

CASHQUEST KIDS · BUSINESS WORLD

GRADE 12 · AGE 21

Cash Flow Statement — Where Did the Cash Go?

RECORD IT

STUDENT PACK · G12_V03

Cash Flow Statement — Where Did the Cash Go?

THE BIG IDEA

A profitable business can run OUT of cash. The CASH FLOW STATEMENT explains the gap between NET INCOME and the change in CASH. Three sections: OPERATING (the core business), INVESTING (asset purchases / sales), FINANCING (debt and equity transactions). Reading it backwards from year-end cash to start-of-year cash teaches every line item.

THIS EPISODE'S SCENARIO

Dani's P&L shows a profit. Her bank account shows a smaller balance than last year. Her CPA walks the cash flow statement. Operating cash: positive but smaller than net income (AR grew). Investing cash: negative (bought a vehicle). Financing cash: small (paid down loan principal). The three explain every dollar.

VOCABULARY · DEEP DIVE

GRADE 12 · RECORD IT

OPERATING CASH FLOW

Cash generated by the core business.

INVESTING CASH FLOW

Cash used to buy / received from selling long-term assets.

FINANCING CASH FLOW

Cash from issuing debt or equity, or paying it back.

DIRECT METHOD

Lists actual cash receipts and disbursements (less common).

INDIRECT METHOD

Starts with net income and adjusts for non-cash items (most common).

FREE CASH FLOW

Operating cash flow minus capital expenditures — what's truly available.

TRY IT YOURSELF · WORKSHEET

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Apply the lesson to your own work:

1) NAME a real business near you. Which pillar does it live in MOST?

2) Describe the RECORD IT part of the scenario in two sentences.

3) Pick ONE vocab word; use it in a sentence about a business you've SEEN.

4) Predict: what would change if the scenario decision went WRONG?

5) Write ONE question you still have. Who would you ask?

EDGE CASES · WHAT-IF SCENARIOS

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Case 1

How can NET INCOME be positive while operating cash flow is NEGATIVE?

Case 2

When should a business REINVEST vs DISTRIBUTE its cash?

Case 3

What's the relationship between cash flow and the working capital cycle?

FIELD SME / AUTHORITY

CPA; FASB ASC 230 (Statement of Cash Flows); Penman (2013) Ch. 4; AICPA Audit Guide — Cash Flow

SKILL-BUILDER DRILL

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DRILL 1 (Recall). Define 'OPERATING CASH FLOW' in your own words. Compare to the textbook definition.

DRILL 2 (Apply). Pick a real business. Which RECORD IT choice has it already made? Why?

DRILL 3 (Compare). Pick TWO businesses. Compare how each handles RECORD IT. List 3 differences.

DRILL 4 (Predict). If the scenario decision went WRONG, what changes first? Second? Third?

DRILL 5 (Create). Write a one-paragraph mini-scenario showing the RECORD IT pillar in a NEW business context.

SELF-CHECK · MASTERY RUBRIC

GRADE 12 · RECORD IT

I CAN...

1 = Not Yet 2 = Sort of 3 = Yes 4 = Can Teach

I can DEFINE the pillar in my own words.

☐☐☐☐

I can NAME 3 vocabulary words from this lesson.

☐☐☐☐

I can EXPLAIN the scenario without re-reading it.

☐☐☐☐

I can APPLY the pillar to a business I know.

☐☐☐☐

I can ASK a smart question about an edge case.

☐☐☐☐

VOCABULARY QUIZ

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PART 1 · Match the word to its meaning

- OPERATING CASH FLOW** _____ Cash generated by the core business.
- INVESTING CASH FLOW** _____ Cash used to buy / received from selling long-term
- FINANCING CASH FLOW** _____ Cash from issuing debt or equity, or paying it back.
- DIRECT METHOD** _____ Lists actual cash receipts and disbursements (less
- INDIRECT METHOD** _____ Starts with net income and adjusts for non-cash items
- FREE CASH FLOW** _____ Operating cash flow minus capital expenditures — what's

PART 2 · Fill in the blank

The RECORD IT pillar teaches that a business cannot succeed without

_____.

In the scenario, the character's understanding of RECORD IT hit hardest when

_____.

If I had to teach RECORD IT to a younger student in one sentence, I would say

_____.

APPLY TO A REAL BUSINESS

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Pick a real business you can walk to or look up online:

BUSINESS NAME

LOCATION (address / website)

Which part of the RECORD IT pillar does this business show MOST clearly? Cite specific evidence.

Use 3 vocabulary words (OPERATING CASH FLOW, INVESTING CASH FLOW, FINANCING CASH FLOW) to describe what this business does.

If the OWNER asked your advice based on this lesson, what's ONE thing you'd recommend?

REFLECT · WHAT'S NEXT

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REFLECTION

1) What's ONE concept I now understand that I didn't before this lesson?

2) What's ONE vocab word I want to USE in conversation this week?

3) What's ONE edge case I want to discuss with someone who's been in business?

NEXT EPISODE PREVIEW

Next in the G12 arc: V04 — 'Year-End Close' (RECORD IT). The lesson deepens the same arc and introduces the next set of professional-tier vocabulary.

CITATIONS & SOURCES

BUSINESS WORLD · GRADE G9-12 · G12_V03 · RECORD IT

Cash Flow Statement — Where Did the Cash Go?

Tier: Student · Primary pillar: RECORD IT · Date: 2026-05-31

PRIMARY SOURCES

Pacioli, L. (1494). Summa de Arithmetica, Tractatus XI

Venice: Paganini — first published double-entry method

FASB Accounting Standards Codification (current 2025)

asc.fasb.org

AICPA. (2024). Generally Accepted Accounting Principles

American Institute of CPAs

IRS Publication 583 (2024) — Starting a Business and Keeping Records

irs.gov/publications/p583

WHERE THIS APPEARS NEXT

- G3_V02 (RECORD IT) — Did We Make Money or Lose Money?
- G10_V01 (RECORD IT) — What the Federal Government Requires — Bookkeeping
- G11_V01 (RECORD IT) — The Business Before 9 a.m. — Pricing Strategy
- G12_V01 (RECORD IT) — The Quarterly Meeting — P&L
- G7_V07 (RECORD IT) — Building Credit Before You Need It
- G9_V04 (RECORD IT) — What the CPA Does Every Quarter