Formulas for Cash Flow

A breakdown of calculations for the statement of cash flows

Cash Flow from Operating Activities

1. Cash Receipts from Customers

Receipts = Sales Revenue + Opening Gross Trade Receivables - Closing Gross Trade Receivables - Bad Debts Written Off

Bad Debts Written Off = Opening Loss Allowance + Allowance Expense - Closing Loss Allowance

2. Cash Payments to Suppliers

Payments for Inventory = Cost of Sales + Closing Inventory - Opening Inventory + Opening Trade Payables - Closing Trade Payables

3. Cash Payments to Employees

Payments = Cash-related Employee Expense + Opening Wages Payable - Closing Wages Payable

4. Interest Paid

Interest Paid = Cash-related Interest Charge (expensed + capitalised) + Opening Interest Payable - Closing Interest Payable

5. Income Taxes Paid

Tax Paid = Current Tax Charge + Opening Current Tax Payable - Closing Current Tax Payable

P/L Current Tax = Total P/L Tax Expense - P/L Deferred Tax Expense
P/L Deferred Tax Expense = P/L Increase in DTL - P/L Increase in DTA

Cash Flow from Investing Activities

1. Interest Received

Interest Received = Cash-related Interest Revenue + Opening Interest Receivable - Closing Interest Receivable

2. Dividends Received

Dividends Received = Dividend Revenue + Opening Dividend Receivable - Closing Dividend Receivable

3. Proceeds from Sale of Plant

Proceeds = Carrying Amount of Asset Sold + Gain on Sale (or - Loss on Sale)

Carrying Amount = Cost - Accumulated Depreciation - Accumulated Impairment

4. Cash Paid for PPE

Cash Paid = Cash-related PPE Additions + Opening Capital Payable - Closing Capital Payable

Cash-related PPE Additions = Closing PPE at Cost + Cost of Assets Sold - Opening PPE at Cost - Non-cash Additions

5. Payment for Plant - Simple Cash-only Case

Cash Paid = Closing Plant at Cost - Opening Plant at Cost + Cost of Plant Sold
(Only if all additions are cash; no capital payable or other movements.)

Cash Flow from Financing Activities

1. Proceeds from Share Issue

Proceeds = Increase in Share Capital - Non-cash Increases
(Assumes no capital reductions or issue costs in the balance.)

Increase in Share Capital = Closing Share Capital - Opening Share Capital

2. Dividends Paid

Dividends Paid = Cash Dividends Recognised as Distributions + Opening Dividends Payable - Closing Dividends Payable

Use the ledger: formulas assume no other movements. Adjust GST, returns, discounts, FX, revaluations, write-downs and transfers. For prepayments, add closing less opening to cash paid. Keep gross receivables separate from the allowance; count cash sales once. Other supplier expenses need their own cash adjustment.

Tax / other checks: use only P/L deferred-tax movements; add current-tax charges outside P/L to the payable working. Handle tax refunds/receivables separately. Remove non-cash income/interest. Disposal assumes cash settlement and no selling costs.

Classification: headings illustrate one historical non-financial-entity policy. Interest/dividends received may be operating/investing; interest/dividends paid may be operating/financing. Use a permitted policy consistently; tax is normally operating unless specifically investing/financing.

Concept references: AASB 107 (March 2020), paras 18-24, 31-36, 43-44; AASB 112 (March 2020, 2022-applicable), paras 5, 58, 61A. Formulas follow ledger roll-forwards.

Module 2 | find it quickly

PRESENTATION OF FINANCIAL STATEMENTS / STUDY & PRINT

Each topic title below opens the matching Accounting Ahead lesson. Use the formula sheet for quick lookup and the worked case to practise the statement links.

Topic	Best companion printables
1. Complete report / presentation	Financial statements: layouts and review checklist
2. Policies, estimates, errors	Accounting changes decision guide
3. Events after reporting period	Subsequent events timeline
4. Profit, OCI and equity	Profit, OCI and equity bridge; layouts checklist
5. Position and classification	Current/non-current decision map; ratio checks
6. Cash-flow workings / analysis	One-page formulas; tax bridge; classification guide; Juniper worked case

Open the lesson

1. The complete report and presentation principles

2. Policies, estimates and errors

3. Events after the reporting period

4. Profit, other comprehensive income and equity

5. Financial position and classification

6. Cash-flow workings and analysis

Choose your format: use the one-page cash sheet for quick lookup, the tax bridge and classification map for focused checks, and Juniper to practise the complete statement links. Every resource has its own PDF and page-image download.

