230 - Statement of Cash Flows

230-10 - Overall

230-10-**00 - Status**

General Note: The Status Section identifies changes to this Subtopic resulting from Accounting Standards Updates. The Section provides references to the affected Codification content and links to the related Accounting Standards Updates. Nonsubstantive changes for items such as editorial, link and similar corrections are included separately in Maintenance Updates.

General

230-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Board-Designated Endowment	Added	Accounting Standards	08/18/2016
Fund	Added	Update No. 2016-14	00/10/2010
Conditional Contribution	Added	Accounting Standards	06/21/2018
conditional contribution	Added	Update No. 2018-08	00,21,2010
Contract	Added	Accounting Standards	02/25/2016
		Update No. 2016-02	, ,, ,
Contribution	Amended	Accounting Standards	06/21/2018
		<u>Update No. 2018-08</u>	, ,
Contribution	Added	Accounting Standards	08/18/2016
		<u>Update No. 2016-14</u>	
Donor-Imposed Condition	Added	Accounting Standards	06/21/2018
		<u>Update No. 2018-08</u>	
Donor-Imposed Restriction	Added	Accounting Standards	08/18/2016
		<u>Update No. 2016-14</u>	
Donor-Restricted Endowment	Added	Accounting Standards	08/18/2016
Fund		<u>Update No. 2016-14</u>	
Effective Interest Rate	Amended	Accounting Standards	12/14/2016
		<u>Update No. 2016-19</u>	
Effective Interest Rate	Added	Accounting Standards	08/26/2016
		<u>Update No. 2016-15</u>	
Endowment Fund	Added	Accounting Standards	08/18/2016
		<u>Update No. 2016-14</u>	
Fair Value (3rd def.)	Added	Accounting Standards	10/01/2012
		<u>Update No. 2012-04</u>	
Financial Asset (1st def.)	Superseded	Accounting Standards	12/14/2016
		<u>Update No. 2016-19</u>	
Financial Asset (1st def.)	Added	Accounting Standards	10/22/2012
		<u>Update No. 2012-05</u>	10/11/0016
Financial Asset (2nd def.)	Added	Accounting Standards	12/14/2016
		<u>Update No. 2016-19</u>	00/40/2046
Funds Functioning as	Added	Accounting Standards	08/18/2016
Endowment	الم ما ما م	Update No. 2016-14	00/10/2016
Inherent Contribution	Added	Accounting Standards	08/18/2016
Loaco	Added	<u>Update No. 2016-14</u> Accounting Standards	02/25/2016
Lease	Added	Update No. 2016-02	02/23/2010
Lease Liability	Added	Accounting Standards	02/25/2016
Lease Liability	Added	Update No. 2016-02	02/23/2010
Lease Payments	Added	Accounting Standards	02/25/2016
Lease rayments	Added	Update No. 2016-02	02/23/2010
Lease Term	Added	Accounting Standards	02/25/2016
	7.0000	Update No. 2016-02	02, 20, 2010
Lessee	Added	Accounting Standards	02/25/2016
		Update No. 2016-02	,,
Lessor	Added	Accounting Standards	02/25/2016
		Update No. 2016-02	
Net Assets	Added	Accounting Standards	08/18/2016
		Update No. 2016-14	
Net Assets with Donor	Added	Accounting Standards	08/18/2016
Restrictions		<u>Update No. 2016-14</u>	
Net Assets without Donor	Added	Accounting Standards	08/18/2016
Restrictions		<u>Update No. 2016-14</u>	
Promise to Give	Added	Accounting Standards	06/21/2018

		Hadata Na. 2010 00	
Public Business Entity	Amended	Update No. 2018-08 Maintenance Update	04/07/2017
rable basiless Energy	Amenaea	2017-06	01/07/2017
Public Business Entity	Added	Accounting Standards	11/17/2016
		<u>Update No. 2016-18</u>	
Purchased Financial Assets with	Amended	Accounting Standards	12/14/2016
Credit Deterioration	المعاملة المعاملة	Update No. 2016-19	00/26/2016
Purchased Financial Assets with Credit Deterioration	Added	Accounting Standards Update No. 2016-15	08/26/2016
Right-of-Use Asset	Added	Accounting Standards	02/25/2016
3		Update No. 2016-02	., ., .
Underlying Asset	Added	Accounting Standards	02/25/2016
		<u>Update No. 2016-02</u>	
230-10-05-3	Amended	Accounting Standards	06/10/2014
230-10-15-4	Amended	Update No. 2014-10 Accounting Standards	05/01/2015
250 10 15 1	Amended	Update No. 2015-07	03/01/2013
230-10-15-4	Amended	Accounting Standards	06/07/2013
		<u>Update No. 2013-08</u>	
230-10-15-4	Amended	Accounting Standards	10/01/2012
220 10 4F 4	Amended	Update No. 2012-04 Accounting Standards	11/17/2016
230-10-45-4	Amended	Update No. 2016-18	11/17/2010
230-10-45-5	Amended	Accounting Standards	11/17/2016
		<u>Update No. 2016-18</u>	
230-10-45-11 through 45-13	Amended	Accounting Standards	01/05/2016
220 40 45 42		<u>Update No. 2016-01</u>	10/22/2012
230-10-45-12	Amended	Accounting Standards Update No. 2012-05	10/22/2012
230-10-45-12	Amended	Accounting Standards	08/26/2016
		Update No. 2016-15	,
230-10-45-13	Amended	Accounting Standards	08/26/2016
		<u>Update No. 2016-15</u>	
230-10-45-14	Amended	Accounting Standards	08/18/2016
230-10-45-14	Amended	Update No. 2016-14 Accounting Standards	03/30/2016
	7	Update No. 2016-09	00,00,2020
230-10-45-15 through 45-17	Amended	Accounting Standards	08/26/2016
		<u>Update No. 2016-15</u>	
230-10-45-15	Amended	Accounting Standards	06/20/2018
230-10-45-15	Amended	<u>Update No. 2018-07</u> <u>Accounting Standards</u>	03/30/2016
250 10 15 15	, and add	Update No. 2016-09	03/30/2010
230-10-45-17	Amended	Accounting Standards	08/18/2016
		<u>Update No. 2016-14</u>	
230-10-45-17	Amended	Accounting Standards	03/30/2016
230-10-45-19	Amended	<u>Update No. 2016-09</u> <u>Accounting Standards</u>	01/05/2016
230 10 13 13	Amended	Update No. 2016-01	01/03/2010
230-10-45-20	Amended	Accounting Standards	06/12/2015
		<u>Update No. 2015-10</u>	
230-10-45-21	Amended	Accounting Standards	06/16/2016
220 10 4F 21	Amended	Update No. 2016-13 Accounting Standards	01/05/2016
<u>230-10-45-21</u>	Amended	Update No. 2016-01	01/03/2010
230-10-45-21	Amended	Accounting Standards	10/01/2012
		<u>Update No. 2012-04</u>	
230-10-45-21A	Amended	Accounting Standards	12/13/2023
230-10-45 214	Amondod	Update No. 2023-08	12/14/2016
230-10-45-21A	Amended	Accounting Standards Update No. 2016-19	12/14/2016
230-10-45-21A	Added	Accounting Standards	10/22/2012
		<u>Update No. 2012-05</u>	-
230-10-45-21B through 45-21D	Added	Accounting Standards	08/26/2016
220 10 45 22	Amorded	Update No. 2016-15	00/20/2010
230-10-45-22	Amended	Accounting Standards Update No. 2016-15	08/26/2016
		<u>opaate 140, 2010-13</u>	

<u>230-10-45-22A</u>	Added	Accounting Standards Update No. 2016-15	08/26/2016
230-10-45-24	Amended	Accounting Standards Update No. 2016-18	11/17/2016
230-10-45-24	Amended	Accounting Standards Update No. 2015-01	01/09/2015
230-10-45-24	Amended	Accounting Standards	04/10/2014
<u>230-10-45-24A</u>	Added	Update No. 2014-08 Accounting Standards	04/10/2014
230-10-45-25	Amended	Update No. 2014-08 Accounting Standards	08/26/2016
230-10-45-25	Amended	Update No. 2016-15 Accounting Standards	03/30/2016
<u>230-10-45-27A</u>	Amended	<u>Update No. 2016-09</u> <u>Accounting Standards</u>	12/13/2023
230-10-45-28	Amended	<u>Update No. 2023-08</u> <u>Maintenance Update</u>	09/29/2014
230-10-45-28	Amended	2014-20 Accounting Standards	02/02/2010
230-10-45-29	Amended	<u>Update No. 2010-08</u> <u>Accounting Standards</u>	08/18/2016
230-10-45-30	Amended	<u>Update No. 2016-14</u> <u>Accounting Standards</u>	08/18/2016
<u>230-10-50-2</u>	Amended	<u>Update No. 2016-14</u> <u>Accounting Standards</u>	12/14/2023
<u>230-10-50-2</u>	Amended	<u>Update No. 2023-09</u> <u>Accounting Standards</u>	08/26/2016
230-10-50-2A	Added	<u>Update No. 2016-15</u> <u>Accounting Standards</u>	12/14/2023
<u>230-10-50-4</u>	Amended	Update No. 2023-09 Accounting Standards	08/26/2016
230-10-50-4	Amended	Update No. 2016-15 Accounting Standards	02/25/2016
<u>230-10-50-7</u>	Amended	<u>Update No. 2016-02</u> <u>Maintenance Update</u>	08/20/2021
<u>230-10-50-7</u>	Added	2021-09 Accounting Standards	11/17/2016
230-10-50-8	Amended	Update No. 2016-18 Maintenance Update	08/20/2021
230-10-50-8	Added	2021-09 Accounting Standards	11/17/2016
		<u>Update No. 2016-18</u>	
230-10-50-9	Added	Accounting Standards Update No. 2023-06	10/09/2023
230-10-55-10	Amended	Accounting Standards Update No. 2016-18	11/17/2016
230-10-55-10	Amended	Accounting Standards Update No. 2016-15	08/26/2016
230-10-55-10	Amended	Accounting Standards Update No. 2016-02	02/25/2016
<u>230-10-55-11</u>	Amended	Accounting Standards Update No. 2016-02	02/25/2016
<u>230-10-55-12A</u>	Added	Accounting Standards Update No. 2016-18	11/17/2016
230-10-55-13	Amended	Accounting Standards Update No. 2016-18	11/17/2016
230-10-55-13	Amended	Accounting Standards Update No. 2016-15	08/26/2016
230-10-55-13	Amended	Accounting Standards Update No. 2016-02	02/25/2016
230-10-55-14	Amended	Accounting Standards Update No. 2023-09	12/14/2023
230-10-55-15	Amended	Accounting Standards Update No. 2016-02	02/25/2016
230-10-55-18A	Added	Accounting Standards Update No. 2016-18	11/17/2016
230-10-55-19	Amended	Accounting Standards	11/17/2016

