Project **Financial Statement Presentation**

Topic **Statement of Cash Flows**

Introduction

1. This paper discusses the boards' preliminary view that cash flows from operating, investing, and financing activities should be presented in the statement of cash flows (SCF) using a direct method. This paper begins by reviewing the responses on the usefulness of a direct method SCF and the associated costs in the comment letters on the October 2008 discussion paper *Preliminary Views on Financial Statement Presentation*. The paper also summarizes the feedback received on those topics in various meetings with users and preparers of financial statements.

2. The staff is developing alternatives for the SCF for discussion with the boards in October 2009. The alternatives under consideration are described in paragraphs 26–38 of this paper and illustrated in Appendix A. The staff also is considering a net debt reconciliation to accompany the SCF (see paragraphs 39–42 and Appendix B).

Background

3. The **changes** to the statement of cash flows that are proposed in the discussion paper can be summarized as:

   (a) Present **all** cash flows using a direct method

   (b) Classify cash flow items using the proposed definitions of operating, investing, and financing activities, which differ from the definitions in the existing cash flow standards

   (c) Disaggregate cash receipts and payments in a manner that helps a user of financial statements to understand how those cash flows relate to information presented in the statement of comprehensive income (SCI) and the statement of financial position (SFP)

(d) Present sources and uses of **only** cash, not cash and cash equivalents as currently presented.

Using a direct method to present operating cash flows

4. Question 19 (a) in the discussion paper asked respondents whether **a direct method of presenting operating cash flows would provide decision-useful information.** The responses to that question were mixed. Most preparers believe the utility provided by a direct-method SCF **does not** outweigh (a) the utility of the information provided by an indirect-method SCF and (b) the costs to prepare a direct-method SCF. Some preparer respondents state that, **if** a direct method presentation of operating cash flows produced more decision-useful information, management would use that information to manage their business.

5. Academics, auditors, regulators, and users of financial statements more frequently stated that the direct-method SCF **does** provide decision-useful information. However, many of those respondents were in agreement with preparer respondents that the marginal benefit of direct cash flow information does not outweigh the costs. A small minority of respondents state that both direct- and indirect-method SCFs contain useful information, none more useful than the other.

6. Respondents who think using a direct method of presenting cash flows provides more decision-useful information than an indirect method state that presenting cash receipt and cash payment line items in a SCF:

(a) Improves the understandability of cash flow information

(b) Has better predictive value

(c) Increases transparency to the quality of earnings and cash generation

(d) Presents the information in a manner that a user of financial statements can readily use and interpret.

Additional feedback

7. In April 2009 the staff held an informal meeting with about 20 preparers and users of financial statements to discuss the SCF. The purpose of the meeting was to better understand the information users want about operating cash flows and the barriers to and costs of providing that information.

8. Similar to the comment letter responses, the views of users of financial statements were mixed: some prefer a direct-method SCF, others an indirect-method SCF. At that meeting, it became clear to the staff that the users of financial statements who support a direct-method SCF also find value in the information provided by an indirect-method SCF. Therefore, those users of financial statements would like a direct-method SCF supplemented with an indirect reconciliation (ie details about changes in assets and liabilities that comprise working capital).

9. The users of financial statements that participated in the April 2009 meeting said that a direct-method SCF presented using existing standards provides information with little utility. This is largely because the cash receipts and payments are highly aggregated and presented in about 5 line items. As a comment letter respondent noted, "highly summarized information is of little analytical value." A greater level of disaggregation is needed to make direct cash flow information useful.

Costs of preparing a direct-method statement of cash flows

10. Question 20 in the discussion paper asks respondents about the **costs associated with using a direct method to present operating cash flows.**

11. A critical factor in evaluating the costs of directly presenting cash flows is the manner in which an entity compiles its cash receipt and cash payment information. There are generally two ways that an entity could compile that information:
    (a) On a transactional level by classifying every payment and deposit systematically (a "direct-direct" approach) or
    (b) By reconciling changes in balances on its general ledger, adjusted for corresponding income and expense items and other known reconciling items, and arriving at a cash effect (an "indirect-direct" approach).

