ACC 211 - Discussion (BTN 12-4)

[Name of the Writer]

[Name of the Institution]

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Memo

Date: 03/03/2019

To: Diana Wood

From: Gabriel Liuzzi

Subject: Understanding the statement of Cash Flows

Hi Diana,

 In financial reports Cash Flow statement, income statement, and balance sheet are essential to understand and analyze. All these three statements provide useful information regarding the profit, worth, strength, and cash management of the company. Income statement and balance sheet are easy to analyze for everyone; however cash flow statement is a complicated and complex statement. Cashflow indicates the flow of cash in the business in both directions. When a business receives the cash from the external market or other stakeholders, it is called as cash inflow, while the payment of money for certain activities is recorded as cash outflow. The business owner must understand the flow of cash during business operations.

 The first part includes cash flow results from operating activities, the second part includes cash flow results from investing activities, and the third part includes cash flow result from financing activities. The first part includes business activities such as payments and receipts from the market. The payments are always subtracted while receivables are added in the cash flow statement.

 Cash flow statement and especially the operating activities of the cash flow statement is tricky, however by thoroughly analyzing it will be handy for you.

If you have any question, feel free to ask.

Thank you

**Reply to Simran Koirala:**

Hi Simran,

I agree with the points you discussed in the memo; however, I will add my interpretation regarding the operating activities of the cash flow statement. In the first part of the cash flows statement which is the operating activities, includes the cash inflow and outflow of the basic business activities. It contains cash receipts from customers, cash paid to suppliers against the purchase of raw materials, and salaries of employees. Cash generated from business operations is added while the interests and tax payments are subtracted. All the cash payments are subtracted while the cash receipts are added in the cash flow statement.