		<u>Update No. 2016-18</u>	
230-10-55-19	Amended	Accounting Standards	02/25/2016
		<u>Update No. 2016-02</u>	
230-10-55-20	Amended	Accounting Standards	11/17/2016
		<u>Update No. 2016-18</u>	
230-10-55-20	Amended	Accounting Standards	08/26/2016
		<u>Update No. 2016-15</u>	
230-10-55-20	Amended	Accounting Standards	02/25/2016
		<u>Update No. 2016-02</u>	
230-10-60-2	Amended	Accounting Standards	01/05/2016
		<u>Update No. 2016-01</u>	
230-10-60-2A	Added	Accounting Standards	01/05/2016
		<u>Update No. 2016-01</u>	
<u>230-10-60-5</u>	Superseded	Accounting Standards	06/10/2014
		<u>Update No. 2014-10</u>	
<u>230-10-65-1</u>	Added	Accounting Standards	10/22/2012
		<u>Update No. 2012-05</u>	
230-10-65-2	Added	Accounting Standards	08/26/2016
		<u>Update No. 2016-15</u>	
<u>230-10-65-3</u>	Added	Accounting Standards	11/17/2016
		<u>Update No. 2016-18</u>	

230-10-05 - Overview and Background

General Note: The Overview and Background Section provides overview and background material for the guidance contained in the Subtopic. It does not provide the historical background or due process. It may contain certain material that users generally consider useful to understand the typical situations addressed by the standards. The Section does not summarize the accounting and reporting requirements.

General

- 230-10-05-**1** The Statement of Cash Flows Topic presents standards for reporting cash flows in general-purpose financial statements.
- 230-10-05-**2** Specific guidance is provided on all of the following:
 - a. Classifying in the statement of cash flows of cash receipts and payments as either operating activities, investing activities, or financing activities
 - b. Applying the direct method and the indirect method of reporting cash flows
 - c. Presenting the required information about noncash investing and financing activity and other events
 - d. Classifying cash receipts and payments related to hedging activities.
- 230-10-05-**3** Other Topics, including industry-specific Topics, may have Statement of Cash Flows Subtopics that address the Topic-specific requirements for the statement of cash flows. The guidance in those Subtopics is intended to be incremental to the guidance otherwise established in this Statement of Cash Flows Topic. Topics with incremental Statement of Cash Flows Subtopics are:
 - a. Foreign Currency Matters, Subtopic 830-230
 - b. Subparagraph superseded by Accounting Standards Update No. 2014-10.
 - c. Entertainment-Films, Subtopic <u>926-230</u>
 - d. Financial Services-Depository and Lending, Subtopic 942-230
 - e. Financial Services-Investment Companies, Subtopic 946-230
 - f. Not-for-Profit Entities, Subtopic 958-230
 - g. Real Estate-General, Subtopic 970-230
 - h. Real Estate-Time Sharing Activities, Subtopic 978-230.

230-10-**10 - Objectives**

Section does not summarize or discuss the main principles of accounting and reporting requirements.

General

- 230-10-10-**1** The primary objective of a statement of cash flows is to provide relevant information about the cash receipts and cash payments of an entity during a period.
- 230-10-10-2 The information provided in a statement of cash flows, if used with related disclosures and information in the other financial statements, should help investors, creditors, and others (including donors) to do all of the following:
 - a. Assess the entity's ability to generate positive future net cash flows
 - Assess the entity's ability to meet its obligations, its ability to pay dividends, and its needs for external financing
 - c. Assess the reasons for differences between net income and associated cash receipts and payments
 - d. Assess the effects on an entity's financial position of both its cash and noncash investing and financing transactions during the period.

230-10-15 - Scope and Scope Exceptions

General Note: The Scope and Scope Exceptions Section outlines the items (for example, the entities, transactions, instruments, or events) to which the guidance in the Subtopic does or does not apply. In some cases, the Section may contain definitional or other text to frame the scope.

General

Overall Guidance

230-10-15-**1** The Scope Section of the Overall Subtopic establishes the pervasive scope for the Statement of Cash Flows Topic.

Entities

- 230-10-15-2 The guidance in the Statement of Cash Flows Topic applies to all entities, including both business entities and not-for-profit entities (NFPs), with specific exceptions noted below. The phrase investors, creditors, and others includes donors. The terms income statement and net income apply to a business entity; the terms statement of activities and change in net assets apply to an NFP.
- 230-10-15-**3** A business entity or NFP that provides a set of financial statements that reports both financial position and results of operations shall also provide a statement of cash flows for each period for which results of operations are provided.
- 230-10-15-4 The guidance in this Topic does not apply to the following entities:
 - a. A statement of cash flows is not required to be provided by a defined benefit pension plan that presents financial information in accordance with the provisions of Topic 960. Other employee benefit plans that present financial information similar to that required by Topic 960 (including the presentation of plan investments at fair value) also are not required to provide a statement of cash flows. Employee benefit plans are encouraged to include a statement of cash flows with their annual financial statements when that statement would provide relevant information about the ability of the plan to meet future obligations (for example, when the plan invests in assets that are not highly liquid or obtains financing for investments).
 - b. Provided that the conditions in (c) are met, a statement of cash flows is not required to be provided by the following entities:
 - 1. An investment company within the scope of Topic $\underline{946}$ on investment companies
 - 2. Subparagraph superseded by Accounting Standards Update No. 2013-08.
 - A common trust fund, variable annuity account, or similar fund maintained by a bank, insurance entity, or other entity in its capacity as a trustee, administrator, or guardian for the collective investment and reinvestment of funds.
 - c. For an investment company specified in (b) to be exempt from the requirement to provide a statement of cash flows, all of the following conditions must be met:
 - 1. Subparagraph superseded by Accounting Standards Update No. 2013-08.

- During the period, substantially all of the entity's investments were carried at fair value and classified in accordance with Topic 820 as Level 1 or Level 2 measurements or were measured using the practical expedient in paragraph 820-10-35-59 to determine their fair values and are redeemable in the near term at all times.
- 3. The entity had little or no debt, based on the average debt outstanding during the period, in relation to average total assets. For the purpose of determining average debt outstanding, obligations resulting from redemptions of shares by the entity from unsettled purchases of securities or similar assets, or from covered options written generally may be excluded. However, any extension of credit by the seller that is not in accordance with standard industry practices for redeeming shares or for settling purchases of investments shall be included in average debt outstanding.
- 4. The entity provides a statement of changes in net assets.

230-10-**20 - Glossary**

General Note: The Master Glossary contains all terms identified as glossary terms throughout the Codification. Clicking on any term in the Master Glossary will display where the term is used. The Master Glossary may contain identical terms with different definitions, some of which may not be appropriate for a particular Subtopic. For any particular Subtopic, users should only use the glossary terms included in the particular Subtopic Glossary Section (Section 20).

Board-Designated Endowment Fund

An endowment fund created by a not-for-profit entity's (NFP's) governing board by designating a portion of its funds functioning as endowment or quasi-endowment funds). In rare circumstances, a board-designated endowment fund also can include a portion of net assets with donor restrictions. For example, if an NFP is unable to spend donor-restricted contributions in the near term, then the board sometimes considers the long-term investment of these funds. See Endowment Fund.

Cash

Consistent with common usage, cash includes not only currency on hand but demand deposits with banks or other financial institutions. Cash also includes other kinds of accounts that have the general characteristics of demand deposits in that the customer may deposit additional funds at any time and also effectively may withdraw funds at any time without prior notice or penalty. All charges and credits to those accounts are cash receipts or payments to both the entity owning the account and the bank holding it. For example, a bank's granting of a loan by crediting the proceeds to a customer's demand deposit account is a cash payment by the bank and a cash receipt of the customer when the entry is made.

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that have both of the following characteristics:

- a. Readily convertible to known amounts of cash
- b. So near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

Generally, only investments with original maturities of three months or less qualify under that definition. Original maturity means original maturity to the entity holding the investment. For example, both a three-month U.S. Treasury bill and a three-year U.S. Treasury note purchased three months from maturity qualify as cash equivalents. However, a Treasury note purchased three years ago does not become a cash equivalent when its remaining maturity is three months. Examples of items commonly considered to be cash equivalents are Treasury bills, commercial paper, money market funds, and federal funds sold (for an entity with banking operations).

Conditional Contribution

A contribution that contains a donor-imposed condition.

Contract

An agreement between two or more parties that creates enforceable rights and obligations.

Contribution

An unconditional transfer of cash or other assets, as well as unconditional promises to give, to an entity or a reduction, settlement, or cancellation of its liabilities in a voluntary nonreciprocal transfer by another entity acting other than as an owner. Those characteristics distinguish contributions from:

a. Exchange transactions, which are reciprocal transfers in which each party receives and sacrifices approximately

commensurate value

- b. Investments by owners and distributions to owners, which are nonreciprocal transfers between an entity and its
- c. Other nonreciprocal transfers, such as impositions of taxes or legal judgments, fines, and thefts, which are not voluntary transfers.

In a contribution transaction, the resource provider often receives value indirectly by providing a societal benefit although that benefit is not considered to be of commensurate value. In an exchange transaction, the potential public benefits are secondary to the potential direct benefits to the resource provider. The term contribution revenue is used to apply to transactions that are part of the entity's ongoing major or central activities (revenues), or are peripheral or incidental to the entity (gains). See also Conditional Contribution.

