

Steps for cash flow statement

Preparing the statement of cash flow involves five steps, having two year balance sheet and current year income statement:

1. Determine the net cash flow from operating activities by direct or indirect method
2. Determine net cash flows from investing activities
3. Determine net cash flows from financing activities
4. Determine the change in cash equals
5. Last year Cash Equals + Changes in Cash Equals = Current year Cash Equals

Classify each of the following items of cash flows as a Not Cash Flow, Operating, Investing and Financing Activities:

Description	Not Cash flow	Operating	Investing	Financing
Repayment of bank loan				X
Purchase of new machine			X	
Payment of monthly payroll		X		
Issuance of bonds				X
Purchase of inventory on account	X			
Pay weekly salary		X		
Pay dividends				X
Receive interest on bank account		X		
Exchange old delivery truck for new one and take note for balance	X			
Sell land			X	
Repurchase corporate stock				X
Sell merchandise on account	X			
Collect cash from customers		X		
Pay for inventory purchased		X		
Payment of rent		X		