Inflow** are inflows and outflows of cash and cash equivalents.
- **Inflows** of cash means cash is received by the company or there is an increase in amount of cash account. Inflow of cash is also called **cash receipt**.
- **Outflow** of cash means cash is paid by the company or there is a decrease in the amount of cash account. Outflow of cash is also called **cash payment**.
- **Cash Flow Statement** was originally called Statement of Sources and Use of Cash.

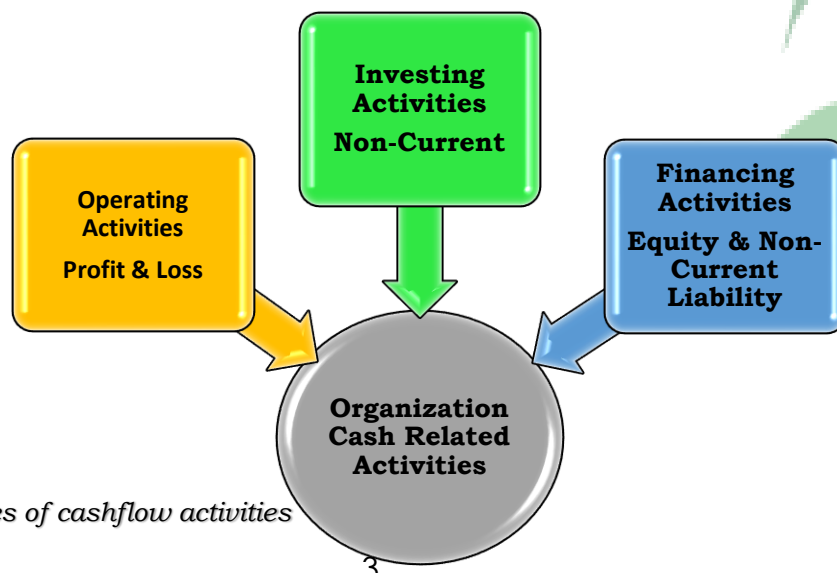


Figure1. Three categories of cashflow activities

## Method of Cash Flow

**Direct Method** converts individual cash receipts and cash payment to cash inflows(sources of cash) and cash outflow (usage of cash).

**Indirect Method** makes the necessary adjustment to net income to arrive at the net cash flow from operating activities. The process necessitates the analysis of changes in balance sheet accounts. **Only cash flow from operating activities uses indirect method.** Cash flows from investing activities and financing activities uses direct method.

Classification of Cash Flows	
	Examples
<b>Cash flow from operating activities</b> are the principal revenue-producing activities of the entity. This is essentially the conversion of income statement items to inflow and outflow of cash It involved income statement account and current asset account except (short-term investment such as trading securities or marketable securities) and current liabilities account and buy and sell of all non-current assets.	<ul style="list-style-type: none"><li>• Cash receipts from sale of goods and rendering of service (+)</li><li>• Cash receipts from royalties, fees, commission, and other revenue (+)</li><li>• Cash payment to suppliers of goods and services (-)</li><li>• Cash payment to employees(-)</li><li>• Cash Payments to income taxes (-)</li><li>• Interest paid (-)</li><li>• Interest received(+)</li><li>• Dividend Received (+)</li></ul>
<b>Cash flow from investing activities</b> are acquisition and disposal of long-term assets and <b>short-term and long-term investments</b> and buy and sell of all non- current assets.	<ul style="list-style-type: none"><li>• Cash to acquire property, plant, and equipment (-)</li><li>• Cash payments to acquire intangible assets (-)</li><li>• Cash receipt from sale of property plant and equipment (+)</li><li>• Cash receipts from sale of intangible assets (+)</li><li>• Cash receipts from sale of long-term assets (+)</li></ul>

**Cash flow from financing activities** are activities that result in changes in the size and composition of contributed and borrowing of entity. It involves all liabilities related to borrowings from financial institution and all accounts in the equity section except net income (included the operating activities).

