GUIDE · 2026 EDITION

Cash Flow Statement Tie-Out Kit 2026

Make the Statement of Cash Flows tie to your bank balances, and find the exact reason when it doesn't.

Balance Sheet → cash flow in 3 steps **Works with Desktop & Online exports**

11 mismatch causes **8 real-world & edge cases**

Inside this guide

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Built by a US tax and bookkeeping practice with 20+ years of bookkeeping experience.

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1 · HOW IT WORKS

Why a cash flow statement must tie

A Statement of Cash Flows explains how cash moved from the beginning to the end of a period. Every dollar of change in cash must be explained by net income plus the changes in all other balance sheet accounts. If the books balance, the statement **must** tie to the penny.

Net income − increases in non-cash assets + increases in liabilities and equity = Net change in cash

Operating
Net income, then A/R, inventory, prepaids, A/P, credit cards, payroll and sales tax owed, depreciation added back.

+

Investing
Equipment, vehicles, improvements, long-term deposits and loans you made.

+

Financing
Bank loans, lines of credit, owner loans, owner money in and out.

=

Net change in cash
Must equal ending cash minus beginning cash.

The sign rule (the part most people get backwards)

Account moves	Effect on cash	Example
Asset goes **up**	Cash goes down	A/R up 2,700 → (2,700)
Asset goes **down**	Cash goes up	Prepaid down 1,200 → 1,200
Liability or equity goes **up**	Cash goes up	Line of credit up 2,500 → 2,500
Liability or equity goes **down**	Cash goes down	Loan down 4,500 → (4,500)

What counts as cash? Bank accounts, petty cash and, in most QuickBooks files, Undeposited Funds. If your report leaves one of these out, its cash at end will be off by exactly that account's balance. The kit spots this automatically.

QuickBooks Online does not let you move an account to a different section of this report (an Intuit moderator confirmed this in the Community in 2023, and users still reported it missing in 2025). QuickBooks Desktop does, through the Classify button. The kit gives you a clean statement either way.

2 · PULL THE NUMBERS: DESKTOP

QuickBooks Desktop: what to run

You need three reports for the same period. Example period: Jan 1 – Oct 31, 2026.

1. **Beginning Balance Sheet.** Reports > Company & Financial > Balance Sheet Standard. Set the date to the day **before** the period starts (12/31/2025). Export to Excel or print.
2. **Ending Balance Sheet.** Same report, dated the last day of the period (10/31/2026).
3. **Net income.** Reports > Company & Financial > Profit & Loss Standard, From 01/01/2026 To 10/31/2026. Use the same accounting basis as the Balance Sheets (accrual is normal for this report).
4. **Optional: the Statement of Cash Flows** (Reports > Company & Financial > Statement of Cash Flows), same dates. Copy its "Cash at end of period" into the grey cell on the Tie-Out tab.

Type into the kit

- One row per balance sheet account, **every** account, including Undeposited Funds, Opening Balance Equity, Retained Earnings and Net Income.
- Enter balances as the report shows them: liabilities and equity as positive numbers; accumulated depreciation and owner draws as negatives.
- Pick an account type from the dropdown. Sub-accounts can be entered one by one or as one parent total, not both.

Fix the classification inside Desktop (optional)

Edit > Preferences > Reports & Graphs > Company Preferences tab > **Classify** (under Statement of Cash Flows). Only the admin can change company preferences. Put each balance sheet account in Operating, Investing or Financing; leave Profit & Loss accounts unselected. Then rerun the report and compare it with the kit.

> Tip: in Desktop the cash flow report starts from a "Summary reports basis" set on the same Company Preferences tab. A Statement of Cash Flows is designed to start from accrual net income.

3 · PULL THE NUMBERS: ONLINE

QuickBooks Online: what to run

Steps follow Intuit's help article "How to run a Statement of Cash Flows" (updated 8/5/2026). Screens and names change often; if a step looks different, search the report name in Reports.

1. Go to **Reports**, then **Standard reports**.
2. In the search field, type **Balance Sheet** and open it. Set **Report period** to Custom and the end date to the day before your period starts. Run the report and use the export button to export to Excel.
3. Run it again for the last day of the period and export.
4. Search **Profit and Loss**, set the same period (start to end) and note **Net Income**. Keep the accounting method on Accrual.
5. Optional: search **Statement of Cash Flows**, set the same period and copy "Cash at end of period" into the grey cell. Intuit's article notes this report runs on accrual basis only.

