

## Statement of Cash Flow – Indirect Method (\$000)

Account		Years	
		20x6	20x7
1	Net Income After Tax		
2	Depreciation and Amortization		
3	Accounts Receivable                      decrease(increase)		
4	Inventory                                      decrease(increase)		
5	Other Current Assets                      decrease(increase)		
6	Accounts Payable                            increase(decrease)		
7	Accrued Expenses                         increase(decrease)		
8	Income Tax Payable & Deferred Tax    increase(decrease)		
9	Other Current Liabilities                 increase(decrease)		
10	Other Non-current Liabilities            increase(decrease)		
11	<b>OPERATING CASH FLOW (OCF)</b>		
12	Marketable Securities                      decrease(increase)		
13	Long-Term Investment                      decrease(increase)		
14	Gross Fixed Asset                         decrease(increase)		
15	Nonrecurring Gain (loss)		
16	Intangible & Other Non-current Assets   decrease(increase)		
17	<b>INVESTING CASH FLOW (ICF)</b>		
18	<i>Cash Flow Before Financing</i> (line 11+17)		
19	Short-Term Bank Debt                      increase(decrease)		
20	Long-Term Bank Debt                        increase(decrease)		
21	Subordinated Debt                         increase(decrease)		
22	Capital Stock                                increase(decrease)		
23	Dividends Paid		
24	Adjustments to Retained Earnings		
25	Minority Interest                            increase(decrease)		
26	<b>FINANCING CASH FLOW (FCF)</b>		
27	<b>TOTAL CASH FLOW</b> (line 11+17+ 26)		
28	Beginning Cash		
29	Plus:    Operating Cash Flow                      (line 11)		
30	Investing Cash Flow                        (line 17)		
31	Financing Cash Flow                        (line 26)		
32	Ending Cash		

# Statement of Cash Flow – Indirect Method

There are two formats for FASB Statement of Cash Flow, the Indirect and Direct method. We have chosen the Indirect method because we believe it is easier to construct and understand.

## HOW TO USE DIAGRAM:

1. Gather two to three years of your latest year-end Balance Sheets and Income Statements. Note, it takes two years of information to calculate one year's cash flow.
2. Proceed to fill in the respective column for 2006 (changes from 05-06) or 2007 (changes from 06-07). Where the individual line item does not have an [increase/decrease] next to it, it is asking for the absolute amount for that item for the year. If the column has the [increase/decrease] noted then it is asking for the change from the previous year to the present period. It tells you if the increase/decrease has a positive or negative impact on your cash.
3. Pay particular attention to line 11 (summation of 1-10) and line 18 (summation of 11 + 17). You don't want these to be negative for 2-3 consecutive years. If they are, you want to examine why?
4. Add line 18 to line 26 this represents your total change in cash for the year. This change in cash + your beginning cash balance MUST equal the ending cash balance on your year-end statement. If not, you miscalculated a number or your financial statements are potentially incorrect.

## Questions:

If you have questions on how to fill out the Statement of Cash Flow form, contact a Hipereon professional. You may also consider attending one of our financial management programs that demonstrates how to use this tool and much more:

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