Direct-direct approach

12. Respondents state that capturing cash flows at the transaction level is "by far the most costly" method of preparing a direct-method SCF. The staff believe that respondents used a direct-direct approach in evaluating the costs associated with preparing a direct-method SCF because that is the only way to capture cash flows **at the level of detail** proposed in the discussion paper. For example, one preparer respondent explained that the SCI disaggregation proposals (ie, by-function and by-nature) will add complexity and compliance costs. This preparer suggested that some of the complexity and cost could be eliminated using an indirect-direct approach, if the SCF did not need to align with the SCI at the line-item level (or, alternatively, if the SCI itself were less disaggregated than currently proposed).

13. A direct-direct approach would result in one-time costs as well as ongoing costs. The one-time costs of implementing a transaction level approach include:

    (a) Major enterprise-wide systems modifications or replacements that would also require business process analysis and redesign, validation testing and staff training

    (b) Redocumentation of systems and processes for internal control purposes

    (c) Audit fees associated with any new processes or systems.

14. Ongoing costs might consist of:

    (a) Increased data storage and management

    (b) Increased personnel costs due to additional upfront transaction processing

    (c) Increased internal and external audit costs.

15. During the April 2009 cash flow meeting, preparers said that the difficulties in compiling a direct-method SCF stem from:

    (a) Having a central purchasing/payables function

    (b) Having complex multinational operations

    (c) Operating on varied computer platforms

    (d) The effects of foreign currency exchange (ie transfer pricing).

16. Respondents to the discussion paper used phrases such as “extremely costly” and “significant costs” to describe the costs associated with presenting a direct-method SCF. Implementation cost estimates provided in the comment letters and by field test participants range from at a very minimum, more than $1 million (a company with annual revenues between $20-25 billion) to $20-$30 million (a company with annual revenues between $25-30 billion) to $50 million (for a company with annual revenues between $100-110 billion).

17. User respondents said the following about the costs to prepare a direct-method SCF:

> … investors will balance any costs they must bear for individual company accounting system updates against the savings all investors in the aggregate will realize. These savings will result from reduced analytical time and effort, elimination of cash flow estimation errors, investors’ enhanced ability to make better, more informed investment decisions, and a lower cost of capital. Finally, if managers, with the benefit of these upgrades are able to make more informed decisions, all investors, managers, employees, customers, and suppliers alike, will benefit.

Indirect-direct approach

18. Discussions with preparers of financial statements and feedback from field test participants indicate that using an indirect-direct approach would be the less costly method of preparing a SCF. As explained below, an indirect-direct approach would result in fewer lines on a direct-method SCF than a direct-direct approach would.

19. The primary obstacle to preparing a statement of cash flows indirectly—by reconciling changes in general ledger account balances with corresponding income and expense lines—is that general ledger line items are highly aggregated. For example, the *accounts payable account* on an entity’s general ledger generally includes payables for cost of goods sold and payables for advertising. However, if an entity’s accounting system is not configured to capture attributes that allow the company to distinguish payments to advertisers from payments to material supplies, the entity cannot use an indirect-direct approach to derive the cash paid for each type of cash outflow. This point is illustrated in direct-method SCFs prepared today using an indirect-direct approach, as typically the statement will show all cash outflows to employees and suppliers on one line.

20. As noted in paragraph 9 the information presented in the operating category of a direct-method SCF today is "insufficient for users" of financial statements because the operating cash flows are too highly aggregated. That may be partly because in reporting cash flows from operating activities US GAAP and IFRS require only "major classes of gross cash receipts and gross cash payments" to be presented in a direct-method SCF. US GAAP prescribes the following five minimum line items plus "other operating cash receipts or payments, if any":
    (a) Cash collected from customers
    (b) Cash paid to employees and other suppliers of goods and services
    (c) Interest and dividends received
    (d) Interest paid
    (e) Income taxes paid.

21. The staff asserts that the only way an indirect-direct approach can be used to arrive at **more** disaggregated cash flow information than is provided today is for entities to change the way they manage their transactional data at the initial data entry point. Additionally, an entity may have to expand its chart of accounts or use some other method of tracking asset and liability balances in a more detailed way.