Donor-Imposed Condition

A donor stipulation (donors include other types of contributors, including makers of certain grants) that represents a barrier that must be overcome before the recipient is entitled to the assets transferred or promised. Failure to overcome the barrier gives the contributor a right of return of the assets it has transferred or gives the promisor a right of release from its obligation to transfer its assets.

Donor-Imposed Restriction

A donor stipulation (donors include other types of contributors, including makers of certain grants) that specifies a use for a contributed asset that is more specific than broad limits resulting from the following:

- a. The nature of the not-for-profit entity (NFP)
- b. The environment in which it operates
- The purposes specified in its articles of incorporation or bylaws or comparable documents for an unincorporated association.

Some donors impose restrictions that are temporary in nature, for example, stipulating that resources be used after a specified date, for particular programs or services, or to acquire buildings or equipment. Other donors impose restrictions that are perpetual in nature, for example, stipulating that resources be maintained in perpetuity. Laws may extend those limits to investment returns from those resources and to other enhancements (diminishments) of those resources. Thus, those laws extend donor-imposed restrictions.

Donor-Restricted Endowment Fund

An endowment fund that is created by a donor stipulation (donors include other types of contributors, including makers of certain grants) requiring investment of the gift in perpetuity or for a specified term. Some donors or laws may require that a portion of income, gains, or both be added to the gift and invested subject to similar restrictions. The term does not include a Board-Designated Endowment Fund. See Endowment Fund.

Effective Interest Rate

The rate of return implicit in the financial asset, that is, the contractual interest rate adjusted for any net deferred fees or costs, premium, or discount existing at the origination or acquisition of the financial asset. For <u>purchased financial assets</u> <u>with credit deterioration</u>, however, to decouple interest income from credit loss recognition, the premium or discount at acquisition excludes the discount embedded in the purchase price that is attributable to the acquirer's assessment of credit losses at the date of acquisition.

Endowment Fund

An established fund of cash, securities, or other assets to provide income for the maintenance of a not-for-profit entity (NFP). The use of the assets of the fund may be with or without donor-imposed restrictions. Endowment funds generally are established by donor-restricted gifts and bequests to provide a source of income in perpetuity or for a specified period. See Donor-Restricted Endowment Fund. Alternatively, an NFP's governing board may earmark a portion of its Funds Functioning as Endowment.

Fair Value

The price that would be received to sell an asset or paid to transfer a liability in an market participants at the measurement date.

Financial Asset

Cash, evidence of an ownership interest in an entity, or a contract that conveys to one entity a right to do either of the following:

- a. Receive cash or another financial instrument from a second entity
- b. Exchange other financial instruments on potentially favorable terms with the second entity.

Financing Activities

Financing activities include obtaining resources from owners and providing them with a return on, and a return of, their investment; receiving restricted resources that by donor stipulation must be used for long-term purposes; borrowing money and repaying amounts borrowed, or otherwise settling the obligation; and obtaining and paying for other resources obtained from creditors on long-term credit.

Funds Functioning as Endowment

Net assets without donor restrictions (donors include other types of contributors, including makers of certain grants) designated by an entity's governing board to be invested to provide income for generally a long but not necessarily specified period. A board-designated endowment, which results from an internal designation, is generally not donor-restricted and is classified as net assets without donor restrictions. The governing board has the right to decide at any time to expend such funds. In rare circumstances, funds functioning as endowment also can include a portion of board-designated endowment funds.)

Inherent Contribution

A contribution that results if an entity voluntarily transfers assets (or net assets) or performs services for another entity in exchange for either no assets or for assets of substantially lower value and unstated rights or privileges of a commensurate value are not involved.

Investing Activities

Investing activities include making and collecting loans and acquiring and disposing of debt or equity instruments and property, plant, and equipment and other productive assets, that is, assets held for or used in the production of goods or services by the entity (other than materials that are part of the entity's inventory). Investing activities exclude acquiring and disposing of certain loans or other debt or equity instruments that are acquired specifically for resale, as discussed in paragraphs <u>230-10-45-12</u> and <u>230-10-45-21</u>.

Lease

A contract, or part of a contract, that conveys the right to control the use of identified property, plant, or equipment (an identified asset) for a period of time in exchange for consideration.

Lease Liability

A lease, measured on a discounted basis.

Lease Payments

See paragraph 842-10-30-5 for what constitutes lease payments from the perspective of a lessor.

Lease Term

The noncancellable period for which a underlying asset, together with all of the following:

- a. Periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option
- b. Periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option
- c. Periods covered by an option to extend (or not to terminate) the lease in which exercise of the option is controlled by the lessor.

Lessee

An entity that enters into a contract to obtain the right to use an underlying asset for a period of time in exchange for consideration.

Lessor

An entity that enters into a underlying asset for a period of time in exchange for consideration.

Market Participants

Buyers and sellers in the principal (or most advantageous) market for the asset or liability that have all of the following

characteristics:

- a. They are independent of each other, that is, they are not related parties, although the price in a related-party transaction may be used as an input to a fair value measurement if the reporting entity has evidence that the transaction was entered into at market terms
- b. They are knowledgeable, having a reasonable understanding about the asset or liability and the transaction using all available information, including information that might be obtained through due diligence efforts that are usual and customary
- c. They are able to enter into a transaction for the asset or liability
- d. They are willing to enter into a transaction for the asset or liability, that is, they are motivated but not forced or otherwise compelled to do so.

Net Assets

The excess or deficiency of assets over liabilities of a not-for-profit entity, which is divided into two mutually exclusive classes according to the existence or absence of donor-imposed restrictions. See Net Assets without Donor Restrictions.

Net Assets with Donor Restrictions

The part of net assets of a not-for-profit entity that is subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

Net Assets without Donor Restrictions

The part of net assets of a not-for-profit entity that is not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

Not-for-Profit Entity

An entity that possesses the following characteristics, in varying degrees, that distinguish it from a business entity:

- a. Contributions of significant amounts of resources from resource providers who do not expect commensurate or proportionate pecuniary return
- b. Operating purposes other than to provide goods or services at a profit
- c. Absence of ownership interests like those of business entities.

Entities that clearly fall outside this definition include the following:

- a. All investor-owned entities
- Entities that provide dividends, lower costs, or other economic benefits directly and proportionately to their owners, members, or participants, such as mutual insurance entities, credit unions, farm and rural electric cooperatives, and employee benefit plans.

Operating Activities

Operating activities include all transactions and other events that are not defined as investing or financing activities (see paragraphs 230-10-45-12 through 45-15). Operating activities generally involve producing and delivering goods and providing services. Cash flows from operating activities are generally the cash effects of transactions and other events that enter into the determination of net income.

Orderly Transaction

A transaction that assumes exposure to the market for a period before the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities; it is not a forced transaction (for example, a forced liquidation or distress sale).

Promise to Give

A written or oral agreement to contribute cash or other assets to another entity. A promise carries rights and obligationsthe recipient of a promise to give has a right to expect that the promised assets will be transferred in the future, and the maker has a social and moral obligation, and generally a legal obligation, to make the promised transfer. A promise to give may be either conditional or unconditional. A public business entity is a business entity meeting any one of the criteria below. Neither a not-for-profit entity nor an employee benefit plan is a business entity.

- a. It is required by the U.S. Securities and Exchange Commission (SEC) to file or furnish financial statements, or does file or furnish financial statements (including voluntary filers), with the SEC (including other entities whose financial statements or financial information are required to be or are included in a filing).
- b. It is required by the Securities Exchange Act of 1934 (the Act), as amended, or rules or regulations promulgated under the Act, to file or furnish financial statements with a regulatory agency other than the SEC.
- c. It is required to file or furnish financial statements with a foreign or domestic regulatory agency in preparation for the sale of or for purposes of issuing securities that are not subject to contractual restrictions on transfer.
- d. It has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an overthe-counter market.
- e. It has one or more securities that are not subject to contractual restrictions on transfer, and it is required by law, contract, or regulation to prepare U.S. GAAP financial statements (including notes) and make them publicly available on a periodic basis (for example, interim or annual periods). An entity must meet both of these conditions to meet this criterion.

An entity may meet the definition of a public business entity solely because its financial statements or financial information is included in another entity's filing with the SEC. In that case, the entity is only a public business entity for purposes of financial statements that are filed or furnished with the SEC.

Purchased Financial Assets with Credit Deterioration

Acquired individual financial assets (or acquired groups of financial assets with similar risk characteristics) that as of the date of acquisition have experienced a more-than-insignificant deterioration in credit quality since origination, as determined by an acquirer's assessment. See paragraph 326-20-55-5 for more information on the meaning of similar risk characteristics for assets measured on an amortized cost basis.

Related Parties

Related parties include:

- a. Affiliates of the entity
- Entities for which investments in their equity securities would be required, absent the election of the fair value option under the <u>Fair Value Option Subsection</u> of Section 825-10-15, to be accounted for by the equity method by the investing entity
- c. Trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management
- d. Principal owners of the entity and members of their immediate families
- e. Management of the entity and members of their immediate families
- f. Other parties with which the entity may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests
- g. Other parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

Right-of-Use Asset

An asset that represents a underlying asset for the <u>lease term</u>.

Security

A share, participation, or other interest in property or in an entity of the issuer or an obligation of the issuer that has all of the following characteristics:

- a. It is either represented by an instrument issued in bearer or registered form or, if not represented by an instrument, is registered in books maintained to record transfers by or on behalf of the issuer.
- b. It is of a type commonly dealt in on securities exchanges or markets or, when represented by an instrument, is commonly recognized in any area in which it is issued or dealt in as a medium for investment.

c. It either is one of a class or series or by its terms is divisible into a class or series of shares, participations, interests, or obligations.

Unconditional Promise to Give

A promise to give that depends only on passage of time or demand by the promisee for performance.

Underlying Asset

An asset that is the subject of a lease for which a right to use that asset has been conveyed to a lessee. The underlying asset could be a physically distinct portion of a single asset.

230-10-45 - Other Presentation Matters

General Note: The Other Presentation Matters Section provides guidance on other presentation matters not addressed in the Recognition, Initial Measurement, Subsequent Measurement, and Derecognition Sections. Other presentation matters may include items such as current or long-term balance sheet classification, cash flow presentation, earnings per share matters, and so forth. The FASB Codification also contains Presentation Topics, which provide guidance for general presentation and display items. See those Topics for general guidance.