Open all Module 2 printable resources

Accounting Ahead | Module 2 study and printable resource index. Original lessons and worked cases.

Why did the number change?

MODULE 2 / ACCOUNTING CHANGES

1. **Start with the applicable standard**
   Specific transition rules come before the general IAS 8 route.

2. **A different accounting basis?**
   A justified policy change normally needs retrospective application.

3. **New information about an estimate?**
   Recognise prospectively in the affected current/future periods.

4. **Reliable information was previously misused?**
   Correct a material prior-period error retrospectively.

5. **Map dates and reconcile**
   Keep prior-period adjustments separate from current performance.

Situation	Treatment
Revised useful life or depreciation method	Estimate change when expectations of consumption change.
A material omitted historical invoice	Error if reliable evidence was available and reasonably obtainable then.
Different permitted inventory cost formula	Policy change; a reliable, more relevant result is required for a voluntary change.
Retrospective effect cannot be determined	Apply the impracticability rules; do not invent past intentions.

A third opening balance sheet is required only when the specified retrospective change has a material effect on the opening position of the preceding period.

Guide context: CPA Australia FR, sixth edition (October 2022), Module 2. Original examples, calculations and design. AASB 108 (March 2020), paragraphs 7-53; AASB 116 (December 2021), paragraphs 51, 61.

Restatement and estimates: different clocks

MODULE 2 / ORIGINAL WORKINGS

Cedar Packaging: inventory policy change

Inventory uplifts are known at three dates. Tax bases are unchanged; assume 25% tax and recognition of the resulting deferred-tax liability. Cedar table and workings: $000.

Date	Inventory +	Tax liability +	Retained earnings +
Start Year 3	12	3	9
End Year 3	20	5	15
End Year 4	17	4.25	12.75

Opening Year 3: Dr inventory 12 / Cr deferred tax liability 3 / Cr retained earnings 9. Comparative Year 3 profit rises 6 after tax. Current Year 4 profit falls 2.25 after tax: the inventory uplift falls by 3, with a 0.75 tax credit.

Check: opening Year 4 equity uplift 15 - current profit effect 2.25 = closing uplift 12.75. A closing balance adjustment is not the current-year profit movement.

New machine-life estimate (dollars)

Cost 96,000; residual 6,000; six-year straight-line life. After two years, carrying amount is 66,000. New remaining life: three years; new residual: 3,000. New annual depreciation = (66,000 - 3,000) / 3 = **21,000**. Earlier 15,000 annual charges are not restated.

Material omitted invoice (dollars)

A prior-year 9,000 expense was omitted despite available evidence. Ignore tax. Restate the prior period; opening entry: Dr retained earnings 9,000 / Cr accrued liability 9,000. Later payment: Dr liability / Cr cash. Do not expense it twice.

Guide context: CPA Australia FR, sixth edition (October 2022), Module 2. Original examples, calculations and design. AASB 108, paragraphs 19-27, 32-49. Tax assumptions are illustrative; see Module 4 for tax-base analysis.

After year end: what changes?

MODULE 2 / IAS 10

1. **Reporting date**
   Identify resources, obligations and conditions at that date.

2. **Evidence before authorisation**
   Ask when the condition existed, not just when news arrived.

3. **Existing condition**
   Adjust the affected reporting-date amounts and disclosures.

4. **New later condition**
   Do not adjust earlier amounts; disclose if material.

5. **Going concern no longer appropriate?**
   Reconsider the entire preparation basis, not just one journal.

Original Northhaven timeline: reporting date **30 June**; authorisation **19 August**. Ignore tax.

Evidence	Response
8 July: corrosion caused by a May leak; June inventory NRV is 14,000 below carrying amount	Adjust the June inventory amount: Dr write-down expense / Cr inventory or allowance 14,000.
22 July: a new flood damages sound equipment	No June impairment solely for the new flood. Disclose if material.
2 August: final price confirmed for a machine delivered in June	Update June acquisition measurement using the evidence.
11 August: dividend approved; no June obligation	No June dividend payable. Make required disclosure.

Disclose the authorisation date and authoriser. A material non-adjusting event needs its nature and estimated financial effect, or an explanation that an estimate cannot be made.

