FAR Cash-Flow Flashcards

Original Peldra practice | Fronts 1 and 2

Attempt all four fronts before opening the answer pages. Write an amount, category and controlling fact. Skill: distinguish true bank borrowing from a signed cash total, repair a cash-flow statement and explain a changed equipment purchase. Difficulty: intermediate. This focused drill is not a readiness score.

Peldra is a standalone US GAAP for-profit entity. Opening Bank A $27,000, unrelated Bank B $7,000, net equipment $80,000, no liabilities and equity $114,000. Correct net income is $81,000, including total depreciation $9,000, the only noncash item. All other revenues and expenses are collected or paid through Bank A; no operating asset or liability changes. Bank B stays untouched.

On December 31, Bank A honors the entire $132,000 equipment payment and actually advances $15,000 under its overdraft facility. This is the only borrowing, with no repayment. All payments clear. No outstanding checks, deposits in transit, cash equivalents, restricted cash, linked accounts, cash pools or rights to offset the unrelated banks. No current interest, fees, taxes, disposals, other debt, owner transactions or other cash flows. Depreciation is correct given. Books and balance sheet are correct; only the cash-flow draft is wrong.

Card 1 - Cash asset or borrowing?

Report ending Cash and the overdraft liability. Explain why the two signed bank records do not measure the cash asset. Identify the fact proving actual bank credit rather than an unpresented check. Does the untouched positive account eliminate the borrowing?

Card 2 - Reconcile the three activities

Calculate operating cash, Bank A funds before equipment, the equipment investing outflow, bank financing inflow, net cash change and ending Cash. Explain whether the bank-funded $15,000 reduces the equipment cash purchase amount.

Retain the evidence: who funded the payment, which bank holds the deposit, and whether the accounts can be offset. Answers follow after all four fronts.

FAR Cash-Flow Flashcards

Original Peldra practice | Fronts 3 and 4

Peldra is a standalone US GAAP for-profit entity. Opening Bank A $27,000, unrelated Bank B $7,000, net equipment $80,000, no liabilities and equity $114,000. Correct net income is $81,000, including total depreciation $9,000, the only noncash item. All other revenues and expenses are collected or paid through Bank A; no operating asset or liability changes. Bank B stays untouched.

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Card 3 - Correct the actual wrong draft

The cash-flow draft reports operating $90,000, investing ($132,000), financing $0 and a $42,000 decrease. It reconciles opening Cash $34,000 to negative $8,000 by combining Bank B positive $7,000 with Bank A negative $15,000. Calculate each required correction. Identify the categories left unchanged. Prove ending equipment, assets, liabilities and equity. Do not change the correct books.

Card 4 - Less equipment, same cash?

Independent variant: replace only the $132,000 cash equipment price with $117,000. Keep opening balances, net income $81,000, total depreciation $9,000 and every other assumption unchanged. Bank A honors the smaller payment; no borrowing is needed. This replaces the main acquisition. Calculate each bank, CFO, CFI, CFF, net cash change, ending Cash, net equipment, assets, liabilities and equity. Explain how ending Cash can remain the same.

Before checking

Mark your first unsupported step: actual bank funding, cash presentation, activity classification, or the changed-purchase comparison. An agreeing cash balance cannot supply a missing banking fact.

Answers and worked checks

Cards 1 and 2 | The main bank-funded purchase

Card 1 - Separate the asset from the debt

Ending Cash is $7,000 at Bank B. The true bank-overdraft liability is $15,000. Bank A has actually advanced funds to honor the payment, rather than waiting for an outstanding check. The separate bank deposits and borrowing are not offset under the supplied unrelated-bank facts. Their signed total of negative $8,000 is not the cash asset.

Card 2 - Show payment and funding separately

Operating cash: $81,000 income + $9,000 depreciation = **$90,000**. Bank A before equipment: $27,000 + $90,000 = **$117,000**. The full equipment cash payment is **$132,000 investing outflow**. The actual **$15,000 bank advance is financing inflow**.

Net cash: $90,000 - $132,000 + $15,000 = **($27,000)**.
Opening Cash $34,000 - $27,000 = **$7,000 ending Cash**.

Bank A spends its available $117,000 and borrows the remaining $15,000. Bank B remains $7,000. The bank pays the seller in full; the funded portion is not a noncash equipment acquisition or an unpaid supplier balance.

Another cash-agreeing error

Reporting investing ($117,000) and financing zero also reaches the correct $7,000 ending Cash. However, it nets financing against the equipment payment. Restore investing by negative $15,000 and financing by positive $15,000 to show the actual $132,000 payment and $15,000 advance. Total agreement alone does not validate gross categories.

This packet concerns a true bank overdraft. Book overdrafts and cash-pooling arrangements require separate analysis. Do not classify solely from an account having a credit balance.

Answers and worked checks

Cards 3 and 4 | Correction and independent variant

Card 3 - Restore the missing financing inflow

Increase financing cash $15,000, from zero to $15,000. The net decrease becomes $27,000 instead of $42,000. Ending Cash rises $15,000, from negative $8,000 to positive $7,000. CFO $90,000 and CFI ($132,000) stay unchanged. No journal entry is needed for the already correct books.

Net equipment: $80,000 + $132,000 - $9,000 = **$203,000**.
Assets: $7,000 Cash + $203,000 equipment = **$210,000**.
Equity: $114,000 + $81,000 = **$195,000**.
Liabilities $15,000 + equity $195,000 = **$210,000**.

Card 4 - Replace the purchase with $117,000

Bank A ends at zero; Bank B remains $7,000; the overdraft is zero. CFO stays **$90,000**, CFI becomes **($117,000)** and CFF **$0**. Net cash remains **($27,000)**, and ending Cash remains **$7,000**. The $15,000 improvement in investing cash offsets the $15,000 reduction in financing cash.

Net equipment: $80,000 + $117,000 - $9,000 = **$188,000**.
Assets: $7,000 + $188,000 = **$195,000**.
Liabilities **$0**; equity remains **$195,000**. Assets and liabilities each fall $15,000 compared with the main case. Income and equity are unchanged.

Choose one targeted retry

Keep the first missing evidence or equation. Try one different, authorized problem on bank funding, separate cash/debt presentation, or a changed cash purchase. Four completed cards do not establish overall exam readiness.

Source check: October 28, 2026. Deloitte DART 4.2, Book and Bank Overdrafts; KPMG March 2026 cash-flow handbook, printed 67-68. 2026 FAR 8 covers cash-flow preparation and correction. Peldra and all figures/questions are original.