

The operating cash flows section typically begins with net income.

Indirect

Separate disclosure is provided for noncash investing/financing activities.

Requires supplemental disclosure reconciling net income to operating cash flows.

Conceptually, the preferred approach.

Includes three separate sections - operating, investing, and financing.

Requires supplemental disclosure of cash paid for interest and cash paid for taxes.

A loss on the sale of a plant asset would be added back in operating cash flows.