Guide context: CPA Australia FR, sixth edition (October 2022), Module 2. Original examples, calculations and design. AASB 110 (March 2020), paragraphs 3-22. standards.aasb.gov.au/aasb-110-mar-2020

Three sources of equity movement

MODULE 2 / ORIGINAL EQUITY BRIDGE

Profit + other comprehensive income = total comprehensive income. Then reconcile owner contributions, distributions and any required retrospective adjustments separately.

Amber Engineering: opening capital 250, retained earnings 88 and revaluation surplus 32. Profit 54; net-of-tax OCI 24 (property 18, translation 6); shares issued 40; dividends 22; internal reserve transfer 4. Amounts are $000.

Movement	Capital	Retained	Revaluation	Translation	Total
Opening	250	88	32	0	370
Profit	0	54	0	0	54
Net OCI	0	0	18	6	24
Shares	40	0	0	0	40
Dividends	0	(22)	0	0	(22)
Transfer	0	4	(4)	0	0
Closing	290	124	46	6	466

Checks: comprehensive income = 54 + 24 = 78. Equity increase = 78 + 40 - 22 = 96. Opening 370 + 96 = closing 466. The internal transfer changes columns but not total equity.

Keep the categories clear

An equity dividend is a distribution, not an expense. Shares issued are a contribution, not revenue. A reserve transfer is not a new gain. Prior-period corrections are not disguised as current OCI.

OCI groups distinguish items potentially reclassified to profit/loss from items that will not be reclassified. Apply the specific standard; OCI is not a free-choice parking place for volatile gains.

Guide context: CPA Australia FR, sixth edition (October 2022), Module 2. Original examples, calculations and design. AASB 101 (December 2021), paragraphs 81A-109. Before-tax property OCI 24 less tax 6 = 18; translation OCI 8 less tax 2 = 6.

Recycling and revaluation journals

MODULE 2 / ORIGINAL WORKED EXAMPLES

A reserve can contain earlier years

Opening foreign-operation translation reserve 6,000; new current-year gain 5,000; on qualifying disposal, reclassify the whole 11,000 to profit/loss. Amounts are net of tax; assume a wholly owned operation and no other movements.

Current-year component	Amount
New gain in OCI	5,000
Reclassification out of OCI	(11,000)
Net OCI	(6,000)
Gain reclassified into profit	11,000
Combined comprehensive-income effect	5,000

The new OCI gain is not automatically equal to the accumulated amount recycled. The closing reserve is zero.

Eliminating accumulated depreciation

Building gross amount 360,000; accumulated depreciation 90,000; revalue to 310,000. No previous revaluation loss. Ignore tax for these entries.

Step	Debit	Credit
Eliminate depreciation	Accumulated depreciation 90,000	Building cost 90,000
Increase net amount	Building 40,000	OCI / revaluation surplus 40,000

After elimination: net amount remains 270,000. After revaluation: 310,000. Every entry balances. Required tax effects are dealt with separately in the same presentation location as the underlying item.

Guide context: CPA Australia FR, sixth edition (October 2022), Module 2. Original examples, calculations and design. AASB 121 (March 2020), paragraphs 48-48D; AASB 116 (December 2021), paragraphs 35-41.

Classify the right at reporting date

MODULE 2 / GUIDE-ERA IAS 1

First recognise and measure the item. Then classify it. Use current/non-current categories unless a liquidity presentation provides reliable and more relevant information.

Current asset if an applicable test is met	Current liability in the 2022 guide context
Realised, sold or consumed in the normal operating cycle	Settled in the normal operating cycle
Held primarily for trading	Held primarily for trading
Expected to be realised within twelve months	Due for settlement within twelve months
Cash/cash equivalent, unless restricted for at least twelve months	No unconditional reporting-date right to defer settlement for at least twelve months

The dates decide

Original facts	Reasoning
Inventory sold in a normal 18-month cycle	Can be current under the operating-cycle test.
Loan 160,000: 35,000 due within twelve months; no breach or demand clause	Current 35,000; non-current 125,000.
Debt due in nine months; only a hope of refinancing	Hope is not an existing qualifying deferral right.
A June breach makes debt payable on demand; waiver only in July	The later waiver does not create a June right. Assess disclosure separately.

Deferred tax is not current when a classified statement is presented. Apply the ordinary classification principles to ROU assets; optional short-term lease exemptions do not settle classification.

Positive equity does not prove going concern. A 2:1 current ratio is not a universal ideal. Assess payment dates, accessible funding and asset quality.

These examples use the historical IAS 1 wording supporting the supplied October 2022 guide. Do not silently mix later covenant amendments into their answers.

