

Each student should obtain the statement of cash flows from the annual report of a favorite company. Annual reports are usually downloadable from the website of a public company, or are otherwise available from the website of the Securities and Exchange Commission (www.sec.gov). An annual report filed on the SEC website is referenced as a form 10-K.

Each student should examine their statement of cash flows and determine:

Did the company use the direct or indirect approach?

Was the company's operating cash flow positive or negative?

Is the company involved in financial services (bank, insurance, investments)?

In class, physically separate classmates into two groups on either side of the room - those whose company used the direct approach versus those whose company used the indirect approach. What is the relative proportion, and how does this compare to the "preference" expressed by the FASB for a direct presentation?

Remaining in the groups formed above, by show of hands, identify students who picked a company with positive versus negative operating cash flows. Is there any seeming correlation between the direct and indirect methods and positive versus negative operating flows?

By show of hands, identify students who picked a company in the financial sector. Is there any seeming correlation between the direct and indirect methods and the financial services sector?