

# How to complete a Cash Flow Statement in Georgia

Statement of Cash Flows with Direct or Indirect method toggle — bank-ready line items for operating, investing, and financing activities.

## What this form is for

Lenders require this statement to verify that your business generates enough cash to cover debt service, even if your income statement shows a profit. You will prepare this for loan applications, annual reviews, and credit-line renewals to demonstrate liquidity and repayment capacity.

## Before you start

- Your completed balance sheet for the current period and the prior period (you need beginning and ending balances to calculate changes)
- Your income statement for the same period showing net income, depreciation, amortization, and interest expense
- Records of any asset purchases or sales during the period, including equipment, property, or investments
- Documentation of all financing activities: new loans received, loan principal payments made, owner contributions, and distributions or dividends paid
- Your accounting method confirmation (accrual or cash basis) because the indirect method reconciles accrual-basis net income to actual cash flow

## Step-by-step

1. Choose your method at the top of the form. Most small businesses use the indirect method, which starts with net income from your income statement and adjusts for non-cash items. Banks accept both, but indirect is simpler if you are on accrual accounting.
2. Complete the operating activities section first. If using the indirect method, enter net income on line one, then add back non-cash expenses like depreciation and amortization. Adjust for changes in working capital by adding decreases or subtracting increases in current assets and doing the opposite for current liabilities. The form should auto-calculate your net cash from operations.
3. Fill in investing activities next. Report cash spent on purchasing property, equipment, or other long-term assets as outflows (negative numbers). Enter proceeds from selling assets as inflows (positive numbers). The subtotal shows net cash used in or provided by investing.
4. Record financing activities third. Include loan proceeds received as inflows and principal payments on debt as outflows. Add owner contributions as inflows and any distributions or dividends as outflows. Georgia does not impose special disclosure rules here, but keep documentation of shareholder transactions for IRS Form 1120 or 1065 consistency.
5. Verify the bottom-line calculation. The form totals all three sections and adds the result to your beginning cash balance. The ending cash must match the cash account on your current balance sheet exactly. If it

does not reconcile, review each section for data-entry errors.

6. Attach a brief note explaining any large one-time items, such as equipment purchases over ten thousand dollars or owner loans, so the lender understands they are non-recurring.

## What lenders look for

- Underwriters focus on operating cash flow first because it shows whether daily business activities generate cash without relying on loans or asset sales. Negative operating cash flow for multiple periods is a red flag.
- Avoid the common mistake of confusing net income with cash flow. Profitable companies can fail if receivables are too high or inventory ties up cash.
- Double-check that loan principal payments appear only in financing activities, not operating activities, and that interest expense stays on the income statement and operating section if using the indirect method.