Guide context: CPA Australia FR, sixth edition (October 2022), Module 2. Original examples, calculations and design. AASB 101 (December 2021), paragraphs 54-80A. standards.aasb.gov.au/aasb-101-dec-2021

Juniper Calibration: the original case

Juniper sells calibration equipment and provides support. All amounts are **$000**. Each displayed expense is separate; none is also included in another line. No OCI, foreign-exchange or unlisted movements. All tax expense is current at an assumed 25%; there are no deferred-tax balances.

Profit statement	Amount
Revenue (all on credit)	420.00
Cost of sales	(252.00)
Employee expense	(64.00)
Other operating expense (cash-related)	(28.00)
Depreciation	(24.00)
Credit-loss expense	(4.00)
Warranty expense	(8.00)
Interest expense	(12.00)
Equipment disposal gain	3.00
Profit before tax	31.00
Current-tax expense	(7.75)
Profit for the year	23.25

Additional facts: receivables written off 3; new shares issued for cash 25; new bank borrowing 50; bank principal repaid 20; lease principal paid 8; dividends recognised and paid 10. Interest expense is paid in full and includes lease interest.

Policy for this guide-era case: interest paid is operating; dividends paid are financing. **Task:** use the balances on page 2 to reconstruct direct operating cash, complete the cash statement, and check it independently from profit.

Guide context: CPA Australia FR, sixth edition (October 2022), Module 2. Original examples, calculations and design. All facts and amounts are independently created. AASB 101 and AASB 107 guide the presentation; this is a condensed teaching case, not a complete statutory report.

Opening and closing positions

Balance ($000)	Opening	Closing
Cash	46.00	94.25
Gross trade receivables	38.00	50.00
Credit-loss allowance	(2.00)	(3.00)
Inventory	54.00	62.00
Prepayments	6.00	9.00
Net PPE	180.00	214.00
Total assets	322.00	426.25
Trade payables	32.00	44.00
Wage accruals	8.00	11.00
Warranty provision	5.00	7.00
Current tax payable	12.00	9.00
Borrowings, including leases	120.00	172.00
Total liabilities	177.00	243.00
Share capital	100.00	125.00
Retained earnings	45.00	58.25
Total equity	145.00	183.25

Equipment: cash additions 40; non-cash new lease 30; disposed asset carrying amount 12 (proceeds 15); depreciation 24. Check: 180 + 40 + 30 - 12 - 24 = 214.

Allowance: 2 opening + 4 credit-loss expense - 3 write-offs = 3 closing. Inventory has no write-down or other non-purchase movement. Other prepayment/accrual movements relate only to the stated operating expenses.

For classified presentation, current borrowings are 20 opening and 30 closing; non-current borrowings are 100 and 142. Assume other listed operating assets/liabilities and tax payable meet current criteria. Debt classification comes from rights/schedules, not this year's repayments.

Guide context: CPA Australia FR, sixth edition (October 2022), Module 2. Original examples, calculations and design. Figures are $000. AASB 101 (December 2021), paragraphs 54-80A. The full lesson explains classification and ratio limitations.

Direct cash-flow answer

MODULE 2 / PAGE 3 OF 4 / RECONSTRUCT & CLASSIFY

Operating working ($000)	Calculation	Cash
Customers	38 + 420 - 3 - 50	405.00
Suppliers	252 + 62 - 54 + 32 - 44	(248.00)
Employees	64 + 8 - 11	(61.00)
Other operating expense	28 + 9 - 6	(31.00)
Warranties	8 + 5 - 7	(6.00)
Interest	Paid in full	(12.00)
Current tax	7.75 + 12 - 9	(10.75)
Net operating cash		36.25

Investing / financing ($000)	Amount
Equipment sale proceeds	15.00
Cash equipment additions	(40.00)
Net investing cash	(25.00)
New shares + new bank borrowing	25.00 + 50.00
Bank principal + lease principal + dividends	(20.00) - 8.00 - 10.00
Net financing cash	37.00
Cash increase: 36.25 - 25 + 37	48.25
Opening cash + increase = closing	46.00 + 48.25 = 94.25

The financing components above are combined only to keep this answer working compact; in the statement, show the major receipts and payments separately. The 30 non-cash lease is excluded from cash lines.

Guide context: CPA Australia FR, sixth edition (October 2022), Module 2. Original examples, calculations and design. AASB 107 (March 2020), paragraphs 10-24 and 31-48. Cash and profit differ for explainable reasons.

