15.515 Recitation 5

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
  - Indirect statement of cash flow starts with Net Income
  - 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

- \( \text{Cash}_{BB} \) and \( \text{Cash}_{EB} \) appear at bottom of SCF