

Statement of Cash Flows

FABM2: LESSON 5

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Statement of Cash Flows

Summarizes the **cash receipts and disbursements** of a business for a specific accounting period. It classifies cash activities into three main categories: **operating, investing, and financing activities**

Operating Activities

These involve cash **inflows and outflows** arising from the normal, day-to-day operations of the business.

- **Cash Receipts:** Collections from customers for goods or services, as well as royalties, fees, commissions, interest, and dividends received.
- **Cash Payments:** Payments to suppliers, employee salaries, government taxes/licenses, interest expenses, and other operating costs.

Investing Activities

These involve cash flows related to the **purchase and sale of long-term assets** and other investments.

- **Includes:** The purchase or sale of property and equipment, investments in debt or trading securities, and the lending of money or collection of loan principals.

Financing Activities

These relate to cash flows between the business and its **owners or creditors**.

- **Cash Receipts:** Original and additional investments made by the owner, as well as proceeds from loans.
- **Cash Payments:** Cash withdrawals by the owner and payments made toward the principal balance of a loan.

Thank You!

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