22. Although an indirect-direct approach might be less costly than a direct-direct approach, a number of significant estimates and assumptions may be necessary to derive operating, investing, and financing cash receipts and payments. The preparers of financial statements that participated in the April 2009 cash flow meeting observed that there would be **more** assumptions made in preparing a direct-method SCF using an **indirect-direct approach** than are made today in preparing an indirect-method SCF.

23. Some users of financial statements who participated in that meeting would like a direct-method SCF in spite of their concerns with how the data is compiled. However, some have a view similar to that expressed by a user respondent:

> We strongly object to the proposition some have put forward that because many companies' financial reporting systems are out-of-date and cannot directly produce cash flow information, that they should be permitted to approximate the information, i.e., indirectly estimate the cash flows, using extant general ledger line items for, for example, revenues, receivables, and the like. Given the state of

> these companies' information collection and reporting systems, and their claims that they do not collect or use cash flow information in managing their operations, investors would be able to place no faith whatsoever in the reliability or representational faithfulness of the numbers.

Financial services entities

24. Respondents primarily representing both users and preparers of bank financial statements state that bank (and other financial services entities such as insurance companies) should not have to present a statement of cash flows. Their reasons include the following:

    (a) The SCF does not give an indication of the liquidity risk a bank is exposed to on an ongoing basis

    (b) Analysts that cover financial services entities do not use the SCF

    (c) Banks do not use the SCF as a management tool.

    (d) The requirements of IFRS 7 *Financial Instruments: Disclosure* provide more useful information than a SCF because it enables a user of financial statements to assess the liquidity risks arising from banks' financial assets and financial liabilities.

Possible alternatives

25. The feedback received from respondents' comment letters and participants in various meetings has given the staff an understanding of the challenges preparers confront when compiling a direct-method SCF in a highly disaggregated form. Based on the input received thus far, the staff developed the following alternatives for presenting cash flow information.

Alternative 1 – A less disaggregated direct-method statement of cash flows

26. **Alternative 1** requires a **direct-method SCF**. That statement will have **fewer** line items than illustrated and described in the discussion paper but **more** line items than currently required to be presented in a direct-method SCF (see paragraph 20). Because the Alternative 1 direct-method SCF would have fewer line items, it could be prepared using an indirect-direct approach.

27. Although it might not achieve line-item cohesiveness with the SCI, the Alternative 1 direct-method SCF would present line items for cash receipts and payments that have distinct economic characteristics or are accrued for and

monitored separately by management. For example, labor, materials, and advertising costs may be monitored by management separately (through accruals or subledgers) and have historically demonstrated that they respond differently to particular economic forces. Consequently, cash paid for labor, for materials, and for advertising would be disaggregated and presented as three separate line items in the direct-method SCF. See Alternative 1 in Appendix A.

28. The staff assert that Alternative 1 may deliver the benefits of a direct-method SCF by giving insights into an entity's ability to convert earnings to cash and provide information useful in forecasting future cash flows. In addition, Alternative 1 would result in lower preparation costs than the direct-method SCF proposed in the discussion paper. Although line-by-line cohesiveness would not necessarily be achieved, by-category cohesiveness would be.

29. If Alternative 1 is pursued, the staff believe an entity should continue to present indirect operating cash flow information. Doing so will maintain the information that users currently find useful, such as changes in working capital assets and liabilities. This could be done either through the proposed reconciliation schedule or through disclosure of an indirect reconciliation of operating activities, similar to that required by US GAAP today if an entity presents a direct-method SCF. (IFRS has no comparable requirement.)

Discussion question - Alternative 1
Question 1: If a direct-method SCF **is** required, should the boards permit, require, or not allow use of an **indirect-direct approach** to compile cash flows?

Alternative 2 – An indirect-method statement of cash flows that reconciles <u>operating</u> income to operating cash flows

30. Alternative 2 would **present operating cash flows indirectly**; cash inflows and outflows for investing and financing activities would continue to be presented directly. However, the reconciliation of income to cash flows from operating activities would begin with *total operating income* from the SCI rather than *net income* as is presented today. In addition, an entity would **disaggregate 'net change items' in the operating category** in the SCF to correspond with the line items presented on the SFP. See Alternative 2 in Appendix A.

