FAR Debt-Cost Cheat Sheet

Original Meridra case | Three amounts, three checks

Given: US GAAP successful ordinary term note at face: $120,000 cash proceeds; $3,600 qualifying incremental costs paid separately to an unrelated third-party legal provider. Correct effective-interest cost amortization is given as $900, leaving $2,700 unamortized. Contractual interest accrued and paid is $6,000 in the main case. Other operating profit and cash before these items are $90,000. Opening Cash/equity $23,500 each; no other opening balances.

Full principal remains outstanding; no principal repayments. No other working capital, assets, taxes, capitalized interest, debt features, owner transactions or cash flows. Correct measurements are supplied; do not infer a straight-line schedule or maturity. No creditor/intermediary fees, failed offering or revolving facility.

Check	Calculation and meaning
Income to operating cash	Interest expense = $6,000 + $900 = $6,900. Net income = $90,000 - $6,900 = $83,100. CFO = $83,100 + $900 = $84,000. Direct check: $90,000 - $6,000 = $84,000.
Gross financing lines	Borrowing proceeds +$120,000. Third-party issuance payment -$3,600. CFF = $116,400; CFI = $0. Keep proceeds and third-party cash costs separate.
Debt and statement proof	Net debt = $120,000 - $2,700 = $117,300. Cash = $23,500 + $84,000 + $116,400 = $223,900. Equity = $23,500 + $83,100 = $106,600. Assets $223,900 = debt $117,300 + equity $106,600.

Two checks that reject plausible errors

Fee in operating cash: wrong CFO $80,400 + wrong CFF $120,000 still equals the correct $200,400 cash increase. Repair CFO +$3,600 / CFF -$3,600; no entry to correct books.
Net debt copied into CFF: $117,300 exceeds financing cash $116,400 by noncash amortization $900. It overstates cash growth $900 and gives wrong ending Cash $224,800.

Independent variant: pay only $4,000 interest

Keep the full $6,000 contractual accrual, $900 amortization and every other fact unchanged. Terms permit the remaining interest to be separately payable with no current penalty/default issue; it is not capitalized into principal. Interest payable is $2,000; net income stays $83,100. CFO = $83,100 + $900 + $2,000 = **$86,000**; CFF stays **$116,400**. Cash/assets become **$225,900**. Net debt stays $117,300; total liabilities are $119,300. Liabilities $119,300 + unchanged equity $106,600 = $225,900.

Use after attempting the original tasks. Retry the first missing distinction: cash issuance payment, current noncash allocation, remaining cost deduction or unpaid interest. Focused practice is not an exam-readiness score.

Sources checked October 28, 2026: Deloitte DART 6.2.3; KPMG March 2026 cash-flow handbook, printed 169/171. Interest accrual reconciliation: ASC 230-10-45-28. 2026 FAR 8 covers cash-flow preparation/correction. All case figures and checks are original.