CPA FAR PPE-to-Cash Cheat Sheet

DAVEN ORIGINAL WORKED REFERENCE

One period, simplified nongovernmental U.S. GAAP. All PPE events are stated below. Remaining additions are cash purchases paid in this period. No acquisition-payable changes, impairment, revaluation, transfers, taxes or fees. The note-financed asset uses the supplied recorded cost.

Balance basis	Beginning	Ending
Gross PPE cost	$240,000	$292,200
Accumulated depreciation	$90,000 credit	$108,000 credit
Net PPE	$150,000	$184,200

Additional facts: One disposal removes $36,000 original cost and $27,000 accumulated depreciation; cash proceeds are $11,000. A separate asset addition of $25,000 is obtained solely by issuing a note. No cash moves on that note exchange.

1 REBUILD ADDITIONS ON THE GROSS BASIS

$292,200 - $240,000 + $36,000 = $88,200 total additions.

$88,200 - $25,000 noncash addition = $63,200 cash purchases.

Gross PPE cost does not deduct accumulated depreciation. Do not add depreciation expense to this gross-cost bridge.

2 CROSS-CHECK DEPRECIATION AND THE NET BASIS

Depreciation: $108,000 - $90,000 + $27,000 = $45,000.

Disposed carrying amount: $36,000 - $27,000 = $9,000.

Net PPE: $150,000 + $88,200 - $45,000 - $9,000 = $184,200.

Net PPE rises $34,200. That balance change is not cash purchases or net investing cash flow.

3 SEPARATE CASH FROM GAIN AND NONCASH FINANCING

Current-period amount	Treatment in this case
Cash equipment purchases: $63,200	Investing outflow
Cash disposal proceeds: $11,000	Investing inflow
Net of these cash flows: ($52,200)	Net investing outflow
New note exchange: $25,000	Separate noncash disclosure

Disposal gain = $11,000 - $9,000 = $2,000; it is not the cash receipt. For an indirect operating reconciliation, reverse that gain and add back the $45,000 depreciation if both are in net income. These adjustments alone are not total operating cash flow.

Original fictional case; not an official question, complete FAR syllabus or readiness test.

Common cash-flow rules: OpenStax, Principles of Accounting, 16.3.

Scope: AICPA Blueprint effective January 2026, FAR8 and FAR13; checked October 28, 2026.