31. Starting with operating income (instead of net income) and disaggregating the net change items would make the relationships of the changes in working capital[1] and other noncurrent asset and liability accounts more clear. For example, *change in receivables and other assets* in an indirect-method SCF today could be the sum of several items such as accounts receivable, current assets, non current assets, and tax refunds. If those items are disaggregated in the SCF, a user of financial statements would have a better view into the cash and noncash changes of each line in the SFP. For instance, if *change in receivables* was disaggregated, cash collected from customers would be more transparent.

32. Because the Alternative 2 indirect-method SCF reconciles operating income to operating cash flows, it maintains cohesiveness between the SCI and the statement of cash flow on a "by category" basis. As with Alternative 1 there would not be line-by-line cohesiveness between those statements.

33. However, the requirement in Alternative 2 to disaggregate the net change items in the operating category of the SCF will better align the SCF and the SFP. This will assist those users of financial statements who try to construct a direct-method SCF today from the indirect-method SCF and cannot because there is not enough information.

34. One other implication for the discussion paper proposals is that because Alternative 2 is an **indirect-**method SCF, the information necessary for the "cash column" in the proposed reconciliation schedule (see WG paper 6) would not be available.

Discussion question - Alternative 2
Question 2: If a direct-method SCF is **not required** to be presented, should an entity still be permitted to present a direct-method SCF?

[1] For purposes of this discussion, working capital (also called net working capital) is represented by the excess of current assets over current liabilities and identifies the relatively liquid portion of total entity capital that constitutes a margin or buffer for meeting obligations within the ordinary operating cycle of the entity.

Alternative 3 – An indirect-method statement of cash flows supplemented with information about operating cash receipts and payments

35. An **indirect-method SCF** prepared under Alternative 3 would be the same as that in Alternative 2. However, that SCF would be **supplemented with disclosures** to alleviate some of the criticisms users have expressed with an indirect-method SCF. Some possible supplemental disclosures are illustrated in Alternative 3 in Appendix A.

36. One criticism of the indirect method is that the changes in SFP accounts (in particular working capital accounts) do not usually align (articulate) with the changes as they are presented in the SCF. In Alternative 3, an entity is **required to disclose those articulation differences**. For example, *change in accounts receivable* as presented in an indirect-method SCF is usually a different amount than the change in that line item on the SFP. This difference stems from items such as acquisitions, divestitures, foreign exchange, and bad debt. By detailing these differences in a separate disclosure, a user of financial statements can more readily align the SFP and the SCF.

37. Another criticism is that an indirect-method SCF does not provide information about cash flows that users of financial statements are especially interested in, such as *cash from customers*. Disclosure of *cash from customers* would give additional insight to an entity's ability to convert revenues to cash. Because users of financial statements would find **select direct operating cash flow information** very useful, an indirect cash flow statement could be supplemented with disclosure of this additional information. The boards could specify the supplemental information to be disclosed or establish a principles-based disclosure.

38. **Other possible supplemental cash flow disclosures** include the following:
    (a) Cash flow from acquisitions
    (b) Cash restricted due to repatriation restrictions
    (c) Cash flows by segment
    (d) Parent company "sources and uses of cash" schedule (perhaps similar to what US GAAP required prior to the current standard on the statement of cash flows).

Discussion questions - Alternatives 1-3
Question 3: What other supplemental disclosures should the boards consider?
Question 4: Should any of the alternatives described in this paper be pursued? If so, which one and why? Which should not be pursued and why?
Question 5: Are there any **other** alternatives that should be considered?

Net debt reconciliation

39. In the comment letters on the discussion paper, a number of IFRS respondents note that disclosure of a net debt reconciliation would provide decision-useful information. One preparer states that the reconciliation of net debt "appears to be widely esteemed by active users and should involve [no] significant extra costs." For those not familiar with the concept, a net debt reconciliation presents items an entity manages as debt and the resources management views as available to service those debts. (See examples in Appendix B.) As noted in WG paper 3, some respondents to the discussion paper think that *net debt* should be equivalent to the financing section subtotal on the SFP.

