Cash flows: classify, then reconcile

MODULE 2 / ONE-PAGE REVIEW MAP

Operating	Investing	Financing
Customer cash; inventory suppliers; wages; routine overheads	Cash acquisitions/sales of long-term assets; investment purchases/sales outside cash equivalents	Cash share issues; borrowing receipts; principal repayments, including lease principal

First ask whether cash moved. Non-cash recognition of a lease asset/liability, debt-to-equity conversion or an asset acquired by issuing shares stays outside cash-flow lines. Disclose material non-cash activity separately; classify any actual lease payment separately.

Items needing a policy or specific facts

Item	2022 guide-era approach for a non-financial entity
Interest paid	Operating or financing; disclose total cash interest, including capitalised interest.
Interest/dividends received	Operating or investing.
Dividends paid	Operating or financing.
Income tax paid	Normally operating; investing/financing if specifically identifiable with those activities.

Use a permitted classification consistently. Financial institutions normally classify interest paid and interest/dividends received as operating. Do not apply later amendments silently to guide-era questions.

Cash-equivalent decision

Is it held to meet short-term cash needs, highly liquid, convertible to a known cash amount and exposed to insignificant value risk? Maturity is normally three months or less **from acquisition**. A label such as "money-market fund" is not enough. Only qualifying demand overdrafts integral to cash management join the cash balance.

Final review

Reconcile statement cash to financial-position cash components. Separate the exchange effect. Show major investing/financing receipts and payments gross unless an exception applies. Explain significant restricted cash. Reconcile financing liabilities through cash and non-cash changes.

Working template: opening balance ____ + cash increases ____ - cash decreases ____ + net non-cash changes ____ = closing balance ____. Match every difference to evidence before using a shortcut.

CPA Australia FR study guide, sixth edition (October 2022), Module 2. Original Accounting Ahead workings and design. Guide printed pages 101-109. AASB 107 (March 2020), paragraphs 6-24, 31-48: standards.aasb.gov.au/aasb-107-mar-2020