General

Form and Content

- 230-10-45-**1** A statement of cash flows shall report the cash effects during a period of an entity's operations, its investing transactions, and its financing transactions.
- 230-10-45-**2** A reconciliation of net income and net cash flow from operating activities, which generally provides information about the net effects of operating transactions and other events that affect net income and operating cash flows in different periods, also shall be provided.
- 230-10-45-**3** Financial statements shall not report an amount of cash flow per share. Neither cash flow nor any component of it is an alternative to net income as an indicator of an entity's performance, as reporting per-share amounts might imply. Reporting a contractually determined per-unit amount, such as a per unit amount of cash flow distributable under the terms of a partnership agreement or other agreement between an entity and its owners, is not the same as reporting a cash flow per-share amount intended to provide information useful to all investors and creditors and thus is not precluded by this Subtopic.

Cash and Cash Equivalents

- A statement of cash flows shall explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The statement shall use descriptive terms such as cash or cash and cash equivalents rather than ambiguous terms such as funds. When cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents are presented in more than one line item within the statement of financial position, an entity shall provide the disclosures required in paragraph 230-10-50-8.
- 230-10-45-**5** Cash purchases and sales of items commonly considered to be cash equivalents generally are part of the entity's cash management activities rather than part of its operating, investing, and financing activities, and details of those transactions need not be reported in a statement of cash flows. In addition, transfers between cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents are not part of the entity's operating, investing, and financing activities, and details of those transfers are not reported as cash flow activities in the statement of cash flows.
- 230-10-45-**6** Not all investments that qualify are required to be treated as cash equivalents. An entity shall establish a policy concerning which short-term, highly liquid investments that satisfy the definition of cash equivalents are treated as cash equivalents. For example, an entity having banking operations might decide that all investments that qualify except for those purchased for its trading account will be treated as cash equivalents, while an entity whose operations consist largely of investing in short-term, highly liquid investments might decide that all those items will be treated as investments rather than cash equivalents.

Gross and Net Cash Flows

230-10-45-**7** Generally, information about the gross amounts of cash receipts and cash payments during a period is more relevant than information about the net amounts of cash receipts and payments. However, the net amount of related receipts and payments provides sufficient information not only for cash equivalents, as noted in paragraph 230-10-45-5, but also for certain other classes of cash flows specified in paragraphs 230-10-45-8 through 45-9 and paragraph 230-10-45-28.

- 230-10-45-**8** For certain items, the turnover is quick, the amounts are large, and the maturities are short. For certain other items, such as demand deposits of a bank and customer accounts payable of a broker-dealer, the entity is substantively holding or disbursing cash on behalf of its customers. Only the net changes during the period in assets and liabilities with those characteristics need be reported because knowledge of the gross cash receipts and payments related to them may not be necessary to understand the entity's operating, investing, and financing activities.
- 230-10-45-**9** Providing that the original maturity of the asset or liability is three months or less, cash receipts and payments pertaining to any of the following qualify for net reporting for the reasons stated in the preceding paragraph:
 - a. Investments (other than cash equivalents)
 - b. Loans receivable
 - c. Debt.

For purposes of this paragraph, amounts due on demand are considered to have maturities of three months or less. For convenience, credit card receivables of financial services operations-generally, receivables resulting from cardholder charges that may, at the cardholder's option, be paid in full when first billed, usually within one month, without incurring interest charges and that do not stem from the entity's sale of goods or services-also are considered to be loans with original maturities of three months or less.

Classification

230-10-45-**10** A statement of cash flows shall classify cash receipts and cash payments as resulting from investing, financing, or operating activities.

Cash Flows from Investing Activities

- 230-10-45-**11** Cash flows from purchases, sales, and maturities of available-for-sale debt securities shall be classified as cash flows from investing activities and reported gross in the statement of cash flows.
- 230-10-45-12 All of the following are cash inflows from investing activities:
 - a. Receipts from collections or sales of loans made by the entity and of other entities' debt instruments (other than cash equivalents, certain debt instruments that are acquired specifically for resale as discussed in paragraph <u>230-10-45-21</u>, and certain donated debt instruments received by not-for-profit entities (NFPs) as discussed in paragraph <u>230-10-45-21A</u>) and collections on a transferor's beneficial interests in a securitization of the transferor's trade receivables
 - b. Receipts from sales of equity instruments of other entities (other than certain equity instruments carried in a trading account as described in paragraph <u>230-10-45-18</u> and certain donated equity instruments received by NFPs as discussed in paragraph <u>230-10-45-21A</u>) and from returns of investment in those instruments
 - c. Receipts from sales of property, plant, and equipment and other productive assets
 - d. Subparagraph not used.
 - e. Receipts from sales of loans that were not specifically acquired for resale. That is, if loans were acquired as investments, cash receipts from sales of those loans shall be classified as investing cash inflows regardless of a change in the purpose for holding those loans.

For purposes of this paragraph, receipts from disposing of loans, debt or equity instruments, or property, plant, and equipment include directly related proceeds of insurance settlements, such as the proceeds of insurance on a building that is damaged or destroyed.

- 230-10-45-**13** All of the following are cash outflows for investing activities:
 - Disbursements for loans made by the entity and payments to acquire debt instruments of other entities (other than cash equivalents and certain debt instruments that are acquired specifically for resale as discussed in paragraph <u>230-10-45-21</u>).
 - b. Payments to acquire equity instruments of other entities (other than certain equity instruments carried in a trading account as described in paragraph <u>230-10-45-18</u>).
 - c. Payments at the time of purchase or soon before or after purchase to acquire property, plant, and equipment and other productive assets, including interest capitalized as part of the cost of those assets. Generally, only advance payments, the down payment, or other amounts paid at the time of purchase or soon before or after purchase of property, plant, and equipment and other productive

assets are investing cash outflows. However, incurring directly related debt to the seller is a financing transaction (see paragraphs 230-10-45-14 through 45-15), and subsequent payments of principal on that debt thus are financing cash outflows.

d. Payments made soon after the acquisition date of a business combination by an acquirer to settle a contingent consideration liability.

Cash Flows from Financing Activities

230-10-45-**14** All of the following are cash inflows from financing activities:

- a. Proceeds from issuing equity instruments
- b. Proceeds from issuing bonds, mortgages, notes, and from other short- or long-term borrowing
- c. Receipts from contributions and investment income that by donor stipulation are restricted for the purposes of acquiring, constructing, or improving property, plant, equipment, or other long-lived assets or establishing or increasing a donor-restricted endowment fund
- d. Proceeds received from derivative instruments that include financing elements at inception, whether the proceeds were received at inception or over the term of the derivative instrument, other than a financing element inherently included in an at-the-market derivative instrument with no prepayments
- e. Subparagraph superseded by Accounting Standards Update No. 2016-09.

230-10-45-**15** All of the following are cash outflows for financing activities:

- a. Payments of dividends or other distributions to owners, including outlays to reacquire the entity's equity instruments. Cash paid to a tax authority by a grantor when withholding shares from a grantee's award for tax-withholding purposes shall be considered an outlay to reacquire the entity's equity instruments.
- b. Repayments of amounts borrowed, including the portion of the repayments made to settle zero-coupon debt instruments that is attributable to the principal or the portion of the repayments made to settle other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing that is attributable to the principal.
- c. Other principal payments to creditors who have extended long-term credit. See paragraph <u>230-10-45-13(c)</u>, which indicates that most principal payments on seller-financed debt directly related to a purchase of property, plant, and equipment or other productive assets are financing cash outflows.
- d. Distributions to counterparties of derivative instruments that include financing elements at inception, other than a financing element inherently included in an at-the-market derivative instrument with no prepayments. The distributions may be either at inception or over the term of the derivative instrument.
- e. Payments for debt issue costs.
- f. Payments, or the portion of the payments, not made soon after the acquisition date of a business combination by an acquirer to settle a contingent consideration liability up to the amount of the contingent consideration liability recognized at the acquisition date, including measurement-period adjustments, less any amounts paid soon after the acquisition date to settle the contingent consideration liability. See also paragraph 230-10-45-17(ee).
- g. Payments for debt prepayment or debt extinguishment costs, including third-party costs, premiums paid, and other fees paid to lenders that are directly related to the debt prepayment or debt extinguishment, excluding accrued interest.

Cash Flows from Operating Activities

230-10-45-**16** All of the following are cash inflows from operating activities:

- a. Cash receipts from sales of goods or services, including receipts from collection or sale of accounts and both short- and long-term notes receivable from customers arising from those sales. The term goods includes certain loans and other debt and equity instruments of other entities that are acquired specifically for resale, as discussed in paragraph <u>230-10-45-21</u>.
- b. Cash receipts from returns on loans, other debt instruments of other entities, and equity securities-

interest and dividends.

c. All other cash receipts that do not stem from transactions defined as investing or financing activities, such as amounts received to settle lawsuits and refunds from suppliers.

230-10-45-**17** All of the following are cash outflows for operating activities:

- a. Cash payments to acquire materials for manufacture or goods for resale, including principal payments on accounts and both short- and long-term notes payable to suppliers for those materials or goods. The term goods includes certain loans and other debt and equity instruments of other entities that are acquired specifically for resale, as discussed in paragraph <u>230-10-45-21</u>.
- b. Cash payments to other suppliers and employees for other goods or services.
- c. Cash payments to governments for taxes, duties, fines, and other fees or penalties.
- d. Cash payments to lenders and other creditors for interest, including the portion of the payments made to settle zero-coupon debt instruments that is attributable to accreted interest related to the debt discount or the portion of the payments made to settle other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing that is attributable to accreted interest related to the debt discount. For all other debt instruments, an issuer shall not bifurcate cash payments to lenders and other creditors at settlement for amounts attributable to accreted interest related to the debt discount, nor classify such amounts as cash outflows for operating activities.
- e. Cash payment made to settle an asset retirement obligation.
- ee. Cash payments, or the portion of the payments, not made soon after the acquisition date of a business combination by an acquirer to settle a contingent consideration liability that exceed the amount of the contingent consideration liability recognized at the acquisition date, including measurement-period adjustments, less any amounts paid soon after the acquisition date to settle the contingent consideration liability. See also paragraph 230-10-45-15(f).
- f. All other cash payments that do not stem from transactions defined as investing or financing activities, such as payments to settle lawsuits, cash contributions to charities, and cash refunds to customers.

