

Statement of cashflow is prepared according to IAS-7.
Cashflow → main component of any Business.

Direct Method. Cashflow.

✓ (A2).
 Indirect Method.

Inflow - Outflow = Net Cashflow.

→ How to calculate cashflow using **indirect method**.
 Using Statement of Profit and Loss.

Types of Business activities for cash generation.

- Cash from operating activities: (80%)
- Cash from Investing activities: (10%)
- Cash from Financing activities: (10%)

STATEMENT OF PROFIT & LOSS:

Revenue	(Cash + Credit)	\$	\$
			xxx
(-) Cost of Sales:-			
↓ opening inv.			
+ Purchases			
- Closing inv.			(xxx)
GROSS PROFIT.			xxx
+ Other income			xxx
(-) operating Expenses:-	(Cash + Credit)		
* Selling / Marketing Exp /			(xxx)
Distribution Exp.			
* Administration Exp -			(xxx)
PROFIT FROM OPERATIONS.			xxx

Format of Cashflow - IAS 7

Operating Activities:-

Profit from operations.	\$
+ Depreciation (Non-cash)	xxx
+ Impairment Loss:	xxx
+ Provision for doubtful debts (Increase)	xxx
- provision for doubtful debts (decrease)	(xxx)
- Gain on disposal (Non-cash)	(xxx)
+ Loss on disposal (Non-cash)	xxx
- Increase in receivable / inventory	(xxx)
+ Decrease in receivable / inventory	xxx
+ Increase in payable	xxx
- Decrease in payable	(xxx)
Cash from operations:-	xxx
- Interest Paid	(xxx)
- Tax Paid	(xxx)

Cash from operating activities:-

xxx

Investing Activities:-

- purchase of Asset (Motor Bike)	xxx
+ Sale of Asset (Motor Bike)	xxx
+ Interest and dividend received.	xxx
Cash from Investing activities	xxx

Financing Activities:-

+ Issue of shares	xxx
+ Issue of debentures	xxx
- Dividend Paid	xxx
- Loan Paid	xxx
Cash from financing activities:-	xxx

Net Cashflow =	Cash from operating activities	xxx
	+ Cash from investing activities:-	xxx
	+ cash from financing activities:-	xxx

\downarrow
 $\begin{array}{l} + \text{Cash from Investing activities:} \quad \text{xxx} \\ + \text{Cash from financing activities:} \quad \text{xxx} \end{array}$
 \downarrow Simply + if there is any cash/cash equivalents: xxx
 $=$ Closing cash and cash equivalents: xxx

Note:- In many question we can verify statement of Cashflow answer as closing cash and cash equivalents balance must be same with the balance given in statement of financial position.