

How to Cite:

Gea, J. S., Butarbutar, M., & Muda, I. (2022). How cash flow information determined and reported to external users in pandemic of COVID-19 era?. *International Journal of Health Sciences*, 6(S3), 977–997. <https://doi.org/10.53730/ijhs.v6nS3.5172>

How Cash Flow Information Determined and Reported to External Users in Pandemic of COVID-19 Era?

Januar Samuelson Gea

Universitas Sumatera Utara, Medan, Indonesia

Marnangkok Butarbutar

Universitas Sumatera Utara, Medan, Indonesia

Iskandar Muda

Universitas Sumatera Utara, Medan, Indonesia

Abstract---This paper aims to provide information to the reader about how information that cash flow determined and reported to user specifically to external parties. The research methodology used in this research is library research. The data collection technique used is library research, namely data collection is done by reviewing reference books in the library. The type of data used is secondary data in the form of books related to the discussion. Data analysis used descriptive methods, namely describing the results of the study and then drawing conclusions. The results of the research in this paper are: Cash flow statements are reports that provide information about cash inflows and outflows in a company, caused by operating, investing, and financing activities. Cash flow statements are used in conjunction with other financial statements, cash flow statements can provide information that allows users to evaluate changes in a company's net assets, financial structure (including liquidity and solvency) and the ability to influence the amount and timing of cash flows in the context of adaptation. With changing situations and opportunities. Information about the company's cash flows is useful for users of financial statements as a basis for assessing the company's ability to generate cash and cash equivalents and assessing the company's need to use these cash flows. There are several stages in the preparation of a cash flow statement that requires a statement of financial position and an income statement. Meanwhile, there are two methods that can be used, namely direct and indirect methods.

Keywords---cash, financial statements, cash flow statement, COVID-19.

Introduction

According to the Indonesian Institute of Accountants, financial statements are part of a complete financial reporting process, usually including balance sheets, income statements, statements of financial position (which can be presented in a number of ways, cash flow statements and fund flow statements), notes and other reports and material explanation is an integral part of financial statements, in addition to industry and geographic segments as well as disclosure of price changes (IAI, 2009) . Meanwhile, according to Munawir (2004), financial statements are the result of an accounting process that can be used as a tool to communicate between financial data and the activities of a company and the parties with an interest in the data or activities of the company. Meanwhile, according to Munawir (2004), financial statements are the result of an accounting process that can be used as a tool to communicate between financial data and the activities of a company and parties with an interest in the data or activities of the company (Munawir, 2004).

Information regarding the financial position, performance and changes in financial position is very necessary to be able to evaluate the company's ability to generate cash (and cash equivalents), and the timing and certainty of these results (Huang et al., 2022). The company's financial position is influenced by resources controlled, financial structure, liquidity, and solvency as well as the ability to adapt to changes in the environment. Information on company performance, especially profitability is needed to assess changes in potential economic resources that may be controlled in the future, so as to predict the company's capacity to generate cash (and cash equivalents) and to formulate the company's effectiveness in utilizing additional resources. Information on changes in financial position is useful for assessing the activities, financing and operations of the company during the reporting period (Abdulnafea et al., 2022). Besides being useful for assessing the company's ability to generate cash (and cash equivalents), this information is also useful for assessing the company's need to take advantage of current cash.

One of the financial statements that decision makers need is a cash flow statement. Cash flow reports in the form of budgets and realizations are useful, among others, to predict the company's cash needs so that it is not too short and not too much. Cash shortages cause business instability, while excess cash is an inefficient condition. Cash flow statements are financial statements that contain information on cash inflows and outflows from a company during a certain period (Ball & Nikolaev, 2022). This information is presented according to the type of activity that causes cash flows incoming and outgoing cash. Company activities generally consist of three types, namely, operational activities, investment activities and financial activities.

Operational activities for a trading company consist of buying merchandise, selling the merchandise as well as other activities related to the purchase and sale of goods. For service companies, operational activities include selling services to their customers. For example, selling aeronautical and non-aeronautical services. This activity will result in cash inflows for revenues and outflows for expenses (Fatimah, 2022). Both revenue and expenses incurred have been

reported in the income statement, but the amount of revenue is not necessarily the same as the money received because companies generally use the accrual basis to recognize revenue. Likewise with expenses, expenses that are reported in profit or loss are not necessarily the same as outflows for those expenses. Investment activities are activities to buy or resell investments in long-term securities and fixed assets. If the company buying investments/fixed assets will result in outflows and if selling investments/fixed assets will result in cash inflows to the company. Financial activities or some call them financing activities, are activities to withdraw money from long-term creditors and from owners and return money to them.

There are two forms of presentation of cash flow statements, the first is the direct method and the second is the indirect method. The difference between the two methods lies in the presentation of cash flows from operating activities. Under the direct method, cash flows from operating activities are broken down into cash inflows and outflows. Cash inflows and outflows are further broken down into several types of cash receipts or disbursements. Meanwhile with the indirect method, cash flow from operations is determined by correcting the net income reported in the income statement with several things such as depreciation expense, increase in current assets and current liabilities as well as profit/loss due to disposal of investment.