- Cash investment from owners (+)
- Cash proceeds from the bank loans (+)
- Cash distribution to owners (-)
- Repayment of loans (-)

### Preparation of Statement of Cash flow

1. Heading consist of company name, title of the statement and the period covered by the statement.

Espejo Law Office
Statement of Cash Flows
For the Period Ended December 31, 2019

2. Analyze transactions, classify whether the nature transactions are operating, investing, or financing with a ₱ 250,000 beginning cash balance.
3. Prepare the Operating Activities Section.

CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from rendering of service			₱207,500.00
Cash payment to suppliers of goods and services			-₱150,000.00
<b>Net Cash flow from operating activities</b>			<b>₱57,500.00</b>

4. Prepare the Investing Activities Section.

CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of office equipment			-₱30,000.00
<b>Net Cash flow used in investing Activities</b>			<b>-₱30,000.00</b>

5. Prepare the Financing Activities Section.

<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from cash investment of owners			₱1,500,000.00
Proceed from bank loans			₱100,000.00
Payment to owners			-₱25,000.00
<b>Net Cash Flow from Financing Activities</b>			<b>₱1,575,000.00</b>

6. To compute for cash at the end of the period, add all the net cash flow activities including the cash at the beginning of the period.

<b>Espejo Law Office</b>			
<b>Statement of Cash Flows</b>			
<b>For the Period Ended December 31,2019</b>			
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from rendering services			₱207,500.00
Cash Payment to suppliers of Goods and services			-₱150,000.00
<b>Net Cash flow from operating activities</b>			<b>₱57,500.00</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment			-₱30,000.00
<b>Net Cash flow from Investing activities</b>			<b>-₱30,000.00</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from cash investment of owners			₱1,500,000.00
Proceeds from bank loans			₱100,000.00
Payment to owners			-₱25,000.00
<b>Net Cash flow from financing activities</b>			<b>₱1,575,000.00</b>
<b>Net Increase in Cash</b>			<b>₱1,602,500.00</b>
<b>Cash at the beginning of the period</b>			<b>₱250,000.00</b>
<b>Cash at the end of the period</b>			<b>₱1,852,500.00</b>

Note: "Cash at the end of the period" is linked to the reported cash and cash equivalent to the Statement of Financial Position.



## LET US PRACTICE

I. Classify the business transactions listed below whether they are operating, investing or financing activity in Statement of Cash Flow. Write your answer on your notebook.

1. \_\_\_\_\_ Investment by owner
2. \_\_\_\_\_ Sale of Land
3. \_\_\_\_\_ Sale of Merchandise
4. \_\_\_\_\_ Purchase Equipment
5. \_\_\_\_\_ Purchase of raw materials inventory
6. \_\_\_\_\_ Payment of interest
7. \_\_\_\_\_ Payment of income tax
8. \_\_\_\_\_ Collection of receivables
9. \_\_\_\_\_ Purchase of Trademarks
10. \_\_\_\_\_ Proceeds on bank loan
11. \_\_\_\_\_ Purchase of old Equipment
12. \_\_\_\_\_ Proceeds from long-term debt
13. \_\_\_\_\_ Payment acquisition of shares of stocks.
14. \_\_\_\_\_ Receipt from service rendered
15. \_\_\_\_\_ Cash withdrawal by the owner



## LET US REMEMBER

### Indirect Method

#### Current Assets

1. An **increase in current asset** (except cash account and marketable or trading securities) **is an Outflow.**
2. A **decrease in current assets** (except cash account or marketable or trading securities) **is an Inflow.**

#### Current Liabilities

1. An **increase in current liabilities** is an **Inflow.**
2. **Decrease in current liabilities** is an **Outflow.**



**Indirect Method** is easier to prepare because it involves.

- a. **Non-cash expenses** (such as depreciation ,depletion expense ,amortization expense of intangible assets, amortization of premium bond investment, amortization of discount on bond investment).
- b. Changes in balances of each current assets and current liabilities account except cash and current investments from last year to this year.

**Cash at the end of the period”** is linked to the reported cash and cash equivalent to the Statement of Financial Position.



