

15.515 RECITATION AGENDA – SESSION 5

STATEMENT OF CASH FLOWS

- SCF Checklist (cheat sheet material! 😊)
- SCF Examples
- Other Business

SCF – CHECKLIST (HINT: WRITE ON YOUR CHEAT SHEET!)

- Two types of cash flow statements – Direct & Indirect
 - 3 sections – operating, investing, financing
 - **I**ndirect statement of cash flow starts with Net **I**ncome
 - Only *operating* section of the cash flow statements differs between direct and indirect statements
 - Important transactions that neither increase nor decrease Cash are excluded from the face of the statement, e.g., purchase of land in exchange for a long-term note payable, declaration of dividends
- Remember to:
 - Add back depreciation & amortization in Operating Section of indirect cash flow statement
 - Add (subtract) losses (gains) from Operating Section of indirect cash flow statement
- Counterintuitive things
 - In the Operating section are interest & dividends received (income) and interest payments (expense)
 - In the Financing section are dividend payments
- Cash_{BB} and Cash_{EB} appear at bottom of SCF