40. The staff intend to ask the boards to consider adding a net debt reconciliation to the proposed presentation model. In doing so, a definition of *net debt* will need to be established. In researching that issue, the staff found a variety of *net debt* definitions, including the following:

    (a) **United Kingdom**. The borrowings of the reporting entity (debt plus related derivatives, and obligations under finance leases) less cash and liquid resources

    (b) **France**. *Gross debt* minus *net cash position*
    Gross debt is comprised of the following (but not operating liabilities):
        (i) Long-term financial liabilities (eg capital raising in capital markets, loans from banks)
        (ii) Short-term financial liabilities (eg commercial bonds)
        (iii) Hedging instruments
        (iv) Accrued interest not due.
    Net cash position (the change presented in the cash flow statement) comprises gross cash position less bank overdrafts as defined in IAS 7. Gross cash position comprises cash on hand, demand deposits and cash equivalents within the meaning of IAS 7

(c) **Corporate Reporting User Forum (CRUF)**. The sum of externally provided non-equity financing (including derivatives) less cash, cash equivalents and marketable securities. The following would be included in non-equity financing:

(i) Bank and other borrowings
(ii) Lease liabilities
(iii) Preferred stock classified as a liability
(iv) Net derivative financial positions

41. Using the UK definition, a net debt reconciliation would include the following information:

(a) **The change in net debt resulting from cash flows.** Begin with the change in cash for the period (as shown in the SCF) and add back the cash flows related to management of liquid resources and cash flows related to borrowings

(b) The change in net debt resulting from non cash items, for example:

(i) Acquisition or disposal of subsidiary undertakings in a business combination

(ii) Changes in market value and exchange rate movements (applicable to net debt movements only)

(iii) Other non-cash changes (eg loans and finance leases) (those components could be disclosed when material in a separate note).

42. A net debt reconciliation could be presented in the notes to financial statements or be presented on the same page as or following the cash flow statement. (See Appendix B for examples of net debt reconciliation schedules.)

Discussion questions - Net debt reconciliation
Question 6: Should the standard require a reconciliation of net debt? If so, should this reconciliation accompany the SCF or should it be part of the notes to financial statements? **Question 7:** How should *net debt* be defined (see paragraph 40)?

Appendix A: Illustration of SCF alternatives

Alternative 1

Alternative 1

CONSOLIDATED STATEMENT OF CASH FLOWS (TOOLCO)

CASH FLOWS FROM BUSINESS ACTIVITIES	2010
CASH FLOWS FROM OPERATING ACTIVITIES	
Total cash collected from customers	2,812,741
Labor outflows	(810,000)
Materials outflows	(935,554)
Other business related cash outflows	(260,728)
Settlement of stock-based compensation	(3,602)
Lease payment	(50,000)
Pension outflows	(340,200)
Capital expenditures	(54,000)
Total Operating Cash outflows	(2,454,084)
Cash flow before other operating items	*358,657*
Cash flows from other operating activities	
Disposal of property, plant and equipment	37,650
Investment in affiliates	
Settlement of cash flow hedge	3,402
Sale of receivables	8,000
Total cash received (paid) for other operating activities	49,052
Net cash from operating activities	**407,709**
CASH FLOWS FROM INVESTING ACTIVITIES	
Dividends received	54,000
Purchase of available-for-sale securities*	
Sale of available-for-sale securities	56,100
Net cash from for investing activities	**110,100**
Net cash from business activities	**517,809**
CASH FLOWS FROM FINANCING ACTIVITIES	
Dividends paid	(86,400)
Interest paid	(83,514)
Interest received on cash	8,619
Proceeds from issuance of short-term debt	162,000
Proceeds from issuance of long-term debt*	
Net cash from financing activities	**705**
Net cash from continuing operations before taxes	**518,514**
Cash paid for current tax expense	(281,221)
Change in cash before equity items and disc. ops.	**237,293**
CASH FLOWS FROM DISCONTINUED OPERATIONS	
Cash outflows from discontinued operations	(12,582)
Total change in cash from discontinued operations	**(12,582)**
Change in cash before equity items	**224,711**
EQUITY	
Proceeds from Reissue of treasury Stock	84,240
Net cash from Equity	84,240
Effect of Foreign Exchange	3,209
Change in cash	**312,161**
Beginning cash	861,941
Ending Cash	**1,174,102**

