
Statement of Cash Flows Training Course: Direct Method, Indirect Method and Cash Quality

20 – 24 September 2027
Geneva





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Programme Summary

The statement of cash flows is the subject of this one-week training course for finance directors and controllers at managerial level, ending in a cash flow review pack for one reporting entity. Profit can look sound while cash is short, so leaders need statements they can build, defend and read for liquidity. The programme moves from classification under IAS 7, through diagnosis of movements, to design of both presentation methods and then application. Mars Training Centre UK delivers this statement of cash flows programme for mixed groups of finance leaders.

The Business Case

Boards, lenders and auditors rely on the statement of cash flows to judge whether an organisation can fund operations and distributions. Errors in classification or reconciliation weaken that judgement and prompt difficult questions late in the reporting cycle. Leaders who trace each movement to cash explain results with evidence, plan funding earlier and answer lenders without delay or surprise at the year end.

- Restatement and Audit Queries: Fall as classification rules and reconciliations are applied consistently.
- Cash Conversion: Improves as working capital drivers are identified and owned.
- Funding Decisions: Gain evidence as liquidity headroom is measured against commitments.

Principles and Evidence Base

- IAS 7 Statement of Cash Flows: It sets the classification and presentation rules applied in Sessions 1 and 3.
- IAS 21 on foreign currency: It frames the treatment of foreign currency cash flows reviewed in Session 2.
- IFRS 16 on leases: It shapes the classification of lease payments examined in Session 1.
- Working capital and cash conversion analysis: It underpins the quality measures developed in Session 4.

Intended Participants

- Finance directors who sign off statements and answer board questions.
- Financial controllers who prepare the statement from the ledger.
- Heads of function who own working capital drivers.
- Treasury managers who connect the statement to funding.
- Audit committee members who challenge disclosure.



The programme serves manufacturing, banking, public sector and energy organisations, and suits mixed groups.

Learning Outcomes

1. Participants will be able to classify cash flows into operating, investing and financing activities under IAS 7.
2. Participants will be able to diagnose cash movements from balance sheet changes.
3. Participants will be able to construct a statement of cash flows by the direct method and the indirect method.
4. Participants will be able to evaluate cash quality using conversion and cover measures.
5. Participants will be able to justify treatment of interest, leases and foreign currency items.
6. Participants will be able to prioritise liquidity risks for board discussion.

Programme Structure

Day 1: Statement of Cash Flows Principles and Classification

Which flows belong in operating, investing and financing activities, and why?

- IAS 7 Scope and Definitions
- Cash and Cash Equivalents Test
- Activity Classification Matrix
- Interest, Dividend and Tax Treatment
- IFRS 16 Lease Payment Classification

Day 2: Diagnosing Cash Movements from the Trial Balance

Where does each balance sheet and income movement turn into cash?

- Balance Sheet Movement Analysis
- Working Capital Bridge
- Non-Cash Item Adjustment Schedule
- Foreign Currency Cash Flow Review under IAS 21
- Reconciliation of Cash to the Ledger

Day 3: Designing the Direct Method and Indirect Method Statements

How is the same cash result presented under each method, and which suits the reader?

- Direct Method Receipts and Payments Build
- Indirect Method Reconciliation from Profit
- Cross-Check Between the Two Methods
- Statement Layout and Disclosure Notes
- Consolidation Adjustments for Group Cash Flows



Day 4: Assessing Cash Quality, Liquidity and Funding Capacity

How reliable is the cash generated, and what does it support?

- Cash Conversion Ratio
- Free Cash Flow Bridge
- Operating Cash to Earnings Comparison
- Debt Service and Dividend Cover Test
- Liquidity Headroom Dashboard

Day 5: Applying the Statement of Cash Flows to One Reporting Entity

Is the statement ready to be presented to the board and the auditors?

- Applying the Session 1 Classification Matrix to the Chosen Entity
- Completing the Session 2 Working Capital Bridge
- Producing Both Statements from the Session 3 Templates
- Testing the Session 4 Cash Quality Ratios
- Completing the Cash Flow Review Pack

Methodology

The programme uses a data exercise method built on anonymised trial balances and comparative balance sheets. Participants prepare the statement in small groups, reconcile it to the ledger and challenge each other's classification choices, with feedback from the facilitator on every work product and a short plenary review each day.

- Suggested activity: Building a statement from a sample trial balance and reconciling it to closing cash.
- Suggested activity: Converting an indirect method statement into a direct method statement.
- Suggested activity: Reviewing cash quality ratios and drafting three audit committee questions.

Capstone Output

Each participant completes a cash flow review pack for one reporting entity. It holds a classification schedule, a working capital bridge, both statement formats, a cash quality ratio table and a liquidity note. The pack is used to brief the board and support audit discussions.



Frequently Asked Questions

Is the statement of cash flows suitable for finance staff who have not prepared one before?

Yes. The statement of cash flows is taught from first principles, assuming working knowledge of a balance sheet and income statement, not prior cash flow experience.

Which standards does the statement of cash flows rest on?

The statement of cash flows rests on IAS 7, with IAS 21 for foreign currency items and IFRS 16 for lease payments.

How is the review pack from the statement of cash flows used at work?

You use the cash flow review pack from the statement of cash flows to brief the board and answer auditor questions.

How does the statement of cash flows differ from a programme on cash flow forecasting?

The statement of cash flows reports past cash movements and their quality, while cash flow forecasting projects future receipts and payments.