Literature Review

Definition of cash

Cash is a measuring tool for every financing activity in the exchange of goods and services. Every company activity requires settlement using a medium of exchange (Falchetta et al., 2022). The standard medium of exchange is cash, so that almost all company activities involve cash either directly or indirectly. However, this heading provides the basis for the measurement and accounting of all other items. According to Sugiono (2010) who define cash as a means of payment that is ready and free to be used for company activities. The valuation of cash and cash equivalents is at face value. Cash in the company can be in the form of cash in the company itself (cash on hand) or cash in the bank (cash in bank) (Sugiono, 2010).

According to the Indonesian Institute of Accountants (IAI) Cash consists of cash balances (*cash on hand*) and checking accounts. Cash equivalents *are* investments that *are highly liquid in* the short term and which fast could converted into cash in a certain amount without facing the risk of significant changes (IAI, 2009:2). Meanwhile, according to Dyckman, et al. Cash account only includes items available to pay obligations. Cash includes balances on deposits with financial institutions, demand deposits and currency, petty cash and other instruments accepted by financial institutions for direct deposits and withdrawals. These documents include checks usual, check cashier, check certification and *money orders*. Cash *equivalents* are items that are similar to cash but are not classified as cash. This element includes *treasury bills*, commercial paper, and money market funds, cash equivalents very close to cash (Dickman et al, 2000).

From the three definitions above, it can be understood that cash is the most liquid current asset, is a generally accepted means of payment, which available for payment of short- term obligations, which are *not* restricted in use, either *cash on hand* or in the bank. In addition to cash, there *are* also cash equivalents, which are very similar to cash but cannot be used as a means of payment because they are not in a form that is generally accepted as in the case of cash. Cash estimates consist of cash in the company called "Cash", while cash in banks is called "Bank". Cash consists of cash (coins and paper), negotiable payment instruments (*negotiable instruments*), deposits in banks and other things that can be equated with cash. Examples of *negotiable instruments* are money orders, checks, personal checks and others. Cash forecasts also include petty cash and other cash funds, such as cash receipts and checks deposited with bank.

Cash in the form of cash is a common means of payment or is often used as a means of payment. Cash is often lost and there is a great risk when transferred in large quantities. Therefore, along with business developments, the use of checks is increasingly widespread. According to Warren (2020), a check is: a written document signed by the depositor that orders the bank to pay a certain amount of money to an individual or entity effort (Warren, 2020). In its activities, the company uses cash to finance the company's activities. However, cash is often misinterpreted and is only considered as cash only (paper money and coins). Cash (*cash*) includes coins, banknotes, checks, money orders, and money stored in banks that can be withdrawn without restrictions from the bank concerned. According to Donald E. Kieso et al (2019). Cash classification is as follows:

Table 1
Classification of Cash, cash equivalents and non-cash items

Post	Classification	Comment
Cash	Cash	If it is not restricted, it is reported as cash. If restricted, identified and classified as current and non-current assets
Petty cash and fund exchange	Cash	Reported as cash
Short term securities	Cash equivalent	Investments with maturities of less than three months, generally combined with cash.
Short term securities. Check back and IOU	Temporary Investment Receivable	Investments with maturities of three to twelve months Assumed to be collectible
Advance travel	Receivables	Assumed to be collectible from employees or deducted from their salaries.
Stamp on hand (such as stamps and others)	Prepaid expenses	Can be classified as office supplies
Overdraft bank	Current responsibilities	If there is a right to another offset, reduce cash, reduce cash
Compensation balance	Cash is defined	Classified as current or non-current assets on the balance sheet Disclosed separately in

<ul style="list-style-type: none"> • Legally limited Agreement without legal restrictions 	separately. As savings that are kept as balance compensation. Cash with notes	the notes detailing the arrangement.
--	---	--------------------------------------

Cash and cash equivalents are elements that are similar to cash but are not classified as cash including the most appropriate medium of exchange and instrument to be negotiated. If an item cannot be converted into coins or banknotes without prior notification, then this item is classified separately. As investments, as receivables or as prepaid expenses. Cash which is not available to pay obligations that are currently maturing, are separated and classified as long-term assets. Examples of long-term assets: land, buildings and others. In addition, the conditions for an element that can be equated with cash are:

- Can be accepted at any time as a means of payment, especially in the business environment.
- Can be deposited into a bank as a checking account and can be converted into cash in a known amount without facing the risk of changes in value. significant.

Those that cannot be classified as part of cash/bank on the balance sheet are as follows:

- Funds set aside for specific purposes, for example :
 - *Sinking fund* , fund for payment bond
 - *Redemption fund*, fund for stock redemption preference.
- Stock Stamps
- Checks (*post-dated checks*), remain recorded as receivables until the date on which the check is cashed, backward checks are included in the group receivables.
- Blank check from party third
- Current accounts with overseas banks that are restricted in their use (cannot be used immediately)
- Time deposit (*time deposit*) namely savings in the bank which take it bound on the rules as well as period time certain, so that the deposit cannot be withdrawn or cashed at any time according to its nominal value.
- Receivables money order
- Current accounts are blocked, company checking deposits may be blocked by the authorities for certain reasons. A checking account in a blockade cannot be taken or used as a means of payment at any time, therefore it cannot be included in the cash element until the blockade is lifted.
- Cash receipts or internal advances are evidence of cash withdrawals made by company officers to make payments to outsiders whose amounts cannot be ascertained and the supporting evidence is only obtained after the payment is made.

