

Statement of Cash Flows vs Cash Flow Statement

A not-so-subtle difference....



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Topics covered today are:

- What is Accounting?
- Your CFO vs your CPA vis a vis your business
- Statement of Cash Flows
- Cash Flow Statements
- Which one is more important to your business?

A decorative vertical bar on the left side of the slide, featuring a golden-yellow background with various 3D currency symbols (dollar, euro, yen, pound, etc.) in a darker shade of gold.

What is Accounting?

- Historical in nature
- Consistency – treatment of similar items the same
- Understandability – presentation of information so users can understand
- Relevance – ability to be used to form an opinion
- Comparability – like kind businesses can be compared
- Reliability – truthful, accurate and complete information
- Objectivity – unbiased neutral reporting

CFO vs CPA

CPA	CFO
<ul style="list-style-type: none">• Focus is primarily in the past	<ul style="list-style-type: none">• Focus is primarily in the future
<ul style="list-style-type: none">• Advice is primarily from a tax perspective	<ul style="list-style-type: none">• Advice is primarily from a strategic insight related to the business goals
<ul style="list-style-type: none">• Works primarily in the past from historical data	<ul style="list-style-type: none">• Develops plans, forecasts and budgets for future performance based on goals, strategies and capacity
<ul style="list-style-type: none">• Prepares and submits financial statements weeks after the accounting period is closed	<ul style="list-style-type: none">• Develops & implements systems for quick closing of books• Financial presentation includes analysis and key financial & operational metrics with executive summary• Ensures that CEO/Owner understands all financial statements
<ul style="list-style-type: none">• Provides advice to CEO/Owner	<ul style="list-style-type: none">• Implements CPA recommendations
<ul style="list-style-type: none">• Independent and works off-site	<ul style="list-style-type: none">• Not independent and works on-site
<ul style="list-style-type: none">• No involvement with cash	<ul style="list-style-type: none">• Experts in cash management• Develops & implements cash forecasting tools to ensure adequate cash
<ul style="list-style-type: none">• Limited availability during tax season	<ul style="list-style-type: none">• Available year-round



Statement of Cash Flows

Part of the 3-Statements (B/S, I/S, SCF)

Shows where money came from and went

Confirms Beginning Period and Ending Period Cash Balances

Statement of Cash Flows

Demo Company (US)

For the year ended December 31, 2021

	2021
Operating Activities	
Receipts from customers	1,000.00
Payments to suppliers and employees	(185.50)
Net Cash Flows from Operating Activities	814.50
Financing Activities	
Other cash items from financing activities	4,130.98
Net Cash Flows from Financing Activities	4,130.98
Net Cash Flows	4,945.48
Cash and Cash Equivalents	
Cash and cash equivalents at beginning of period	-
Net cash flows	4,945.48
Cash and cash equivalents at end of period	4,945.48
Net change in cash for period	4,945.48

Cash Flow Statement

- Uses current accounting balances for potential cash in and cash out
- Built with current Forecast
- Dismisses Cost of Good Sold and other non-cash items
- Includes future buys
- Calculates anticipated bank balances
- Calculates Runway

Cash In

- Revenues based on collection date
- Other Cash anticipated during period

Cash Out

- Accounts Payable due to be paid
- Other Cash Payments to be made during period

Cash Position

- Beginning in Cash Balance
- Anticipated Cash In
- Anticipated Cash Out
- Anticipated Ending Cash Balance



Which one is more important to your business?

One would assume the SCF, since all accounting systems produce one.

That assumption is wrong.

Your business runs on Cash, and you need to know if you'll run out.

- Cash Flow Statements (CFS) rely on the Forecast
- Forecast needs to be updated each month
- Based on Cash Cycle, Cash Flow Statement needs to be segregated to match
 - If your major expenditure is payroll, and you do it twice a month, then you need to calculate based on that period whether you'll have cash
- Modeling the CFS for price increases, decreases in expenditures will provide answers to “what if”

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