

CASH

Accepted by the bank or other financial institution for deposit at face value.

Characteristics:

Unrestricted	can be withdrawn immediately
Immediately available for use in the current operations	current obligations, operating expenses, or acquisition of current assets

TIMING VS INTENTION

When using cash to buy an asset the intention matters.

E.g., When cash is **RESTRICTED** for purchase of building (PPE) within 12 months after the balance sheet date, it is still **not** part of cash because it is used to purchase a **non-current asset**.

When using cash to pay for liabilities timing matters.

CASH EQUIVALENTS

Short term and highly liquid investments that are readily convertible to cash.

Near maturity usually 3 months or less from date of acquisition of the instrument, **not** the date on the face of the instrument

PRESENTATION AND MEASUREMENT OF CASH

Cash is generally measured at face value, which is its fair value.

Foreign currency cash at the exchange rate at the end of the reporting period.

Cash in closed banks/- financial difficulty/in bankruptcy not cash; reclassified as receivable and written down to its recoverable amount.

Post-dated checks, DAIF/DAUD, NSF, and IOUs not cash; receivable.

Postage stamps and advances not cash; prepaid expenses

Bank overdraft if there is a right of offset, deduct from another bank and report net positive amount as cash.

Undelivered or unreleased checks cash

Company's postdated check cash

Compensating balances cash if unrestricted.

Cash set aside for long-term purpose not cash; reported under the non-current assets.