Understanding cash flow (*Cashflow*)

Cash flow is a very important unit in carrying out financial operational work activities both for planning and implementing audits as well as new investments as one of the milestones for financial operational activities. According to Harahap (2006), cash flow is a report that provides relevant information about receipts and expenses of a bookkeeping in a certain period by classifying transactions in operational, financing and investment activities. According to Simamora (2001) in his book *business decision making* 2nd edition. Cash *flow* reports are financial statements that pay attention to the effect of operating, financing, and investment activities of the company on cash flows during a certain accounting period in a certain way, which reconciles the beginning and ending cash balances. According to Donald E. Kieso et al (2019) in his book *Intermediate Accounting*, the cash flow statement reports cash receipts, cash payments and net changes in cash originating in cash originating in operating, investing, and financing activities of a company during a period in a format that reconciles cash balances and end. Meanwhile, according to Riyanto (2011) in his book *Basics of Corporate Expenditures*, a cash flow report is a report that describes where it comes from and what it is used for.

From some of the definitions that have been presented, it can be understood that the cash flow statement is a report providing information on the inflow and outflow of cash in a company, caused by operating, investing, and funding activities. Cash flow reports are usually made in the form of budgets and realizations. Operating activities include transactions classified as determining the amount of net profit/loss. Cash receipts from the sale of goods or rendering of services are the main source of cash inflows. Other cash receipts come from interest income, dividends and the sale of traded securities (Angelina et al, 2020). While cash outflows include payments to purchase merchandise, pay salaries/wages, tax expense, interest, utility expenses, rent and purchase of traded securities. It should be noted here, cash received from interest and dividend income is not categorized as an investment activity, but operating activities. All income and expense accounts which are the determinants of net income represent (identical to) the company's operating activities. Interest income and dividends are reported in the income statement as other income which will affect the amount of net profit/loss, so that cash received from interest and dividend income will be reported in the statement of cash flows from operating activities, not operating activities investment.

Investing activities are buying or selling land, buildings and equipment. In addition, investing activities also include buying and selling of financial instruments that are not for trading purposes (*non-trading securities*), selling business segments and providing loans to other entities, including collections. While funding activities include transactions in which cash is obtained or paid back to the owners of funds (investors) and creditors. Investing and financing activities do not affect the company's cash flow (*non-cash investing and financing activities*). Examples of investing and financing activities that do not affect cash flow are the issuance of ordinary shares or debt securities in order to purchase fixed assets, conversion of bonds into ordinary shares, exchange of fixed assets and issuance of ordinary shares in exchange for *convertible preferred shares*.

Information use report cash flow

Salim (2000), states that benefit report cash flow for internal and external parties' company as following:

- Internal parties (management) take advantage of report cash flow as basis for evaluate liquidity company, determine policy dividends, and evaluate the impact (result) of decisions policy tree made _ management concerning investment and funding.
- Party external parties, especially investors and creditors also take advantage of report cash low. Investors take advantage of report cash flow as base consideration for do investment, while creditor make use of it as base consideration for give credit.

In short, internal and external parties use available information in report cash flow for predict ability entity generate cash and cash equivalents, which then made as base consideration making decision in accordance with the interests of each party. according to Harahap (2006), with do analysis to this cash flow could know:

- Ability company generate cash, plan, control cash inflows and flows go out past companies.
- Possibility state cash inflows and outflows, net cash flow companies, including ability pay dividends in the future come.
- Information for investors, creditors, projecting returns from source riches company.
- Ability company for put cash in company in the future come.
- Reason difference Among profit clean compared to with cash receipts and disbursements.
- Influence investment both cash and not cash and transactions other to position finance company During one period certain.

Information about cash flow will help investors and creditors for evaluate Ability Company in produce positive and fulfilling net cash flow obligation period short-and-long term length, including ability for pay dividends in the future come (Tiosanna et al., 2020). Besides that, report cash flow helps users report finance for knowing reasons about difference among profit clean or profit accountancy with profit the cash. Report cash flow also helps users report finance for determine impact from transactions *cash* and non-cash *investing* as well as the funding to position finance company.

Bond Indonesian Accountants PSAK No. 2 Paragraph 03-04 (2004: Section 2.1-2.2) states as following: If used in relation with report finance other, report cash flow can give information that allows users for evaluate change in assets clean company, structure finance (including liquidity and solvency) and ability for influence total as well as time cash flow in skeleton adaptation with change circumstances and opportunities. Information useful cash flow for evaluate ability company in generate cash and cash equivalents and enable users develop a model for rate and compare Mark now from future *cash* flows from various company. Information it also increases reporting comparability performance

operation various company because could negate influence use treatment different accounting to the same transactions and events. Information historical cash flow often used as indicator from amount, time, and certainty future cash flows. Beside _ that information cash flow is also useful for researching precision from estimate future cash flows that have been made before and in determine connection Among profitability and net cash flow as well as impact change price.