### LET US APPRECIATE

Write an essay on the significance of **Statement of Cash flow**. Include in your content the effect if an entity fails to prepare the report at the end of the accounting period. Write your answer on separate sheet of paper.

RUBRICS	
<b>5 pts.</b>	Learner set a strong introduction, with organized thought and complete information. Brief, but with substance.
<b>4 pts.</b>	Learners present his thoughts with organization, however, it lacks depth and used informal language.
<b>3 pts.</b>	Attempt to present the details with organization. Uses informal language and it was not neatly written.
<b>2 pts.</b>	Shows limited understanding of the topic and learner failed to establish the details with clarity.
<b>1 pt.</b>	Failed to present insightful message. Lack organization and failed to establish the details with clarity.





## LET US PRACTICE MORE

Below is the cash transaction of Sharmaine Esquilla, of Hardware & Software Computer Service for December 31, 2019. Prepare the statement of Cash flows using indirect method. Use the Microsoft Excel application in presenting your answer.

Cash payment to suppliers of computer hardware	(-)	₱25,000.00
Cash receipts from rendering of services	(+)	₱50,000.00
Payment to owners	(-)	₱10,000.00
Proceeds from bank loans	(+)	₱50,000.00
Proceeds from cash investment of owners	(+)	₱100,000.00
Payment for acquisition of equipments	(-)	₱120,000.00
Cash at the beginning of the year		₱1,000,000.00

Answer the following questions.

1. How much is the cashflow from operating activities?
2. How much is the cashflow from investing activities?
3. How much is the cashflow from financing activities?
4. How much is the net increase or decrease in cash for the year?
5. How much is the cash as of December 31, 2019?



## EVALUATION

I. Choose the letter of the correct answer. Write your answer on a 12-column worksheet.

1. Statement of Cash is under what Philippine Accounting Standard.  
a. PAS 1 b. PAS 5 c. PAS 7 d. PAS 2
2. What is the effect in the cash account when a company bought merchandise inventory?  
a. an increase in current asset is an inflow of cash.  
b an increase in current is an outflow of cash.  
c. A decrease in current asset is an inflow of cash.  
d. A decrease in current asset is an outflow of cash.
3. \_\_\_\_\_ is an inflows and outflows of cash and cash equivalents.  
a. Cash flow  
b Cash inflow  
c. Cash outflow  
d. Statement of Cash Flow
4. \_\_\_\_\_ is a cash paid by the company or there is a decrease in the amount of cash account.  
a. Cash flow b. Cash inflow c. Cash outflow d. Statement of Cash flow
5. Which of the following reason is **not** true about indirect method of Statement of Cash Flow?  
a. Non-cash expenses (such as depreciation, depletion expense ,amortization expense of intangible assets, amortization of premium bond investment, amortization of discount on bond investment).  
b. Changes in balances of each current assets and current liabilities account except cash and current investments from last year to this year.  
c. It is not easy to prepare.  
d. Both a and b

## II. Preparation of Statement of Cash Flow

The cash account details below are from Gabayno's Real Trading as of December 31,2019.You are required to prepare the entity's Statement of Cash flow. Answer the following questions as you prepare the financial statement. Write your answer on a 12-column worksheet .

1. How much is the cash flow from operating activities?
2. How much is the cash flow from investing activities ?
3. How much is the cash flow from financing activities ?
4. How much is the increase or decrease in cash for year?
5. How much is the cash as of December 31, 2019?

Cash payment to supplies goods and services	(-)	₱25,000.00
Cash receipts from rendering of services	(+)	₱50,000.00
Payment to owners	(-)	₱5,000.00
Proceeds from bank loans	(+)	₱25,000.00
Proceed from cash investment of owners	(+)	₱115,000.00
Payment to income taxes	(-)	₱12,000.00
Payment for interest	(-)	₱12,500.00
Proceeds from dividend of investment	(+)	₱15,000.00
Payment for acquisition of equipment	(-)	₱100,000.00
Cash at the beginning of the year	(+)	₱1,000,000.00





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## **ACKNOWLEDGEMENT**

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