IAS 7 *Cash Flow Statements* (May 2013)

Identification of cash equivalents

The Interpretations Committee received a request about the basis of classification of financial assets as cash equivalents in accordance with IAS 7. More specifically, the submitter thinks that the classification of investments as cash equivalents on the basis of the remaining period to maturity as at the balance sheet date would lead to a more consistent classification rather than the current focus on the investment's maturity from its acquisition date. The Interpretations Committee noted that, on the basis of paragraph 7 of IAS 7, financial assets held as cash equivalents are held for the purpose of meeting shortterm cash commitments rather than for investment or other purposes. This paragraph further states that an investment is classified as a cash equivalent, only when it has a short maturity from the date of acquisition. The Interpretations Committee observed that paragraph 7 of IAS 7 promotes consistency between entities in the classification of cash equivalents and did not think that the requirements of paragraph 7 of IAS 7 were unclear.

On the basis of the above, the Interpretations Committee determined that in the light of the existing IFRS guidance, an interpretation or an amendment to Standards was not necessary and it did not expect significant diversity in practice to develop regarding their application. Consequently, the Interpretations Committee decided not to add this issue to its agenda.