Acquisitions and Sales of Certain Securities and Loans

230-10-45-**18** Banks, brokers and dealers in securities, and other entities may carry securities and other assets in a trading account. Characteristics of trading account activities are described in Topics <u>255</u> and <u>940</u>.

(PENDING CONTENT

Transition Date: ② December 16, 2024; ③ December 16, 2024 - **Transition Guidance** : 350-60-65-1

Editor's Note: The heading preceding paragraph 230-10-45-18 will be amended upon transition as noted below. The content of the paragraph will not change.

· > Acquisitions and Sales of Certain Securities, Loans, and Crypto Assets

Banks, brokers and dealers in securities, and other entities may carry securities and other assets in a trading account. Characteristics of trading account activities are described in Topics <u>255</u> and <u>940</u>.

- 230-10-45**-19** Cash receipts and cash payments resulting from purchases and sales of securities classified as trading debt securities accounted for in accordance with Topic <u>320</u> and equity securities accounted for in accordance with Topic <u>321</u> shall be classified pursuant to this Topic based on the nature and purpose for which the securities were acquired.
- 230-10-45-**20** Cash receipts and cash payments resulting from purchases and sales of other securities and other assets shall be classified as operating cash flows if those assets are acquired specifically for resale and are carried at fair value in a trading account.
- Some loans are similar to debt securities in a trading account in that they are originated or purchased specifically for resale and are held for short periods of time. Cash receipts and cash payments resulting from acquisitions and sales of loans also shall be classified as operating cash flows if those loans are acquired specifically for resale and are carried at fair value or at the lower of amortized cost basis or fair value. For example, mortgage loans held for sale are required to be reported at the lower of amortized cost basis or fair value in accordance with Topic 948.

230-10-45-**21A** Cash receipts resulting from the sale of donated financial assets (for example, donated debt or equity instruments) by NFPs that upon receipt were directed without any NFP-imposed limitations for sale and were converted nearly immediately into cash shall be classified as operating cash flows. If, however, the donor restricted the use of the contributed resource to a long-term purpose of the nature of those described in paragraph 230-10-45-14(c), then those cash receipts meeting all the conditions in this paragraph shall be classified as a financing activity.

(PENDING CONTENT

Transition Date: December 16, 2024; December 16, 2024 - **Transition Guidance** : 350-60-65-1

Cash receipts resulting from the sale of donated financial assets (for example, donated debt or equity instruments) or crypto assets accounted for in accordance with Subtopic 350-60 by NFPs that upon receipt were directed without any NFP-imposed limitations for sale and were converted nearly immediately into cash shall be classified as operating cash flows. If, however, the donor restricted the use of the contributed resource to a long-term purpose of the nature of those described in paragraph 230-10-45-14(c), then those cash receipts meeting all the conditions in this paragraph shall be classified as a financing activity.

Proceeds from the Settlement of Insurance Claims

- 230-10-45-**21B** Cash receipts resulting from the settlement of insurance claims, excluding proceeds received from corporate-owned life insurance policies and bank-owned life insurance policies, shall be classified on the basis of the related insurance coverage (that is, the nature of the loss). For insurance proceeds that are received in a lump-sum settlement, an entity shall determine the classification on the basis of the nature of each loss included in the settlement.
- 230-10-45-**21C** Cash receipts resulting from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies, shall be classified as cash inflows from investing activities. Cash payments for premiums on corporate-owned life insurance policies, including bank-owned life insurance policies, may be classified as cash outflows for investing activities, operating activities, or a combination of cash outflows for investing and operating activities.

Distributions Received from Equity Method Investees

- 230-10-45-**21D** When a reporting entity applies the equity method, it shall make an accounting policy election to classify distributions received from equity method investees using either of the following approaches:
 - a. Cumulative earnings approach: Distributions received are considered returns on investment and shall be classified as cash inflows from operating activities unless the investor's cumulative distributions received less distributions received in prior periods that were determined to be returns of investment exceed cumulative equity in earnings recognized by the investor (as adjusted for amortization of basis differences). When such an excess occurs, the current-period distribution up to this excess is considered a return of investment and shall be classified as cash inflows from investing activities.
 - b. Nature of the distribution approach: Distributions received shall be classified on the basis of the nature of the activity or activities of the investee that generated the distribution as either a return on investment (classified as a cash inflow from operating activities) or a return of investment (classified as a cash inflow from investing activities) when such information is available.

If an entity elects to apply the nature of the distribution approach and the information to apply that approach to distributions received from an individual equity method investee is not available to the investor, the entity shall report a change in accounting principle on a retrospective basis by applying the cumulative earnings approach described in (a) above for that investee. In such situations, an entity shall disclose that a change in accounting principle has occurred with respect to the affected investee(s) due to the lack of available information and shall provide the disclosures required in paragraphs 250-10-50-1(b) and 250-10-50-2, as applicable. With either approach described in (a) or (b) above, an entity also shall comply with the applicable accounting policy disclosure requirements in paragraphs 235-10-50-1 through 50-6.

More than One Class of Cash Flows

Certain cash receipts and payments may have aspects of more than one class of cash flows. The classification of those cash receipts and payments shall be determined first by applying specific guidance in this Topic and other applicable Topics. In the absence of specific guidance, a reporting entity shall determine each separately identifiable source or each separately identifiable use within the cash receipts and cash payments on the basis of the nature of the underlying cash flows, including when judgment is necessary to estimate the amount of each separately identifiable source or use. A reporting entity shall then classify each separately identifiable source or use within the cash receipts and payments on the basis of their nature in

financing, investing, or operating activities.

- 230-10-45-**22A** In situations in which cash receipts and payments have aspects of more than one class of cash flows and cannot be separated by source or use (for example, when a piece of equipment is acquired or produced by an entity to be rented to others for a period of time and then sold), the appropriate classification shall depend on the activity that is likely to be the predominant source or use of cash flows for the item.
- 230-10-45-23 Another example where cash receipts and payments include more than one class of cash flows involves a derivative instrument that includes a financing element at inception, other than a financing element inherently included in an at-the-market derivative instrument with no prepayments, because the borrower's cash flows are associated with both the financing element and the derivative instrument. For that derivative instrument, all cash inflows and outflows shall be considered cash flows from financing activities by the borrower.

Reporting Operating, Investing, and Financing Activities

- A statement of cash flows for a period shall report net cash provided or used by operating, investing, and financing activities and the net effect of those flows on the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents during the period. The statement of cash flows shall report that information in a manner that reconciles beginning and ending totals of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents.
- 230-10-45-**24A** For cash flow disclosures related to a discontinued operation, see paragraph 205-20-50-5B(c).
- 230-10-45-**25** In reporting cash flows from operating activities, entities are encouraged to report major classes of gross cash receipts and gross cash payments and their arithmetic sum-the net cash flow from operating activities (the direct method). (Paragraphs 230-10-55-1 through 55-4 and paragraph 230-10-55-21, respectively, discuss and illustrate a method by which those major classes of gross operating cash receipts and payments generally may be determined indirectly.) Entities that do so shall, at a minimum, separately report the following classes of operating cash receipts and payments:
 - a. Cash collected from customers, including lessees, licensees, and the like
 - b. Interest and dividends received. Interest and dividends that are donor restricted for long-term purposes as included in the list of financing activities and paragraph 230-10-45-14(c) are not part of operating cash receipts.
 - c. Other operating cash receipts, if any
 - d. Cash paid to employees and other suppliers of goods or services, including suppliers of insurance, advertising, and the like
 - e. Interest paid, including the portion of the payments made to settle zero-coupon debt instruments that is attributable to accreted interest related to the debt discount or the portion of the payments made to settle other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing that is attributable to accreted interest related to the debt discount
 - f. Income taxes paid
 - g. Other operating cash payments, if any.

Entities are encouraged to provide further breakdowns of operating cash receipts and payments that they consider meaningful and feasible. For example, a retailer or manufacturer might decide to further divide cash paid to employees and suppliers (category (d) in the preceding paragraph) into payments for costs of inventory and payments for selling, general, and administrative expenses.

230-10-45-**26** Except for items described in paragraphs 230-10-45-8 through 45-9, both investing cash inflows and outflows and financing cash inflows and outflows shall be reported separately in a statement of cash flows-for example, outlays for acquisitions of property, plant, and equipment shall be reported separately from proceeds from sales of property, plant, and equipment; proceeds of borrowings shall be reported separately from repayments of debt; and proceeds from issuing stock shall be reported separately from outlays to reacquire the entity's stock.

Cash Receipts and Payments Related to Hedging Activities

230-10-45-**27** Generally, each cash receipt or payment is to be classified according to its nature without regard to whether it stems from an item intended as a hedge of another item. For example, the proceeds of a borrowing are a financing cash inflow even though the debt is intended as a hedge of an investment, and the purchase or sale of a futures contract is an investing activity even though the contract is intended as a hedge of a firm commitment to purchase inventory. However, cash flows from a derivative instrument that is accounted for

as a fair value hedge or cash flow hedge may be classified in the same category as the cash flows from the items being hedged provided that the derivative instrument does not include an other-than-insignificant financing element at inception, other than a financing element inherently included in an at-the-market derivative instrument with no prepayments (that is, the forward points in an at-the-money forward contract) and that the accounting policy is disclosed. If the derivative instrument includes an other-than-insignificant financing element at inception, all cash inflows and outflows of the derivative instrument shall be considered cash flows from financing activities by the borrower. If for any reason hedge accounting for an instrument that hedges an identifiable transaction or event is discontinued, then any cash flows after the date of discontinuance shall be classified consistent with the nature of the instrument.

