



Screen 001

The purpose of this illustration is to classify various transactions into type of cash flow activities.

## Statements of Cash Flows

Required

Required (cont.)

Listed below is a series of transactions that is found in Statements of Cash Flows. For each one, indicate in the space provided whether the transaction would be classified as an operating activity (O), investing activity (I), or financing activity (F).

Your answers	Cash Flows
	Interest paid
	Cash received from customers
	Cash paid to employees
	Purchase of short-term investment securities and bonds
	Proceeds from sale of property and equipment
	Sale of Stock under employee stock purchase plan
	Payment of cash dividends
	Interest received
	Payments on long- and short-term borrowings
	Proceeds from exercise of stock options

(continued)

Screen 002

Listed below are a series of transactions that are found in Statements of Cash Flows. Your requirement is, for each one, indicate in the space provided whether the transaction would be classified as an operating activity (O), investing activity (I), or financing activity (F).

Try to solve this before we proceed. Once you have done so, click NEXT.

## Statements of Cash Flows

Screen 003

Required

Required (cont.)

(continued)

Listed below is a series of transactions that is found in Statements of Cash Flows. For each one, indicate in the space provided whether the transaction would be classified as an operating activity (O), investing activity (I), or financing activity (F).

Your answers	Cash Flows
	Cash paid for insurance
	Purchase of land
	Retirement of bonds payable
	Sale of bonds payable
	Sale of common shares
	Capital expenditures
	Cash paid to suppliers
	Income taxes paid
	Proceeds from long- and short-term borrowings
	Purchase of treasury stock

## Statements of Cash Flows

Answers

Answers (cont.)

Listed below is a series of transactions that is found in Statements of Cash Flows. For each one, indicate in the space provided whether the transaction would be classified as an operating activity (O), investing activity (I), or financing activity (F).

Correct answers	Your answers	Cash Flows
O		Interest paid
O		Cash received from customers
O		Cash paid to employees
I		Purchase of short-term investment securities and bonds
I		Proceeds from sale of property and equipment
F		Sale of Stock under employee stock purchase plan
F		Payment of cash dividends
O		Interest received
F		Payments on long- and short-term borrowings
F		Proceeds from exercise of stock options

(continued)

Screen 004

The correct answers are reported in the table below, together with your answers for comparison. Congratulations if you got them correct.

We will now discuss each of the three types of cash flow activity classifications to explain the rationale for the answers.

## Statements of Cash Flows

Screen 005

Answers

Answers (cont.)

(continued)

Listed below is a series of transactions that is found in Statements of Cash Flows. For each one, indicate in the space provided whether the transaction would be classified as an operating activity (O), investing activity (I), or financing activity (F).

Correct answers	Your answers	Cash Flows
O		Cash paid for insurance
I		Purchase of land
F		Retirement of bonds payable
F		Sale of bonds payable
F		Sale of common shares
I		Capital expenditures
O		Cash paid to suppliers
O		Income taxes paid
F		Proceeds from long- and short-term borrowings
F		Purchase of treasury stock

## Statements of Cash Flows

Correct answers	Your answers	Cash Flows
<input type="radio"/>		Cash paid for insurance
<input type="radio"/>		Cash paid to employees
<input type="radio"/>		Cash paid to suppliers
<input type="radio"/>		Cash received from customers
<input type="radio"/>		Income taxes paid
<input type="radio"/>		Interest paid
<input type="radio"/>		Interest received

### Operating activities

Cash flows from operating activities are both inflows and outflows of cash that result from activities reported on the income statement.

Screen 006

These are the seven transactions that would be classified as cash flows from operating activities. Cash flows from operating activities are both inflows and outflows of cash that result from activities reported on the income statement.

For example, interest paid involves both cash and interest expense or interest payable accounts; cash received from customers involves both cash and revenue or accounts receivable.

## Statements of Cash Flows

Correct answers	Your answers	Cash Flows
I		Capital expenditures
I		Proceeds from sale of property and equipment
I		Purchase of land
I		Purchase of short-term investment securities and bonds

### Investing activities

Cash flows from investing activities are both outflows and inflows of cash caused by the acquisition and disposition of assets other than those related to revenues and expenses.

Screen 007

These are the four transactions that would be classified as cash flows from investing activities. Cash flows from investing activities are both outflows and inflows of cash caused by the acquisition and disposition of assets other than those related to revenues and expenses.

For example, cash flows from purchasing other company's stocks and bonds involve cash and those investment assets; proceeds from sale of property and equipment involve cash and land or equipment.

## Statements of Cash Flows

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Correct answers	Your answers	Cash Flows
F		Payment of cash dividends
F		Payments on long- and short-term borrowings
F		Proceeds from exercise of stock options
F		Proceeds from long- and short-term borrowings
F		Purchase of treasury stock
F		Retirement of bonds payable
F		Sale of bonds payable
F		Sale of common shares
F		Sale of Stock under employee stock purchase plan

### Financing activities

Cash flows from financing activities are both inflows and outflows of cash resulting from the external financing of a business.

These are the nine transactions that would be classified as cash flows from financing activities. Cash flows from financing activities are both inflows and outflows of cash resulting from the external financing of a business. For example, cash flows from purchasing treasury stock involve cash and treasury shares; issue of common stock involves cash, common stock and, probably paid-in-capital—excess of par.