Independent checks: profit, cash, equity

MODULE 2 / PAGE 4 OF 4 / CROSS-CHECK

Indirect operating reconciliation ($000)	Amount
Profit after tax	23.25
Add depreciation	24.00
Remove disposal gain	(3.00)
Increase in net receivables	(11.00)
Increase in inventory	(8.00)
Increase in prepayments	(3.00)
Increase in trade payables	12.00
Increase in wage accruals	3.00
Increase in warranty provision	2.00
Decrease in current tax payable	(3.00)
Net operating cash	36.25

This method uses net receivables. Do not also add back the 4 credit-loss expense. The direct and indirect answers both give 36.25. This extra bridge is a learning check, not a universally required additional direct-method note.

Borrowings: 120 + 50 cash borrowing + 30 non-cash lease - 20 bank principal - 8 lease principal = 172.

Equity: retained earnings 45 + profit 23.25 - dividends 10 = 58.25. Capital 100 + shares 25 = 125. Total equity = 183.25. Assets 426.25 = liabilities 243 + equity 183.25.

Interpretation: cash increased 48.25, partly through net financing of 37. A higher bank balance is not proof of an equal operating-profit improvement. Read all three cash categories and the commitments together.

Guide context: CPA Australia FR, sixth edition (October 2022), Module 2. Original examples, calculations and design. AASB 107, paragraphs 18-20 and 44A-48; AASB 101, paragraphs 106-109. Original calculations independently reconciled.

Tax expense is not tax paid

MODULE 2 / ONE-PAGE TAX BRIDGE

1. **Isolate the deferred-tax effect in profit/loss**
   Deferred tax expense = P/L increase in DTL - P/L increase in DTA.

2. **Find the current-tax charge**
   P/L current tax = total P/L tax expense - P/L deferred tax expense.

3. **Reconstruct the payable**
   Cash paid = opening payable + current-tax charges - closing payable.

First remove movements outside profit/loss: OCI, direct equity, acquisitions and FX may change deferred balances. Current-tax charges outside P/L must also enter the payable working. Include tax receivables/refunds separately when relevant.

Original example: Aster Mapping ($000)

Deferred balance	Opening	Closing	Outside P/L	P/L movement
Liability (DTL)	8	16	+3 in OCI	+5
Asset (DTA)	6	4	0	-2

Deferred-tax expense = 5 - (-2) = **7**. Total P/L tax expense is 48, so current-tax expense = 48 - 7 = **41**. Current-tax payable opens at 12 and closes at 9; no other current-tax movement. Cash tax paid = 12 + 41 - 9 = **44**.

Entry ($000)	Debit	Credit
P/L tax	Tax expense 48	DTL 5; DTA 2; current tax payable 41
Tax on OCI gain	OCI 3	DTL 3
Tax settlement	Current tax payable 44	Cash 44

Check: payable 12 + 41 - 44 = 9. Using the full DTL increase of 8 would wrongly include the 3 OCI charge in P/L. A decrease in DTA creates expense when the movement belongs in P/L.

CPA Australia FR study guide, sixth edition (October 2022), Module 2. Original Accounting Ahead workings and design. Guide printed pages 104-107; AASB 112 (March 2020, 2022-applicable): standards.aasb.gov.au/aasb-112-mar-2020-0 (paras 5, 58, 61A). AASB 107 (March 2020), paragraphs 6-24, 31-48: standards.aasb.gov.au/aasb-107-mar-2020

One report, connected statements

Report component	What to connect or check
Financial position	Assets = liabilities + equity. Separate current/non-current unless a liquidity presentation is more relevant and reliable.
Profit/loss and OCI	Profit + OCI = total comprehensive income. Keep potentially recyclable OCI separate from non-recyclable OCI.
Changes in equity	Opening equity + comprehensive income + owner contributions - distributions = closing equity; identify restatements separately.
Cash flows	Opening cash + operating + investing + financing + exchange effects = closing cash. Exclude non-cash transactions from cash lines.
Notes and comparisons	Explain material policies, judgements, estimates and disaggregations. Cross-reference the statements. Include prior-period comparatives.

Opening comparative position: a third balance sheet is needed when a qualifying retrospective change/reclassification materially affects the opening position of the preceding period; it is not automatic for every correction.

Before signing off the presentation

Identify the entity/group, reporting date/period, currency and rounding. Assess going concern. Use accrual accounting except for cash-flow information. Separate material items; do not offset unless permitted. Keep presentation consistent or explain a justified change.