Crypto Assets Received as Noncash Consideration

230-10-45-27A



Transition Date: December 16, 2024; December 16, 2024 - **Transition Guidance** : 350-60-65-1

If crypto assets accounted for in accordance with Subtopic 350-60 are received as noncash consideration in the ordinary course of business (for example, in exchange for goods and services transferred to a customer) and converted nearly immediately into cash, the cash received shall be classified as operating activities. In this context, the term nearly immediately refers to a short period of time that is expected to be within hours or a few days, rather than weeks.

Reconciliation of Net Income and Net Cash Flow from Operating Activities

- 230-10-45-**28** Entities that choose not to provide information about major classes of operating cash receipts and payments by the direct method as encouraged in paragraph 230-10-45-25 shall determine and report the same amount for net cash flow from operating activities indirectly by adjusting net income of a business entity or change in net assets of a not-for-profit entity (NFP) to reconcile it to net cash flow from operating activities (the indirect or reconciliation method). That requires adjusting net income of a business entity or change in net assets of an NFP to remove both of the following:
 - a. The effects of all deferrals of past operating cash receipts and payments, such as changes during the period in inventory, deferred income, and the like, and all accruals of expected future operating cash receipts and payments, such as changes during the period in receivables and payables. Adjustments to net income of a business entity or change in net assets of an NFP to determine net cash flow from operating activities shall reflect accruals for interest earned but not received and interest incurred but not paid. Those accruals may be reflected in the statement of financial position in changes in assets and liabilities that relate to investing or financing activities, such as loans or deposits. However, interest credited directly to a deposit account that has the general characteristics of cash is a cash outflow of the payor and a cash inflow of the payee when the entry is made.
 - b. All items that are included in net income of a business entity or change in net assets of an NFP that do not affect net cash provided from, or used for, operating activities such as depreciation of property, plant, and equipment and amortization of finite-life intangible assets. This includes all items whose cash effects are related to investing or financing cash flows, such as gains or losses on sales of property, plant, and equipment and discontinued operations (which relate to investing activities), and gains or losses on extinguishment of debt (which relate to financing activities).
- The reconciliation of net income of a business entity to net cash flow from operating activities described in paragraph 230-10-45-28 shall be provided regardless of whether the direct or indirect method of reporting net cash flow from operating activities is used. However, NFPs that use the direct method of reporting net cash flows from operations are not required to provide a reconciliation of change in net assets to net cash flow from operating activities. Additional guidance for NFPs is found in Subtopic 958-230. The reconciliation shall separately report all major classes of reconciling items. For example, major classes of deferrals of past operating cash receipts and payments and accruals of expected future operating cash receipts and payments, including, at a minimum, changes during the period in receivables pertaining to operating activities, in inventory, and in payables pertaining to operating activities, shall be separately reported. Entities are encouraged to provide further breakdowns of those categories that they consider meaningful. For example, changes in receivables from customers for an entity's sale of goods or services might be reported separately from changes in other operating receivables.
- 230-10-45-**30** If an entity other than an NFP uses the direct method of reporting net cash flow from operating activities, the reconciliation of net income to net cash flow from operating activities shall be provided in a separate schedule.
- 230-10-45-**31** If the indirect method is used, the reconciliation may be either reported within the statement of cash flows or provided in a separate schedule, with the statement of cash flows reporting only the net cash flow from

operating activities.

230-10-45-**32** If the reconciliation is presented in the statement of cash flows, all adjustments to net income of a business entity or change in net assets of an NFP to determine net cash flow from operating activities shall be clearly identified as reconciling items.

230-10-50 - Disclosure

General Note: The Disclosure Section provides guidance regarding the disclosure in the notes to financial statements. In some cases, disclosure may relate to disclosure on the face of the financial statements.

General

Cash Equivalents Policy

230-10-50-**1** An entity shall disclose its policy for determining which items are treated as cash equivalents. Any change to that policy is a change in accounting principle that shall be effected by restating financial statements for earlier years presented for comparative purposes.

Interest and Income Taxes Paid

230-10-50-2 If the indirect method is used, amounts of interest paid (net of amounts capitalized), including the portion of the payments made to settle zero-coupon debt instruments that is attributable to accreted interest related to the debt discount or the portion of the payments made to settle other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing that is attributable to accreted interest related to the debt discount, and income taxes paid during the period shall be disclosed.

(PENDING CONTENT

Transition Date: December 16, 2024; December 16, 2025 - **Transition Guidance** : 740-10-65-9

If the indirect method is used, amounts of interest paid (net of amounts capitalized), including the portion of the payments made to settle zero-coupon debt instruments that is attributable to accreted interest related to the debt discount or the portion of the payments made to settle other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing that is attributable to accreted interest related to the debt discount, shall be disclosed.

230-10-50-**2A**

(PENDING CONTENT

Transition Date:

December 16, 2024;

December 16, 2025 - **Transition Guidance** : 740-10-65-9

Income taxes paid (net of refunds received) shall be disclosed in accordance with paragraphs <u>740-10-50-22 through 50-23</u>.

Noncash Investing and Financing Activities

- 230-10-50-3 Information about all investing and financing activities of an entity during a period that affect recognized assets or liabilities but that do not result in cash receipts or cash payments in the period shall be disclosed. Those disclosures may be either narrative or summarized in a schedule, and they shall clearly relate the cash and noncash aspects of transactions involving similar items.
- 230-10-50-**4** Examples of noncash investing and financing transactions are converting debt to equity; acquiring assets by assuming directly related liabilities, such as purchasing a building by incurring a mortgage to the seller; obtaining a right-of-use asset in exchange for a lease liability; obtaining a beneficial interest as consideration for transferring financial assets (excluding cash), including the transferor's trade receivables, in a securitization transaction; obtaining a building or investment asset by receiving a gift; and exchanging noncash assets or liabilities for other noncash assets or liabilities.
- 230-10-50-**5** Some transactions are part cash and part noncash; only the cash portion shall be reported in the statement of cash flows.
- 230-10-50-**6** If there are only a few such noncash transactions, it may be convenient to include them on the same page as the statement of cash flows. Otherwise, the transactions may be reported elsewhere in the financial statements, clearly referenced to the statement of cash flows.

Restrictions on Cash and Cash Equivalents

230-10-50-**7** An entity shall disclose information about the nature of restrictions on its cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. An entity within the scope of Topic 958 on not-for-profit entities also shall provide the disclosures required in paragraph 958-210-50-3 (see paragraphs 230-10-55-12A and 230-10-55-18A).

When cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents are presented in more than one line item within the statement of financial position, an entity shall, for each period that a statement of financial position is presented, present on the face of the statement of cash flows or disclose in the notes to the financial statements, the line items and amounts of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents reported within the statement of financial position. The amounts, disaggregated by the line item in which they appear within the statement of financial position, shall sum to the total amount of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents at the end of the corresponding period shown in the statement of cash flows. This disclosure may be provided in either a narrative or a tabular format (see paragraphs 230-10-55-12A and 230-10-55-18A).

Accounting Policy for Derivative Instruments

230-10-50-**9**



Transition Date:

□ June 30, 2027;

□ June 30, 2027 - Transition Guidance : 105-10-65-7

An entity shall disclose its accounting policy for where cash flows associated with derivative instruments and their related gains and losses are presented.

230-10-55 - Implementation Guidance and Illustrations

General Note: The Implementation Guidance and Illustrations Section contains implementation guidance and illustrations that are an integral part of the Subtopic. The implementation guidance and illustrations do not address all possible variations. Users must consider carefully the actual facts and circumstances in relation to the requirements of the Subtopic.

General

Implementation Guidance

Indirectly Determining Amounts of Operating Cash Receipts and Payments

Given sufficiently detailed information, major classes of operating cash receipts and payments may be determined indirectly by adjusting revenue and expense amounts for the change during the period in related asset and liability accounts. For example, cash collected from customers may be determined indirectly by adjusting sales for the change during the period in receivables from customers for the entity's delivery of goods or services. Likewise, cash paid to suppliers and employees may be determined indirectly by adjusting cost of sales and expenses (exclusive of depreciation, interest, and income taxes) for the change during the period in inventories and payables for operating items. That procedure, of course, requires the availability of information concerning the change during the period in the appropriate classes of receivables and payables. The more detailed the categories of operating cash receipts and payments to be reported, the more complex the procedure for determining them. For the resulting operating cash receipts and payments to be accurate, the effects of all noncash entries to accounts receivable and payable, inventory, and other balance sheets accounts used in the calculation shall be eliminated. For example, the change in accounts receivable would have to be determined exclusive of any bad debt write-offs and other noncash charges and credits to customer accounts during the period.

Amounts of operating cash receipts and payments at the minimum level of detail specified in paragraph 23010-45-25 often may be determined indirectly without incurring unduly burdensome costs over those involved in appropriately applying the indirect method. For example, determining net cash flow from operating activities by the indirect method requires the availability of the total amount of operating receivables. That is, any receivables for investing or financing items shall be segregated. Within the total amount of operating receivables, information on receivables from customers for an entity's delivery of goods or services may well be available separately from those for interest and dividends. Thus, it may be possible to determine indirectly cash collected from customers and interest and dividends received using much the same information needed to determine net cash flow from operating activities using the indirect method.

230-10-55-**3** The same procedure may be used to determine cash paid to suppliers and employees. Determining net cash flow from operating activities by the direct method requires the availability of the total amount of payables pertaining to operating activities. Within that amount, payables to suppliers and employees may well be available separately from those for interest and taxes. However, determining operating cash payments in more detail than the minimum specified in paragraph 230-10-45-25 might involve significant incremental costs over those already required to apply the indirect method because information on subcategories of payables to suppliers and employees may not be available.

230-10-55-**4** Many entities may well be able to determine amounts of operating cash receipts and payments at the minimum level of detail that this Subtopic encourages (see paragraph 230-10-45-25) indirectly at reasonable cost by the procedure discussed in paragraphs 230-10-55-1 through 55-3. But few, if any, entities have experimented with the procedure, and the degree of difficulty encountered in applying it undoubtedly would vary depending on the nature of an entity's operations and the features of its current accounting system.

Illustrations

- 230-10-55-**5** The Examples below provide illustrations for the preparation of statements of cash flows of business entities.
- 230-10-55-**6** Section <u>958-205-55</u> provides illustrations for the preparation of statements of cash flows for a not-for-profit entity (NFP).