Information in report cash flow will assist investors, creditors, and other parties in evaluate Thing following (Harahap, 2006):

- Ability unity produce future cash flows. Destination main from reporting finance is give possible information for predict amount, time, and uncertainty from future cash flows. With check connection between posts like net sales and cash flow from activity operations, investment and financing will allow for make more predictions good about company cash flow.
- Ability unity business for pay dividends and fulfill obligation, by simple, if something company does not have enough cash, then wages employee could not pay, no debt paid off, dividend not paid off or equipment not bought. Besides that, report cash flow show how cash is used and where it comes from obtained. All related parties with very interested company with information cash flow that can see from report company cash flow.
- Difference Among profit net and net cash flow from activity operation. Profit figures clean urgent because give information about success or failure something company business from one period to period another. But some people criticize profit clean based on accrual because estimate must made for calculate it. As a result, reliability from number that often doubtful, not thereby case with cash. Many readers report finance wants to knowing reasons difference among profit net and net cash flow from activity operation. Then they could evaluate for themselves, they reliability of the number profit for their own purposes.
- Transaction cash and non- cash investing and financing during period it. With check activity investment something company (purchase or sale assets, besides from its products) and transactions funding (borrowing and repayment) loan investment by owner and distribution to owner, finance report's reader could understand more why assets and liabilities increase or decrease during period it.

Classification of cash in cash flow (*Cash Flow*)

In presenting this Statement of Cash Flows, cash related transactions are separated into three categories: It is:

- a. Cash Flow from Activities Operation
Hery, in his book Auditing (Accounting Examination I) defines the main cash flow of the company is related to operating activities. There are two methods that can be used in calculating and reporting the amount of net cash flow from operating activities, namely the indirect method and the direct method not as a way to manipulate the amount of cash reported from operating activities. Both methods will produce the same cash figure.

However, the most frequently used method in financial reporting practice is the no-nonsense method directly (Hery, 2013).

The direct method or also called the income statement method is essentially a re-examination of each item (component) of the income statement with the aim of reporting how much cash was received or paid in relation to each component of the income statement. The indirect method or also known as the reconciliation method begins with the net profit and loss figures as reported in the income statement and adjusts the amount of net income (which has been measured on an accrual basis) with items that do not affect cash flows. In other words, the amount of net income as a result of accrual accounting will be adjusted to determine the amount of net cash flow from operating activities. These adjustments consist of:

- Revenues and expenses that do not involve cash inflows or cash outflows.
- Profits and losses related to activities investment.
- Changes in current assets (other than cash) and current liabilities as a result of income and expense transactions that do not affect cash flows cash.

Changes that occur in the balance of dividends payable (even though they are included as current liabilities) are not taken into account in reporting net cash flows from operating activities, given that dividends payable arise as a result of the company's financing activities and the amount of dividends declared does not affect the amount of net profit/loss (Rifqi, 2020). It should be recalled that operating activities include transactions classified as determining the amount of net profit/loss. The amount of the cash dividend declared by the investment will be reported by the investment in the statement of retained earnings, not the income statement. All transactions related to profit reported in the income statement are grouped in this category. Likewise, other cash inflows from operational activities, for example:

- Receipt from customer.
- Receipts from accounts receivable flower.
- Reception dividend.
- Receipt of *refund* from *suppliers*.

b. Cash Flow from Activities Investment

Still according to *Hery*, investment activities include buying or selling land, buildings, and equipment. In addition, investment activities also include buying and selling of financial instruments that are not for trading purposes (*non-trading securities*), selling business segments and providing loans to other entities, including their collection. The reporting of cash flows from investing activities is not influenced by the direct method or the indirect method. If the cash inflows from investing activities are greater than the cash outflows, the net cash flows generated by investing activities will be reported. Conversely, if the cash inflows from investing activities are smaller than the cash outflows, the net cash flows used in investing activities are reported (*Hery*, 2013:478). Here are grouped cash transactions related to

the acquisition of investment facilities and other non-cash used by the company. Cash inflows occur when cash is received from the proceeds or returns on investments made previously, for example from the proceeds of cash inflows sale. Cash Flows received for example from:

- Asset sale permanent.
- Sales of securities in the form of investment.
- Long-term loan collection (excluding interest if this is an activity investment).
- Sales of other assets used in production activities (excluding stock).

Cash flows that come out of this activity, for example, are:

- Payment for fixed assets.
- Purchase long term investment.
- Providing loans to parties other.
Payments for other assets used in productive activities such as patents (excluding inventories which are operating inventories)

c. Cash Flow from Activities Funding

Hery also defines financing activities include transactions in which cash is obtained or paid back to the owner of the funds (investors) and creditors. For example, net cash received from the issuance of shares (capital securities) or bonds (debt securities), payments to buy back common stock (as *treasury stock*), or to redeem bonds payable and cash dividend payments. Funding activities include transactions related to long-term debt and company equity (capital). Payment of current debt is not classified as a financing activity, but an operating activity (*Hery* 2013).

The reporting of cash flows from financing activities is not affected by the direct method or the indirect method. If the cash inflows from financing activities are greater than the cash outflows, the net cash flows generated by financing activities will be reported. On the other hand, if the cash inflows from financing activities are smaller than the cash outflows, the net cash flows used in financing activities are reported. Cash outflows are payments back to owners and creditors for previously provided funds. Cash inflows for example:

- Issuance of shares.
- Expenditure money order.
- Sale bond.
- Issuance of mortgage debentures, and others.

Cash outflow for example:

- Payment of dividends and other distributions given to owner.
- Purchase of owner's shares (*treasury stock*).
- Payment for the principal debt of the borrowed funds (excluding interest because it is considered an operating activity).

Method study

The research method used in this study is a literature review (*Library Research*). The data collection technique used is library research, namely data collection is done by reviewing reference books in the library. The type of data used is secondary data in the form of books related to the discussion. Data analysis uses descriptive methods, namely describing the results of research and then drawing conclusions.