Illustrative line-item checks: PPE, investment property, intangibles, financial assets, equity-accounted investments, inventories, receivables, cash, payables, provisions, financial liabilities, current/deferred tax and equity. Consider held-for-sale/disposal groups and industry-specific requirements. This is not an exhaustive checklist.

IAS 8 hierarchy: apply the relevant standard first. If none addresses the transaction, consider similar/related requirements, then Framework concepts. Other literature or practices must not conflict with these higher sources.

CPA Australia FR study guide, sixth edition (October 2022), Module 2. Original Accounting Ahead workings and design. Guide printed pages 62-73, 92-99. AASB 101 (December 2021): standards.aasb.gov.au/aasb-101-dec-2021 (paras 10, 15-54, 106-138); AASB 108 (March 2020), paras 7-12.

Change the layout, not the result

Example assumptions: $000; no income-tax expense or other unlisted income/expense in this simplified illustration. Revenue 195; materials 54, employees 38, depreciation 12, other costs 16. Total costs = 120; profit = 75.

By nature	Amount	By function	Amount
Revenue	195	Revenue	195
Materials	(54)	Cost of sales	(84)
Employees	(38)	Gross profit	111
Depreciation	(12)	Selling	(22)
Other costs	(16)	Administration	(14)
Profit	75	Profit	75

Allocation check: cost of sales = materials 54 + employees 18 + depreciation 8 + other 4 = 84. Selling = employees 12 + depreciation 2 + other 8 = 22. Administration = employees 8 + depreciation 2 + other 4 = 14. Total = 120 in either view. Do not expense the same cost twice.

Use the analysis that provides reliable and more relevant information. A function presentation also discloses additional nature information, including depreciation/amortisation and employee-benefit expense.

One combined statement or two consecutive statements

Single statement	Two statements
Profit/loss section ends with profit 75	Statement 1 ends with profit 75
OCI section: net non-recyclable gain 9; net recyclable loss (4)	Statement 2 starts with profit 75, then shows the same OCI groups
Total comprehensive income = 75 + 9 - 4 = 80	Total comprehensive income = 80

OCI example amounts above are independently assumed net of tax and separate from the expense-allocation exercise. Disclose tax relating to each OCI item, including reclassifications. If OCI is shown before tax, allocate aggregate tax between its two groups. Material reclassification adjustments remain identifiable.

CPA Australia FR study guide, sixth edition (October 2022), Module 2. Original Accounting Ahead workings and design. Guide printed pages 83-94. AASB 101 (December 2021): standards.aasb.gov.au/aasb-101-dec-2021 (paras 81A-105). Examples are teaching extracts, not complete statutory statements.

Interim, segments and analysis

MODULE 2 / PAGE 3 OF 3 / QUICK CHECKS

Interim comparison periods

Statement	Current presentation	Comparator
Financial position	End of current interim period	End of preceding annual year
Profit/loss and OCI	Current interim period and year to date	Equivalent prior-year periods
Changes in equity	Current year to date	Equivalent prior-year YTD
Cash flows	Current year to date	Equivalent prior-year YTD

For a June half-year in a calendar-year entity, compare the June position with the previous December position; compare half-year performance and flows with the previous June half-year. Interim reports update the annual information.

Reportable-segment checks

10% tests: segment revenue includes internal and external sales; compare with combined segment revenue. Compare segment assets with combined segment assets. For profit/loss, compare the absolute segment result with 10% of the greater absolute total of profitable segments or loss-making segments. Meeting any test is sufficient, subject to the standard's wider rules.

75% check: reportable segments must cover at least 75% of entity external revenue; identify more segments if needed. This denominator differs from the 10% revenue test.

Two ratios, two different questions

Measure	Original example ($000)	Interpretation limit
Current ratio = current assets / current liabilities	126 / 72 = 1.75 times	Timing and asset quality matter; no universal ideal.
Borrowings/equity = interest-bearing borrowings / equity	96 / 160 = 60%	Define borrowings, including leases if applicable; not total liabilities/equity.

Commentary pattern: identify the movement, explain its driver, cite the relevant note, then state uncertainty. Compare like periods and policies; cash growth may come from borrowing rather than operations.

CPA Australia FR study guide, sixth edition (October 2022), Module 2. Original Accounting Ahead workings and design. Guide printed pages 65-68, 90-91, 99-100. AASB 134 (December 2021), para 20; AASB 8 (March 2020), paras 13-15. Ratios are analytical conventions, not prescribed pass marks.

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