

IAS 7 Cash Flow Statements (March 2008)

Classification of expenditures

The IFRIC received a request for guidance on the treatment of some types of expenditure in the statement of cash flows. In practice some entities classify expenditures that are not recognised as assets under IFRSs as cash flows from operating activities while others classify them as part of investing activities. Examples of such expenditures are those for exploration and evaluation activities (which can be recognised, according to the applicable standard, as an asset or an expense). Advertising and promotional activities, staff training and research and development could also raise the same issue.

The IFRIC concluded that the issue could be best resolved by referring it to the Board with a recommendation that IAS 7 should be amended to make explicit that only an expenditure that results in a recognised asset can be classified as a cash flow from investing activity. The IFRIC therefore decided not to add the issue to its agenda.