

Reasons Why Fundamental Accounting Concept¹ Test Fails

CF3

Net Cash Flow = Net Cash Flows, Discontinued = Net Cash Flows, Operating, Discontinued + Net Cash Flows, Investing, Discontinued + Net Cash Flows, Financing, Discontinued

What this rule tests

This rule tests the relationship between three very common line items of a financial report:

- Net cash flow, operating activities, discontinued
- Net cash flow, investing activities, discontinued
- Net cash flow, financing activities, discontinued
- Net cash flow, discontinued

On the cash flow statement, net cash flow from discontinued operating, investing, and financing activities foots to a total (whether that total is explicitly reported or not).

Of all filers, approximately 99% pass this test. Of the remaining 1%, the following are the reasons this test is failed:

- Reports cash flows from discontinued operations, but makes no distinction as to whether the cash flows are operating, investing, and financing (approximately 61% of errors)
- Undetermined reasons

Common reasons why test fails

Reports cash flows from discontinued operations, but makes no distinction as to whether the cash flows are operating, investing, and financing

This error is caused by a filer reporting cash flows from discontinued operations but not indicating if those are operating, investing, or financing discontinued cash flows so the total does not add up to the detail because there is no detail. By contrast, of the 371 reporting entities which report cash flows from discontinued operations, 340 of them do distinguish between operating, investing, of financing:

http://www.sec.gov/cgi-bin/viewer?action=view&cik=1438461&accession_number=0001144204-12-010144&xbrl_type=v#

¹ For more information on the fundamental accounting concepts and the relations between these concepts please see <http://fundamentalaccountingconcepts.wikispaces.com>

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (USD \$)	9 Months Ended	
	Dec. 31, 2011	Dec. 31, 2010
Cash flows from (used in) operating activities:		
Income (loss) for the period	\$ (187,385)	\$ (1,121,861)
Non-controlling interests		126,308
Increase in inventories		(195,694)
Change in other receivables	(27,401)	
Amortization and Depreciation	158,098	346,338
Shares for debt and/or services		309,000
Impairment loss on investment	630,000	
Change in amount due to director	(109,760)	
Change in prepaid expenses		(36,749)
Change in other payables and accruals	(149,402)	
Change in due to customers		495,372
Net cash provided by(used in) operating activities	314,150	(77,286)
Cash flows from investing activities		
Purchase of Property, Plant and equipment	(391,743)	
Net cash provided by investing activities	(391,743)	
Cash flows from financing activities		
Advances from related party		477,383
Net cash provided by financing activities		477,383
Change in cash and cash equivalents	(77,593)	400,097
Foreign exchange effect	106,168	
Cash and cash equivalents, period begins	21,493	5,231
Cash and cash equivalents, period ends	50,068	405,328
Less: Cash from discontinued operations	16,429	
Cash and cash equivalents	\$ 33,639	\$ 405,328

Less: Cash from discontinued operations	16,429
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- Definition
the increase (decrease) in cash associated with the entity's discontinued operations.

+ References

- Details
Name: us-gaap_NetCashProvidedByUsedInDiscontinuedOperations
Namespace Prefix: us-gaap_
Data Type: xbrli:monetaryItemType
Balance Type: debit
Period Type: duration

Alternatively, the software algorithm could imply that discontinued cash flows are all operating. However, it would be better for reporting entities to be explicit.