Example 1: Direct and Indirect Method for a Manufacturing Entity

- 230-10-55-**7** This Example illustrates a statement of cash flows under both the direct method and the indirect method for a domestic manufacturing entity.
- 230-10-55-**8** The illustrations of the reconciliation of net income to net cash provided by operating activities may provide detailed information in excess of that required for a meaningful presentation.
- 230-10-55-9 Other formats or levels of detail may be appropriate for particular circumstances.
- 230-10-55-**10** The following is a statement of cash flows for the year ended December 31, 19X1, for Entity A, a U.S. corporation engaged principally in manufacturing activities. This statement of cash flows illustrates the direct method of presenting cash flows from operating activities, as encouraged in paragraph 230-10-45-25.

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Decrease in inventory 205 Increase in prepaid expenses (25) Decrease in accounts payable and accrued expenses (250) Increase in interest and income taxes payable 50 Increase in deferred taxes 150 Increase in other liabilities 50 Total adjustments 595	-	(215)			
Increase in prepaid expenses (25) Decrease in accounts payable and accrued expenses (250) Increase in interest and income taxes payable 50 Increase in deferred taxes 150 Increase in other liabilities 50 Total adjustments 595		, ,			
Decrease in accounts payable and accrued expenses (250) Increase in interest and income taxes payable 50 Increase in deferred taxes 150 Increase in other liabilities 50 Total adjustments 595					
Increase in interest and income taxes payable					
Increase in deferred taxes 150 Increase in other liabilities 50 Total adjustments 595					
Increase in other liabilities 50 Total adjustments 595					
	Increase in other liabilities				
Net cash provided by operating activities \$1,355	Total adjustments			595	
	Net cash provided by operating activities			\$1,355	

Entity A purchased all of the capital stock of Entity B for \$950. In conjunction with the acquisition, liabilities were assumed as follows.

Fair value of assets acquired \$ 1,580
Cash paid for the capital stock (950)
Liabilities assumed \$ 630

A finance lease obligation of \$850 was incurred when Entity A entered into a lease for new equipment.

Additional common stock was issued upon the conversion of \$500 of long-term debt.

230-10-55-**12** The disclosure of accounting policy is as follows.

For purposes of the statement of cash flows, the entity considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

230-10-55-**12A** Shown below is an illustrative disclosure of the nature of restrictions on cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents required by paragraph 230-10-50-7, as well as an illustrative disclosure of the line items and amounts of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents reported within the statement of financial position that sum to the total of the same such amounts at the end of the period shown in the statement of cash flows as required by paragraph 230-10-50-8 (in this illustrative example, assume Entity A has no restricted cash equivalents). Comparative statements of financial position are provided in the illustrative example in paragraph 230-10-55-19 only to facilitate understanding of the statement of cash flows. For purposes of applying paragraphs 230-10-50-7 through 50-8 to this illustrative example, assume that the year ended December 31, 19X1, is the only period for which a statement of financial position is presented.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows.

	12/	31/19X1
Cash and cash equivalents	\$	1,465
Restricted cash		125
Restricted cash included in other long-term assets		75
Total cash, cash equivalents, and restricted cash shown in		
the statement of cash flows	\$	1,665

Amounts included in restricted cash represent those required to be set aside by a contractual agreement with an insurer for the payment of specific workers' compensation claims. Restricted cash included in other long-term assets on the statement of financial position represents amounts pledged as collateral for long-term financing arrangements as contractually required by a lender. The restriction will lapse when the related long-term debt is paid off.

230-10-55-**13** The following is Entity A's statement of cash flows for the year ended December 31, 19X1, prepared using the indirect method, as described in paragraph <u>230-10-45-28</u>.

Entity A Consolidated Statement of Cash Flows For the Year Ended December 31, 19X1

Cash flows from operating activities:			
Net income			\$ 760
Depreciation and amortization		45	
Provision for losses on accounts receivable		00	
Gain on sale of facility	,	80)	
Undistributed earnings of affiliate	,	25)	
Payment received on installment note receivable for sale of inventory		00	
Gain on insurance proceeds received for damage to equipment	(10)	
Change in assets and liabilities net of effects from purchase of Entity B:			
Increase in accounts receivable		15)	
Decrease in inventory	_	05	
Increase in prepaid expenses	(25)	
Decrease in accounts payable and accrued expenses		50)	
Increase in interest and income taxes payable		50	
Increase in deferred taxes	1	50	
Increase in other liabilities		50	
Total adjustments		— .	595
Net cash provided by operating activities			1,355
Cash flows from investing activities:			
Proceeds from sale of facility	6	00	
Payment received on note for sale of plant	1	50	
Insurance proceeds received for damage to equipment		10	
Capital expenditures	(1,0	00)	
Payment for purchase of Entity B, net of cash acquired	(9	25)	
Net cash used in investing activities			(1,165)
Cash flows from financing activities:			
Net borrowings under line-of-credit agreement	3	00	
Principal payments under finance lease obligation	(1	25)	
Proceeds from issuance of long-term debt	4	00	
Proceeds from issuance of common stock	5	00	
Dividends paid	(2	00)	
Net cash provided by financing activities			875
Net increase in cash, cash equivalents, and restricted cash			1,065
Cash, cash equivalents, and restricted cash at beginning of year		_	600
Cash, cash equivalents, and restricted cash at end of year		_	\$ 1,665

230-10-55-**14** The following table illustrates the supplemental disclosures of cash flow information.

Cash paid during the year for:

Interest (net of amount capitalized) \$220 Income taxes 325

(PENDING CONTENT

Transition Date:

● December 16, 2024;

● December 16, 2025 - **Transition Guidance** : 740-10-

65-9

The following table illustrates the supplemental disclosures of cash flow information.

Cash paid during the year for:

Interest (net of amount capitalized) \$220 Income taxes 325

Note: This Example does not illustrate the disclosures of income taxes paid required by paragraphs 740-10-50-22 through 50-23, for the year ended December 31, 19X1.

230-10-55-**15** The supplemental schedule of noncash investing and financing activities is as follows.

Entity A purchased all of the capital stock of Entity B for \$950. In conjunction with the acquisition, liabilities were assumed as follows.

 Fair value of assets acquired
 \$1,580

 Cash paid for the capital stock
 (950)

 Liabilities assumed
 \$ 630

A finance lease obligation of \$850 was incurred when Entity A entered into a lease for new equipment.

Additional common stock was issued upon the conversion of \$500 of long-term debt.

230-10-55-**16** Paragraph not used.

230-10-55-**17** Paragraph not used.

230-10-55-**18** The disclosure of accounting policy is as follows.

For purposes of the statement of cash flows, the Entity considers all highly liquid debt instruments

230-10-55-**18A** Shown below is an illustrative disclosure of the nature of restrictions on cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents required by paragraph <u>230-10-50-7</u>, as well as an illustrative disclosure of the line items and amounts of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents reported within the statement of financial position that sum to the total of the same such amounts at the end of the period shown in the statement of cash flows as required by paragraph <u>230-10-50-8</u> (in this illustrative example, assume Entity A has no restricted cash equivalents). Comparative statements of financial position are provided in the illustrative example in paragraph <u>230-10-55-19</u> only to facilitate understanding of the statement of cash flows. For purposes of applying paragraphs <u>230-10-50-7 through 50-8</u> to this illustrative example, assume that the year ended December 31, 19X1, is the only period for which a statement of financial position is presented.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows.

	12/3	31/19X1
Cash and cash equivalents	\$	1,465
Restricted cash		125
Restricted cash included in other long-term assets		75
Total cash, cash equivalents, and restricted cash shown in		
the statement of cash flows	_\$_	1,665

Amounts included in restricted cash represent those required to be set aside by a contractual agreement with an insurer for the payment of specific workers' compensation claims. Restricted cash included in other long-term assets on the statement of financial position represents amounts pledged as collateral for long-term financing arrangements as contractually required by a lender. The restriction will lapse when the related long-term debt is paid off.

230-10-55-**19** The following summarizes financial information for the current year for Entity A, which provides the basis for the statements of cash flows presented in paragraphs <u>230-10-55-10 through 55-18A</u>.