Results and Discussion

Result

Companies present statements of cash flows from operating, investing and financing activities in a manner that best suits the company's business. Classification by activity provides information that enables users of financial statements to assess the effect of these activities on the company's position and on the amount of cash and cash equivalents. The information can also be used to evaluate the relationship between the three activities. From the explanation above, a general cash flow statement format can be drawn up as shown in table 1 below (Skousen, 2004):

Table 2
Cash Flow Statement General Format

Company Name CASH FLOW STATEMENT Insured Period	
Cash generated (used for):	
Cash flow from operating activities	Rp xxx
Cash flow from investing activities	Rp xxx
Cash flow from financing activities	<u>Rp xxx</u>
Net increase (decrease) in cash	Rp xxx
Cash at the beginning of the period	<u>Rp xxx</u>
Cash at the end of the period	Rp xxx

To prepare a Cash Flow Statement you need:

- a. Complete income statement
It is recommended that this profit/loss statement also explains the various important transactions needed in cash flow analysis.
- b. Comparison balance
The balance sheet must also be "full disclosure", so that information on changes between years can be known. For new reports that do not have a comparative report, the previous balance is considered zero, so that the preparation is easier.
- c. Create a working paper that compares the balance sheets for the two periods. Calculate the change in ups and downs between the two periods. In this case, just use the debit credit formula, our handle is as follows: following:

- The increase in assets is recorded on a debit side and is considered as the use of cash funds or cash outflows. Conversely, a decrease in assets is considered as a receipt of funds or cash outflows. On the other hand, a decrease in assets is considered a receipt of funds or cash flows enter.
 - The increase in debt and equity is recorded on the credit side and is considered as an increase in funds or cash inflows. On the other hand, a decrease in funds or cash flow go out.
- d. Changes to no. 3 above is a net change in knowing more about this flow of funds, we have to analyze the estimated funds and change it which describes various types of transactions and events that affect cash funds, either directly or indirectly. This analysis will provide an explanation of the causes of the transaction fund.
- e. The results of this analysis can be used as a basis for grouping funds. Then presented a report on the flow of funds in the form of cash or funds in terms of working capital. The difference between cash flow analysis and fund flow analysis actually only lies in the estimates that are analyzed in the cash flow analysis of funds, we must define the meaning of funds that are meant by funds usually is:
- Quick assets (*quick assets*).
 - Net working capital or Current Assets minus Current Debt.

There are two methods that can be used in preparing cash flows that is:

- a. Direct Method (*Direct methods*)
 In this method, cash flow reporting is done by reporting groups of cash receipts and cash disbursements from operating activities in full (*gross*), without looking at the profit/loss statement and continuing with investing and financing activities. The *direct method* converts income statement items from the accrual basis to cash or cash basis (Hasibuan et al., 2020). Accountants must consider changes in balance sheet accounts that relate to items on the income statement. The accounts involved are all current assets or short-term liabilities. The report starts from cash receipts from sales and cash discount payments for purchases, operating expenses, interest payments, companies are encouraged to report cash flows from operating activities. In Indonesia, companies are encouraged to report cash flows from operating activities using the direct method. The direct method provides information that is useful for estimating future cash flows that cannot be presented using the no-nonsense method live.
- b. Method (*Indirect methods*)
 In the indirect method, the presentation starts from net income and is then adjusted by adding or reducing operational activities such as depreciation, ups and downs in current assets and current liabilities.
- In this method, *net income* is adjusted (*Reconcile*) by remove *non-cash transactions*.
 - The effect of transactions that have not been realized (*deferred*) from

cash inflows and go out from transaction which then like change total inventory *deferral income*, cash inflows and outflows " *accrued* " such as accounts receivable, debt.

- The effect of estimates contained in the investment and financing group that does not affect cash, such as: depreciation, amortization, profit/loss on sale of fixed assets from discontinued operations (related to investment activities), gain/loss on debt cancellations or transactions financing.

The indirect method (also called the reconciliation method) starts from net income and converts it into net cash provided by operating activities, the application of the indirect method does not require making adjustments for each income statement item (as in the direct method) but only adjustments are made. necessary to convert net income into cash flows from operating activities. The indirect method focuses on income statement items that must be adjusted to reconcile net income with net cash flows from operating activities. Items that require adjustment are those that do not affect net cash inflows. The post consists of two categories. *The first category* is items that appear on the income statement but do not result in cash disbursements or cash receipts. Examples are depreciation expense and gains and losses. *The second category* is current assets and short-term liabilities whose balances change during the accounting period. the account: Accounts receivable, accounts payable, prepayments, and inventories must be analyzed for their effect on cash.

To make a Cash Flow Statement, data sources are needed: the Current Year's Income Statement (*Current Book*) and the Comparison of the Current Year's Balance Sheet with the previous year's Balance Sheet. As an illustration, we will make a Statement of Cash Flows for the Year 2021, and the following is an example of an Income Statement for the Year 2021 and a comparative balance sheet for the year 2021 with the year 2020.

