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# How to complete a Cash Flow Statement

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

This form shows how cash moved in and out of your business over a specific period, broken into operating, investing, and financing activities. Lenders require it to understand your liquidity and verify that your business generates enough cash to service debt and sustain operations.

## Before you start

- Your balance sheet for the current period and the prior period so you can calculate changes in accounts.
- Your income statement (profit and loss) for the same period covered by the cash flow statement.
- Records of any asset purchases, sales, or disposals during the period including equipment, property, and long-term investments.
- Documentation of financing activity such as new loans received, loan principal repayments, owner contributions, and dividend or draw payments.
- Banking statements and reconciliation reports to cross-check cash balances at the beginning and end of the period.

## Step-by-step

1. Select your state from the dropdown menu at the top of the form to ensure compliance with any state-specific reporting requirements.

2. Choose either Direct Method or Indirect Method using the toggle. Indirect method starts with net income and adjusts for non-cash items, which is more common. Direct method lists actual cash receipts and payments.

3. Enter your beginning cash balance from the prior period balance sheet.

4. Complete the Operating Activities section. If using indirect method, start with net income from your income statement, then add back depreciation and amortization. Adjust for changes in current assets and liabilities like accounts receivable, inventory, accounts payable, and accrued expenses.

5. Fill in Investing Activities by entering cash spent on purchasing property, equipment, or securities as negative numbers and cash received from asset sales as positive numbers.

6. Complete Financing Activities by reporting loan proceeds as positive, principal repayments as negative, owner equity contributions as positive, and owner draws or dividends as negative.

7. Verify that each section subtotal auto-calculates correctly. The form should sum operating, investing, and financing cash flows.

8. Confirm the ending cash balance equals your beginning cash plus the net change from all three activity sections. This ending balance must match the cash line on your current period balance sheet.

9. Review all line items for accuracy and attach supporting schedules if you have unusual or large transactions that need explanation.

## What lenders look for

- Banks focus heavily on operating cash flow because it shows whether your core business generates cash or consumes it. Negative operating cash flow for multiple periods raises red flags about sustainability.
- Underwriters cross-check your ending cash balance against your balance sheet and bank statements. Mismatches suggest poor bookkeeping or incomplete disclosure, both of which delay approvals.
- Avoid lumping financing activity together. Separately list new borrowings, repayments, equity injections, and distributions so lenders see exactly how you manage capital structure.