(a) According to FASB ASC 230-10-10 (Statement of Cash Flows/Overall/Objectives):

10-1 The primary objective of a statement of cash flows is to provide relevant information about the cash receipts and cash payments of an entity during a period.

As indicated in the glossary at this same section, cash includes not only currency on hand but demand deposits with banks or other financial institutions. Cash also includes other kinds of accounts that have the general characteristics of demand deposits in that the customer may deposit additional funds at any time and also effectively may withdraw funds at any time without prior notice or penalty. All charges and credits to those accounts are cash receipts or payments to both the entity owning the account and the bank holding it. For example, a bank’s granting of a loan by crediting the proceeds to a customer’s demand deposit account is a cash payment by the bank and a cash receipt of the customer when the entry is made.

Thus, the basis for the statement of cash flows is cash, not broader measures of liquidity, like working capital.

(b) See FASB ASC 230-10-10 (Statement of Cash Flows—Objectives)

10-2 The information provided in a statement of cash flows, if used with related disclosures and information in the other financial statements, should help investors, creditors, and others (including donors) to do all of the following:

a. Assess the entity’s ability to generate positive future net cash flows
b. Assess the entity’s ability to meet its obligations, its ability to pay dividends, and its needs for external financing
c. Assess the reasons for differences between net income and associated cash receipts and payments
d. Assess the effects on an entity’s financial position of both its cash and noncash investing and financing transactions during the period.

(c) According to FASB ASC 230-10-45-16 to 17:

45-16 All of the following are cash inflows for operating activities:

a. Cash receipts from sales of goods or services, including receipts from collection or sale of accounts and both short- and long-term notes receivable from customers arising from those sales. The term goods includes certain loans and other debt and equity instruments of other entities that are acquired specifically for resale, as discussed in paragraph 230-10-45-21.

b. Cash receipts from returns on loans, other debt instruments of other entities, and equity securities—interest and dividends.

c. All other cash receipts that do not stem from transactions defined as investing or financing activities, such as amounts received to settle lawsuits; proceeds of insurance settlements excepts for those that are directly related to investing or financing activities, such as from destruction of a building; and refunds from suppliers.
All of the following are cash outflows for operating activities:

a. Cash payments to acquire materials for manufacture or goods for resale, including principal payments on accounts and both short- and long-term notes payable to suppliers for those materials or goods. [FAS 095, paragraph 23, sequence 101] [The term goods includes certain loans and other debt and equity instruments of other entities that are acquired specifically for resale, as discussed in paragraph 230-10-45-21, and securities that are classified as trading securities, as discussed in Topic 320.]

b. Cash payments to other suppliers and employees for other goods or services.

c. Cash payments to governments for taxes, duties, fines, and other fees or penalties and the cash that would have been paid for income taxes if increases in the value of equity instruments issued under share-based payment arrangements that are not included in the cost of goods or services recognizable for financial reporting purposes also had not been deductible in determining taxable income. (This is the same amount reported as a financing cash inflow pursuant to paragraph 230-10-45-14(e).)

d. Cash payments to lenders and other creditors for interest.

e. Cash payment made to settle an asset retirement obligation.

f. All other cash payments that do not stem from transactions defined as investing or financing activities, such as payments to settle lawsuits, cash contributions to charities, and cash refunds to customers.