Table 3
Income statement

2021 Profit/Loss Report	
Sale	1,580,500
Cost of goods sold	<u>957,300</u>
Gross profit	623,200
Operating load:	<u> </u>
Depreciation expense	26,000
Other operating expenses	329,400
Total operating load	<u>355,400</u>
Operating profit	267,800
Other income:	
Profit on sale of investment	<u>12,000</u>
Profit before income tax	279,800

income tax	<u>99,200</u>	
Net profit		124,600
	<u>180,600</u>	

The following additional information is taken from company records:

- Investment sold for 132,000 cash.
- Equipment and land acquired by cash.
- No equipment sales during the year the.
- Common stock issued with cash.
- Payment of dividends of 56,000 by debiting the profit account detained.

Table 4
Balance sheet Ratio

Comparative Balance			
After Balance	2021	2020	Up and down)
active			
Cash	464,100	395,800	68,300
Receivables (net)	163,200	145,700	17,500
Share	395,000	367,900	27,100
Investment	-	120,000	(120,000)
Soil	160,000	-	160,000
Equipment	695,500	575,500	120,000
Accumulated depreciation of equipment	(194,000)	(168,000)	(26,000)
Total assets	1,683,800	1,436,900	
Liabilities & Equity			
Accounts payable	228,700	210,500	18,200
Fees to be paid	16,500	21,400	(4,900)
dividend payment	14,000	10,000	4,000
Common stock capital, par \$10	75,000	60,000	15,000
Common stock premium	265,000	175,000	90,000
Retain earning	1,084,600	960,000	124,600
Total Liabilities & Equity	1,683,800	1,436,900	

From the income statement, it can be seen that net income after tax is 180,600. If we look at the last column on the comparative balance sheet, it goes up (down), this is an activity that occurred from January 1 to December 31, 2021, which is obtained by subtracting the column "2021" with "2020", then we will get the information as following:

a. In the Assets group:

If the resulting number in this column is positive, it means: a cash disbursement has occurred. For example: in Accounts Receivable there is an increase of 17,500, meaning that for accounts receivable the company issued cash of 17,500. Conversely, if the number in this column is negative, it means: cash receipts have occurred. For example, in investment there is a

decrease of 120,000, meaning that there has been a realization of cash inflows of 390 as a result of the withdrawal of investment.

b. In the debt and equity group (Liabilities):

If the number in this column is marked positive, it means there has been a realization of cash inflows, and vice versa.

With the "Profit/Loss Statement" and "Comparative Balance Sheet" which have been completed with the increasing (decreasing) column as above, we are ready to prepare a Cash Flow Statement. As already mentioned, the Statement of Cash Flows consists of:

- a. Cash Flow from *Operating Activities* The data source comes from the "2021 Income Statement", in the example above, from the company's operating results during 2021, the company experienced a profit of 180,600, so the number is positive (If the company earns a loss, then the sign will be negative). Profit/loss is reduced by *Cost/Expense non-cash (depreciation & amortization)*. Incidentally, in the example above, the *non-cash expense/cost is only depreciation and amortization*. In other cases, there may be a foreign exchange gain/loss difference, if there is it must be eliminated as well. Then the cash flow from activities will be obtained operation.
- b. Cash Flows from *Investing Activities* Move the numbers from the up (down) column in the Comparative Balance Sheet from the Assets group (unless cash accounts are excluded), into this group. Numbers marked positive are changed to negative, and vice versa. By adding up all the numbers it will be obtained the Cash Flow of the investment's activities.
- c. Cash Flow from Financing Activities (*Financing activities*) Transfer the numbers from the ascending (descending) column of the Comparative Balance of the debt and equity groups to this group. Numbers marked with positive remain positive and those marked with negative remain negative, then Sum, then the Cash Flow from Funding Activities will be obtained.
- d. Total Cash Activities (*Total Cash activities*) Obtained by adding up the total numbers from each group 1, 2 and 3 above.
- e. Initial Cash Balance (*Cash Beginning Balance*) Initial Cash Balance (*Cash Beginning Balance*) is taken from the Year Balance 2020.
- f. Cash Balance Should (*Expected Cash Ending balance*) Obtained by adding up the Total Cash Activities with the Cash Beginning Balance.
- g. (*Actual Cash Ending Balance*) Taken from Cash on the Year Balance 2021
- h. Difference (*variance*) Do the final test by comparing the *Expected Cash Ending Balance* with the *Actual Cash Ending Balance*, if the variance is 0 (zero), then the cash flow statement is appropriate.

If all the steps above have been completed, then the result will look like below

Table 5
Statement of Cash Flows 2021 (Direct Method)

CASH FLOW STATEMENT			
Period Ends 31 December 20 21			
A.	Cash flows from operating activities	a)	1,563,000
	: Cash received from customers	b)	966,200
	Less:	c)	00
	Cash payments to suppliers (Goods)	d)	334,300
	Cash payments for operating expenses		00
	Cash payments for interest		-
	payments for income taxes		-
			<u>99,200</u>
			1,399,163,300
	Total cash flow from operating activities		0
B.	Cash flow from investing activities:		-
	Cash from sale of property, plant and equipment		280,000
	Less:		-
	Cash paid for purchase of fixed assets		(280,000)
	Total cash flows for investing activities		0
C.	Cash flows from financing activities :		105,000
	Cash received from sale of shares		00
	Cash received from debt if p/jg		-
			<u>132,000</u>
	Cash received from sale of investment	e)	237,000
	Less:		0
	Cash paid for dividends		52,000
	Cash paid for interest		0
			-
			<u>-</u>
			52,000
	Cash is paid to pay off debt if it's too late		<u>0</u>
			185,000
	Total cash flows from financing activities		0