Entity A
Consolidated Statement of Financial Position

	1	/1/X1	12	/31/X1		Change
Assets:						
Cash and cash equivalents	\$	300	\$	1,465	\$	1,165
Restricted cash		225		125		(100)
Accounts receivable (net of allowance for losses of \$600 and \$450)		1,770		1,940		170
Notes receivable		400		150		(250)
Inventory		1,230		1,375		145
Prepaid expenses		110		135		25
Total current assets		4,035		5,190		1,155
Investments		250		275		25
Property, plant, and equipment, at cost		6,460		8,460		2,000
Accumulated depreciation		(2,100)		(2,300)		(200)
Property, plant, and equipment, net		4,360		6,160		1,800
Intangible assets		40		175		135
Other long-term assets		430		430		-
Total noncurrent assets		5,080		7,040		1,960
Total assets	\$	9,115	\$	12,230	\$	3,115
Liabilities:						
Accounts payable and accrued expenses	\$	1.085	S	1,090	\$	5
Accounts payable and accrued expenses Interest payable	\$	1,085 30	\$	1,090 4 5	\$	5 15
Interest payable	\$.,	\$.,	\$	-
	\$	30	\$	45	\$	15
Interest payable Income taxes payable Short-term debt	\$	30 50	\$	45 85	\$	15 35
Interest payable Income taxes payable	\$	30 50 450	\$ 	45 85 750 125	\$	15 35 300
Interest payable Income taxes payable Short-term debt Current portion of finance lease obligation Total current liabilities	\$	30 50	\$ 	45 85 750	\$ 	15 35 300 125
Interest payable Income taxes payable Short-term debt Current portion of finance lease obligation Total current liabilities Finance lease obligation	\$	30 50 450 - 1,615	\$ 	45 85 750 125 2,095 600		15 35 300 125 480 600
Interest payable Income taxes payable Short-term debt Current portion of finance lease obligation Total current liabilities	\$	30 50 450	\$ 	45 85 750 125 2,095		15 35 300 125 480
Interest payable Income taxes payable Short-term debt Current portion of finance lease obligation Total current liabilities Finance lease obligation Long-term debt	\$	30 50 450 1,615 2,150 375		45 85 750 125 2,095 600 2,425 525		15 35 300 125 480 600 275
Interest payable Income taxes payable Short-term debt Current portion of finance lease obligation Total current liabilities Finance lease obligation Long-term debt Deferred taxes	\$	30 50 450 - 1,615 - 2,150 375 225	* 	45 85 750 125 2,095 600 2,425 525 275		15 35 300 125 480 600 275 150
Interest payable Income taxes payable Short-term debt Current portion of finance lease obligation Total current liabilities Finance lease obligation Long-term debt Deferred taxes Other liabilities	\$	30 50 450 1,615 2,150 375	* 	45 85 750 125 2,095 600 2,425 525	* 	15 35 300 125 480 600 275 150
Interest payable Income taxes payable Short-term debt Current portion of finance lease obligation Total current liabilities Finance lease obligation Long-term debt Deferred taxes Other liabilities Total noncurrent liabilities Total liabilities	\$	30 50 450 - 1,615 - 2,150 375 225 2,750	\$ 	45 85 750 125 2,095 600 2,425 525 275 3,825		15 35 300 125 480 600 275 150 50
Interest payable Income taxes payable Short-term debt Current portion of finance lease obligation Total current liabilities Finance lease obligation Long-term debt Deferred taxes Other liabilities Total noncurrent liabilities Total liabilities Stockholders' equity:	\$	30 50 450 1,615 2,150 375 225 2,750 4,365		45 85 750 125 2,095 600 2,425 525 275 3,825 5,920		15 35 300 125 480 600 275 150 50 1,075
Interest payable Income taxes payable Short-term debt Current portion of finance lease obligation Total current liabilities Finance lease obligation Long-term debt Deferred taxes Other liabilities Total noncurrent liabilities Total liabilities Stockholders' equity: Capital stock	\$	30 50 450 1,615 2,150 375 225 2,750 4,365		45 85 750 125 2,095 600 2,425 525 275 3,825 5,920		15 35 300 125 480 600 275 150 50 1,075 1,555
Interest payable Income taxes payable Short-term debt Current portion of finance lease obligation Total current liabilities Finance lease obligation Long-term debt Deferred taxes Other liabilities Total noncurrent liabilities Total liabilities Stockholders' equity: Capital stock Retained earnings	\$	30 50 450 1,615 2,150 375 225 2,750 4,365		45 85 750 125 2,095 600 2,425 525 275 3,825 5,920		15 35 300 125 480 600 275 150 50 1,075 1,555
Interest payable Income taxes payable Short-term debt Current portion of finance lease obligation Total current liabilities Finance lease obligation Long-term debt Deferred taxes Other liabilities Total noncurrent liabilities Total liabilities Stockholders' equity: Capital stock	\$	30 50 450 1,615 2,150 375 225 2,750 4,365	\$	45 85 750 125 2,095 600 2,425 525 275 3,825 5,920	\$	15 35 300 125 480 600 275 150 50 1,075 1,555

Entity A Consolidated Statement of Income For the Year Ended December 31, 19X1

Sales	\$13,965
Cost of sales	(10,290)
Depreciation and amortization	(445)
Selling, general, and administrative expenses	(1,890)
Interest expense	(235)
Equity in earnings of affiliate	45
Gain on sale of facility	80
Interest income	55
Insurance proceeds	15
Loss from patent infringement lawsuit	(30)
Income before income taxes	1,270
Provision for income taxes	(510)
Net income	\$ 760

- 230-10-55-**20** The following transactions were entered into by Entity A during 19X1 and are reflected in the preceding financial statements:
 - a. Entity A wrote off \$350 of accounts receivable when a customer filed for bankruptcy. A provision for losses on accounts receivable of \$200 was included in Entity A's selling, general, and administrative expenses.
 - b. Entity A collected the third and final annual installment payment of \$100 on a note receivable for the sale of inventory and collected the third of four annual installment payments of \$150 each on a note receivable for the sale of a plant. Interest on these notes through December 31 totaling \$55 was also collected.
 - c. Entity A received a distribution of \$20 from an affiliate accounted for under the equity method of accounting. Entity A made an accounting policy election to apply the cumulative earnings approach described in paragraph <u>230-10-45-21D(a)</u> and determined that the distribution was a return on investment.
 - d. Entity A sold a facility with a book value of \$520 and an original cost of \$750 for \$600 cash.
 - e. Entity A constructed a new facility for its own use and placed it in service. Accumulated expenditures during the year of \$1,000 included capitalized interest of \$10.
 - f. Entity A entered into a capital lease for new equipment with a fair value of \$850. The entity classified the lease as a finance lease. Principal payments under the lease obligation totaled \$125.
 - g. Entity A purchased all of the capital stock of Entity B for \$950 in a business combination. The fair values of Entity B's assets and liabilities at the date of acquisition are presented below.

Cash	\$ 25
Accounts receivable	155
Inventory	350
Property, plant, and equipment	900
Patents	80
Goodwill	70
Accounts payable and accrued expenses	(255)
Long-term note payable	(375)
Net assets acquired	\$950

- h. Entity A borrowed and repaid various amounts under a line-of-credit agreement in which borrowings are payable 30 days after demand. The net increase during the year in the amount borrowed against the line-of-credit totaled \$300.
- i. Entity A issued \$400 of long-term debt securities.
- j. Entity A's provision for income taxes included a deferred provision of \$150.
- k. Entity A's depreciation of property, plant, and equipment and amortization of right-of-use assets arising from a finance lease totaled \$430, and amortization of intangible assets totaled \$15.
- Entity A's selling, general, and administrative expenses included an accrual for incentive compensation
 of \$50 that has been deferred by executives until their retirement. The related obligation was included
 in other liabilities.
- m. Entity A collected insurance proceeds of \$15 (\$5 from a business interruption claim that resulted when a storm precluded shipment of inventory for one week and \$10 from a property claim that resulted

when fully depreciated manufacturing equipment was damaged by a fire).

- n. Entity A paid \$30 to settle a lawsuit for patent infringement.
- o. Entity A issued \$1,000 of additional common stock of which \$500 was issued for cash and \$500 was issued upon conversion of long-term debt.
- p. Entity A paid dividends of \$200.
- q. Entity A paid \$100 from its restricted cash for workers' compensation claims accrued before January 1, 19X1. Before January 1, 19X1, Entity A's insurer required \$225 to be set aside by a contractual arrangement for the payment of specific workers' compensation claims.
- 230-10-55-**21** Based on the financial data from the preceding paragraphs, which illustrated the statement of cash flows prepared using the direct method, the following computations illustrate a method of indirectly determining cash received from customers and cash paid to suppliers and employees for use in a statement of cash flows under the direct method.

Cash received from customers during the year: Customer sales Collection of installment payment for sale of inventory Gross accounts receivable at beginning of year Accounts receivable acquired in purchase of Entity B Accounts receivable written off Gross accounts receivable at end of year		\$2,370 155 (350) (2,390)	\$13,965 100
Excess of new accounts receivable over collections from customers Cash received from customers during the year			(215) \$13,850
Cash paid to suppliers and employees during the year:			
Cost of sales			\$10,290
General and administrative expenses		\$1,890	
Expenses not requiring cash outlay (provision for uncollectible accounts receivable)		(200)	
Net expenses requiring cash payments			1,690
Inventory at beginning of year		(1,230)	
Inventory acquired in purchase of Entity B		(350)	
Inventory at end of year		1,375_	(005)
Net decrease in inventory from Entity A's operations			(205)
Adjustments for changes in related accruals:			
Account balances at beginning of year	04.005		
Accounts payable and accrued expenses	\$1,085		
Other liabilities	225		
Prepaid expenses	(110)	4 000	
Total		1,200	
Accounts payable and accrued expenses acquired in purchase of Entity B		255	
Account balances at end of year	1.000		
Accounts payable and accrued expenses	1,090		
Other liabilities	275		
Prepaid expenses	(135)	(4.000)	
Total		(1,230)	205
Additional cash payments not included in expense			225
Cash paid to suppliers and employees during the year			\$12,000

230-10-**60 - Relationships**

General Note: The Relationships Section contains links to guidance that may be helpful to, but not required by, a user of the Subtopic. This Section may not be all-inclusive. The relationship items are organized according to the Topic structure in the Codification.

General

230-10-60-1 The Other Presentation Matters Sections of individual Subtopics address various presentation matters related to the Subtopic, including the statement of cash flows and other financial statement matters. The following may not be an all-inclusive list; there are numerous sources that address the statement of cash flows in the relevant Subtopics.

Investments-Debt Securities

For guidance on classification and reporting in the statement of cash flows of cash flows from available-for-sale, held-to-maturity, and trading debt securities, see Topic <u>320</u>.

Investments-Equity Securities

230-10-60-**2A** For guidance on classification and reporting in the statement of cash flows of cash flows from equity securities, see Topic <u>321</u> on investments-equity securities.

Investments-Other

For guidance on classification in the statement of cash flows of cash receipts and cash payments related to life settlement contracts, see Section <u>325-30-45</u>.

Foreign Currency Matters

- For reporting and implementation guidance for presenting a statement of cash flows of an entity with foreign currency transactions or foreign currency operations, see Topic <u>830</u>.
- 230-10-60-5 Paragraph superseded by Accounting Standards Update No. 2014-10.

230-10-65 - Transition and Open Effective Date Information

General Note: The Transition Section contains a description of the required transition provisions and a list of the related paragraphs that have been modified. This Section will retain the transition content during the transition period. After the transition period, the transition content will be removed yet will be available in archived versions of the Section.

General

- 230-10-65-**1** Paragraph superseded on 12/17/2014 after the end of the transition period stated in Accounting Standards Update No. 2012-05, Statement of Cash Flows (Topic 230): Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows.
- 230-10-65-**2** Paragraph superseded on 08/12/2020 after the end of the transition period stated in Accounting Standards Update No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments.
- 230-10-65-**3** Paragraph superseded on 07/20/2020 after the end of the transition period stated in Accounting Standards Update No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash.

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