

## **Week 4 - DQ 1**

### ***What does the statement of cash flows tell you about a company?***

**Response #1** The statement of cash flows is used to provide companies with information about its incoming cash (cash receipts) and outgoing cash (cash disbursements). This information is also used for a company's operating, investing, and financing activities. Operating activities are transactions that determine net income by revenues, expenses, gains, and losses. Investing activities are transactions that involve lending money, collecting money on those loans, and buying and disposing of assets. Financing activities are transactions that involve repaying loans, obtaining cash from lenders, and paying dividends.

The statement of cash flows are useful to companies, investors, and creditors by being able to pay short-term financial obligations, to pay dividends, to state the reasons of difference between net income and net cash flow, and provides information on the cash and noncash investing and financing during a period.

**Response #2** The statement of cash flows basically shows a summary of all the cash payments and cash receipts of an organization. Companies use the cash flow to find out how flexible they are when making decisions about purchases, preparing budgets, and their level of profitability. The statement of cash flows is divided in three areas: the operating activities, the investing activities, and the financing activities. The Cash flows can be used to review last year's cash balance or last month's concerning current totals for cash on hand.

**Response #3** The statement of cash flows basically shows a summary of all the cash payments and cash receipts of an organization. Companies use the cash flow to find out how flexible they are when making decisions about purchases, preparing budgets, and their level of profitability. The statement of cash flows is divided in three areas: the operating activities, the investing activities, and the financing activities. The Cash flows can be used to review last year's cash balance or last month's concerning current totals for cash on hand.

**Response #4** The cash flow statement organizes and reports the cash generated and used. Operating activities are reported on income statements from the accrual basis of accounting to cash. Investing activities reports on the purchase and sale of long-term investments and property, plant and equipment. Financing activities reports issuance and repurchase of the company's own bonds. Supplemental information reports the exchange of significant items that did not involve cash and reports the amount of income taxes paid and interest paid.