Increase	68,3
(Decrease)	00
cash Cash at	395,8
the beginning	00
of the period	464,1
Cash at the	00
end period	

Explanation:

- Cash received from Customers = Sales + Decrease in Accounts Receivable (- Increase in Accounts Receivable).
- Cash payments to Suppliers (goods) = COGS + Increase in Inventory (- Decrease in Inventory) + Decrease in Accounts Payable (- Increase in Accounts Payable).
- Payment for Operating Expenses = Operating Expenses other than Depreciation + Decrease in Operating Expenses Payable (- Increase in Operating Expenses Payable).
- Payment for Income Tax = Income Tax + Decrease in Income Tax Payable (- Increase in Income Tax Payable).
- Cash paid for Dividends = Dividend + Decrease in Dividend Payable (- Increase in Dividend Payable).

Table 6
Statement of Cash Flows Year 2021 (In Direct Method)

CASH FLOW STATEMENT		
Period Ends 31 December 20 21		
A.	Cash flow from operating activities:	
	Net Profit	180,600
	Plus:	
	Depreciation expense	26,000
	Increase in accounts payable	18,200
	Less:	
	Increase in accounts receivable	(17,500)
	Inventory increase	(27,100)
	Decrease in operating expenses payable	(4,900)
	Gain on investment sales	(12,000)
	Total cash flow for operating activities	<u>(17,300)</u> 163,300
B.	Cash flow from investing activities :	1 00

	Cash from sale of property , plant and equipment Less:	-	
	Cash paid for purchase of fixed assets	<u>(280,00)</u>	(280,00)
	Total cash flows for investing activities	<u>0</u>	
C.	Cash flows from financing activities	105,00	
	Cash received from sale of shares	00	
	Cash received from debt if pjj	-	
	Cash received from sale of investment	132,00	
	Less:	(52,00)	
	Cash paid for dividends	00	
	Cash paid for interest	-	
	Cash paid for repayment of h Long -term debt	-	
	Total cash flows from financing activities		<u>185,00</u>
	Ascension		<u>0</u>
	(Decrease) cash		68,300
	Cash at the beginning of the period		395,80
	Cash at the end period		0
			464,10
			0

Discussion

A cash flow statement is a report that provides information on the inflow and outflow of cash in a company, caused by operating, investing, and financing activities. Cash flow statements are usually made in the form of a budget and realization. Operating activities include transactions classified as determining the amount of net profit/loss. Investment activities are buying or selling land, buildings and equipment. While financing activities include transactions in which cash is obtained or paid back to the owner of the funds (investors) and creditor.

Cash flow statements are used in conjunction with other financial statements, cash flow statements can provide information that allows users to evaluate changes in net assets. company, financial structure (including liquidity and solvency) and the ability to influence the amount and timing of cash flows to adapt to changing circumstances and opportunities. Cash flow information is useful for assessing an enterprise's ability to generate cash and cash equivalents and allows users to develop models to assess and compare the present value of the *future cash flows* of various enterprises.

Information about a company's cash flows is useful for users of financial statements as a basis for assessing the company's ability to generate cash and

cash equivalents and assessing the company's need to use these cash flows. In the process of making economic decisions, users need to evaluate the company's ability to generate cash and cash equivalents and the certainty of their acquisition. This information also increases the comparability of reporting on the operating performance of various companies because it can eliminate the effect of using different accounting treatments on transactions and events that occur. same. Cash flows can be prepared using two methods, namely the direct method and the indirect method. To prepare a Cash Flow Statement, it is necessary to:

a. Complete income statement

We recommend that this profit / loss statement also describes the various important transactions needed in cash flow analysis.

b. Comparison balance

The balance sheet must also be "*full disclosure*", so that information on changes between years can be known. For new reports that do not have a comparative report, the previous balance is considered zero, so that the preparation is easier.

c. Create a working paper that compares the balance sheets for the two periods. Calculate the change in ups and downs between the two periods. In this case, just use the debit credit formula, our handle is as follows: following:

- The increase in assets is recorded on the debit side and is considered as the use of cash funds or cash outflows. Conversely, a decrease in assets is considered as a receipt of funds or cash outflows. On the other hand, a decrease in assets is considered a receipt of funds or cash flows enter.
- The increase in debt and equity is recorded on the credit side and is considered as an increase in funds or cash inflows. On the other hand, a decrease in funds or cash flow go out.

d. Changes in information c above is a net change in knowing more about this flow of funds, we have to analyze the estimated funds and change it which describes various types of transactions and events that affect cash funds, either directly or indirectly. This analysis will provide an explanation of the causes of the transaction fund.

A cash flow statement is a report that provides information about cash inflows and outflows within a company, caused by operating, investing, and financing activities. Cash flow statements are usually made in the form of a budget and realization. Operating activities include transactions classified as determining the amount of net profit/loss. Investment activities are buying or selling land, buildings and equipment. While financing activities include transactions where cash is obtained or paid back to the owner of the funds (investors) and creditor. Cash flow statements are used in conjunction with other financial statements, cash flow statements can provide information that allows users to evaluate changes in net assets. Company financial structure (including liquidity and solvency) and the ability to influence the amount and timing of cash flows to adapt to changing circumstances and opportunities. Cash flow information is useful for assessing an enterprise's ability to generate cash and cash equivalents

and allows users to develop models to assess and compare the present value of *the future cash flows* of various enterprises.