What is different from Desktop

Topic	Desktop	Online
Move an account to another section	Yes: Classify button	Not available
Report basis	Summary basis preference	Accrual only (per Intuit)
Account type controls the section	Default, can override	Yes; change the account's type if it is wrong
Kit workaround	Compare after Classify	Use the kit's statement for lenders and owners

If a loan sits in Operating in Online: open the Chart of accounts, edit the loan, and check its account type. A loan due over more than a year is usually a Long Term Liability. Ask your accountant before changing types in a closed year.

Never type bank passwords, SSNs or full account numbers into the kit. Account names like "Checking 1234" are fine.

4 · 11 REASONS IT DOESN'T TIE

Find the cause in order

Work top to bottom. The Fix Finder tab marks the ones your numbers point to with CHECK.

#	What you see	Usual cause	What to do
1	**Report cash ≠ bank balances**	Undeposited Funds counted as cash	Deposit or clear the payments
2	**Cash at end ≠ Balance Sheet (Desktop)**	An account is not classified	Preferences > Classify
3	**Online: wrong section, no option to move it**	Reclassify is not available in Online	Use the kit's statement
4	**Loan payments in Operating**	Loan set up as Other Current Liability	Change type or override
5	**Depreciation in Investing**	Accumulated depreciation is a Fixed Asset	Kit adds it back in Operating
6	**Net income ≠ equity change**	Entries posted to Retained Earnings	Review that account's history
7	**Opening Balance Equity not zero**	Setup balances never closed out	Fix with your accountant
8	**Kit says 'off by'**	Missing account or wrong sign	Re-enter every Balance Sheet line
9	**Beginning cash looks wrong**	Beginning Balance Sheet on the wrong date	Use the day before the period
10	**Invoices and payments net out**	Desktop summary basis set to Cash	Check report basis
11	**Numbers move with a class filter**	Balance sheet lines have no class	Run without a filter

Fast test: if the difference between your report's cash at end and the kit equals one account's ending balance, that account is being treated differently. The kit's "Likely cause" cell names it.

Two causes that are not errors

- **Credit card payments "vanish":** paying a card moves cash to reduce a liability. It shows as a smaller credit card balance in Operating, not as an expense.
- **Asset bought with a loan:** investing shows the purchase and financing shows the loan, even though no cash left the bank. Note it as a non-cash transaction for your lender.

5 · WORKED EXAMPLE AND EDGE CASES

Example: a small shop, Jan 1 – Oct 31, 2026

Line (EXAMPLE values)	Amount
Net income (Jan 1 – Oct 31, 2026)	32,850.00
Accounts Receivable up 2,700	(2,700.00)
Inventory up 1,500	(1,500.00)
Prepaid Insurance down 1,200	1,200.00
Accumulated Depreciation (non-cash add-back)	3,500.00
A/P, credit card, sales tax, payroll liabilities (net)	930.00
Net cash from operating	**34,280.00**
Equipment purchased	(8,500.00)
Net cash from investing	**(8,500.00)**
Line of credit +2,500, loan −4,500, owner draws −14,000	(16,000.00)
Net change in cash	**9,780.00**
Cash at beginning (two banks + Undeposited Funds)	29,650.00
Cash at end = bank 23,950 + savings 12,000 + Undeposited 3,480	**39,430.00**

The shop's report showed cash at end of 35,950. The kit's 39,430 differs by 3,480, exactly the Undeposited Funds balance. Deposit those payments and the two agree.

Edge cases the kit handles

Case	How to enter it
Bank overdraft at period end	Keep type Bank and enter the negative balance
Period crosses your fiscal year-end	Enter both Retained Earnings and Net Income lines
Account opened mid-period	Beginning balance 0
Credit card with a credit (negative) balance	Type Credit Card, enter as shown
Loan refinanced	Old loan to 0, new loan row; net shows in Financing
Overdraft line set up as a liability	Override its section to Cash; the kit subtracts it

6 · CHECKLIST

Month-end and year-end checklist

☐ Reconcile every bank and credit card account through the period end.
☐ Deposit or clear everything in Undeposited Funds.
☐ Run Balance Sheets for the day before the period and the last day.
☐ Run the Profit & Loss for the same period, same basis.
☐ Enter every balance sheet line in the kit; totals check shows "-".
☐ Tie-out check says OK.
☐ Every CHECK flag is resolved or explained.
☐ Loans sit in Financing, equipment in Investing.
☐ Opening Balance Equity is zero (or your accountant knows why not).
☐ Net income matches the change in Retained Earnings + Net Income.
☐ Note non-cash items (assets bought with loans, owner-paid bills).
☐ Save the kit file with the reports, by period.

Sources used for menu paths: Intuit help article "How to run a Statement of Cash Flows" (QuickBooks Online, updated 8/5/2026); Intuit help article "Set report preferences" (QuickBooks Desktop); QuickBooks Community threads on cash flow classification. Menus can change after this guide was written.

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