Information about a company's cash flows is useful for users of financial statements as a basis for assessing the company's ability to generate cash and cash equivalents and assessing the company's need to use these cash flows. In the process of making economic decisions, users need to evaluate the company's ability to generate cash and cash equivalents and the certainty of their acquisition. This information also improves the comparability of reporting the operating performance of various companies because it can eliminate the effect of using different accounting treatments on transactions and events that occur same.

Conclusion

Cash flows can be prepared using two methods, namely the direct method and the indirect method. To prepare a Cash Flow Statement, it is necessary to:

1. Complete income statement.
We recommend that this profit/loss statement also describes the various important transactions needed in cash flow analysis.
2. Comparison balance
The balance sheet must also be "*full disclosure*", so that information on changes between years can be known. For new reports that do not have a comparison report, the previous balance is considered zero, making it easier to prepare.
3. Create a working paper that compares the balance sheets for the two periods. Calculate the change in tides between two periods. In this case, just use the debit credit formula, our guide is as follows: follow:
 - a. Increases in assets are recorded on the debit side and are considered as use of cash funds or cash outflows. Conversely, a decrease in an asset is considered a receipt of funds or an outflow of cash. On the other hand, a decrease in assets is considered a receipt of funds or cash flows enter.
 - b. Increases in debt and equity are recorded on the credit side and are considered as increases in funds or cash inflows. On the other hand, a decrease in funds or cash flow go out.

Change to no. 3 above is a net change in knowing more about this flow of funds, we have to analyze the forecast of funds and change it which describes the different types of transactions and events that affect cash funds, either directly or indirectly. This analysis will provide an explanation of the causes of the transaction fund.

References

Abdulnafea, A. L., Almasria, N. A., & Alawaqleh, Q. (2022). The effect of working capital management and credit management policy on Jordanian banks' financial performance. *Banks and Bank Systems*, 16(4), 229-239.

- Angelina, S, Adefitri. I, Muda, I (2020). How to Account for Cash Dividends, Share Dividends and Share Splits?. *Turkish Online Journal of Qualitative Inquiry*. 11(4). 878-884. <https://tojqi.net/index.php/journal/article/view/8195>
- Ball, R., & Nikolaev, V. V. (2022). On earnings and cash flows as predictors of future cash flows. *Journal of Accounting and Economics*, 73(1), 101430.
- Dyckman, T. R., & Zeff, S. A. (2015). Accounting research: past, present, and future. *Abacus*, 51(4), 511-524.
- Falchetta, G., Michoud, B., Hafner, M., & Rother, M. (2022). Harnessing finance for a new era of decentralised electricity access: A review of private investment patterns and emerging business models. *Energy Research & Social Science*, 90, 102587.
- Fatimah, F. (2022). Analysis Of The Effect of Net Profit, Operational Cash Flow, Free Cash Flow, Previous Year Cash Dividends On Cash Dividends In The Indonesia Stock. *International Journal of Science, Technology & Management*, 3(1), 56-72.
- Harahap, S.S (2006). *Critical Analysis of Financial Statements*. Jakarta: PT. Raja Grafindo Persada, 2006).
- Hasibuan, A.W, Siregar, Y.S, (2020). Budget Realization Report (Cash Basis Principle). *Turkish Online Journal of Qualitative Inquiry*. 11(4). 1030-1037. <https://tojqi.net/index.php/journal/article/view/8219>
- Hery, (2013). *Auditing (Accounting Examination I)*. Jakarta: CAPS, First Issue, 2013) h. 462.
- Huang, Z. X., Savita, K. S., & Zhong-jie, J. (2022). The Business Intelligence impact on the financial performance of start-ups. *Information Processing & Management*, 59(1), 102761.
- Indonesian Institute of Accountants/IAI (2009). *Statement of Financial Accounting Standards No.02*. Jakarta: Salemba Empat.
- Kieso, D. E., Weygandt, J. J., Warfield, T. D., Wiecek, I. M., & McConomy, B. J. (2019). *Intermediate Accounting, Volume 2*. John Wiley & Sons.
- Munawir (2004). *Analysis of Financial Statements*. Yogyakarta: Liberty, 4th Edition.
- Rifqi, A, Suciani, D, (2020). Cash Flow Statement for The Local Government In Indonesia. *Turkish Online Journal of Qualitative Inquiry*. 11(4). 1038-1043. <https://tojqi.net/index.php/journal/article/view/8220>
- Riyanto, B (2011). *Corporate Spending Fundamentals*. Yogyakarta: Edition 4. BPFE.
- Simamora, H, (2001). *Basic Accounting for Business Decision Making*. Jakarta: Salemba Four Volume Two, First Printing.
- Skousen, F (2004). *Intermediate Accounting*, trans. Safrida R. Parulian and Ahmad Maulanan. Jakarta: Salemba Empat, Book One.
- Sugiono, A (2010). *Accounting and Financial Reporting*. Jakarta: Grasindo..
- Tiosanna, A, Rosadi, A.F, (2020). Presentation of Financial Statements of Cash Item Based On IFRS International Standards. *Turkish Online Journal of Qualitative Inquiry*. 11(4). 957-963. <https://tojqi.net/index.php/journal/article/view/8208>
- Warren, C. S., Jonick, C., & Schneider, J. (2020). *Financial accounting*. Cengage Learning.