* Line items without values left as placeholders

Alternative 2

Alternative 2

CONSOLIDATED STATEMENT OF CASH FLOWS (TOOLCO)

	2010
OPERATING ACTIVITITES	
Operating earnings	916,137
Adjustment to reconcile operating earnings to cash flow from operating activities of continuing operations:	
Loss(earnings) in equity of associate A	(23,760)
Realized loss(gain) on future contracts	(3,996)
Loss(gain) on disposal of property, plant and equipment	(22,650)
Interest expense on decommissioning obligation*	0
Non-cash charges and credits:	
Depreciation and amortization	279,120
Bad debt expense	23,068
Loss on obsolete and damaged inventory	29,000
Impairment loss on goodwill*	0
Litigation expense	1,998
Net changes in selected working capital items	
Account receivable, trade	(408,865)
Other Current Assets	(8,402)
Inventory	60,250
Advances from customers	(244,605)
Account payable, trade	80,556
Change in other assets and liabilities	(223,694)
Cash inflows and outflows from other operating activities	
Settlement of cash flow hedge contract	3,402
Sale of Propert Plant and Equipment	37,650
Capital expenditure	(54,000)
Cash paid on lease liability	(33,500)
CASH FLOW FROM OPERATING ACTIVITIES	**407,709**
INVESTING ACTIVITIES	
Dividends received	54,000
Purchase of available-for-sale securities*	
Sale of available-for-sale securities	56,100
CASH FLOW FROM INVESTING ACTIVITIES	**110,100**
Net cash from business activities	**517,809**
FINANCING ACTIVITIES	
Dividends paid	(86,400)
Interest paid	(83,514)
Interest received on cash	8,619
Proceeds from issuance of short-term debt	162,000
Proceeds from issuance of long-term debt*	
CASH FLOW FROM FINANCING ACTIVITIES	**705**
Net cash from continuing operations before taxes	**518,514**
INCOME TAXES	
Cash paid for current tax expense	(281,221)
Change in cash before equity items and disc. ops.	**237,293**
DISCONTINUED OPERATIONS	
Cash outflows from discontinued operations	(12,582)
Total change in cash from discontinued operations	(12,582)
Change in cash before equity items	**224,711**
EQUITY	
Proceeds from Reissue of treasury Stock	84,240
Net cash from Equity	84,240
Effect of Foreign Exchange	3,209
Change in cash	**312,161**
Beginning cash	861,941
Ending Cash	**1,174,102**

* Line items without values left as placeholders

Alternative 3

Alternative 3

The following would be an example of supplemental cash flow information an entity may consider disclosing to supplement an indirect cash flow:

Note X - Supplemental cash flow disclosures

Below are supplemental gross inflows of the company for the period ended

	2010
Cash received from customers	$2,812,742
Cash paid for wages	$810,000
Cash Paid for Materials	$935,554
Cash paid for lease	$50,000

The following table reconciles working capital changes on the cash flow statement versus the changes to the corresponding accounts on the statement of financial position:

Line item	Change per balance Sheet	Foreign Currency	Other remeasurement	M&A	Change per cash flow
Accounts Receivable, Net	$394,195	$3,735	$10,935	-	408,865
Inventory	87,628	1,622	($29,000)	-	60,250
Accounts Payable Trade	$107,556	($27,000)		-	$80,556

The Company operates in several foreign countries and in certain instances would incur significant tax consequence to repatriation of funds from these countries. Amounts totalling $XXX are currently held in subsidiaries operating out of foreign countries. $XX of tax consequence would be inicurred as a result of repatriation of those funds.

Appendix B: Examples of a net debt reconciliation

Net Debt Reconciliation, possible formats

Net Indebtedness Calculation	**2010**
Non Current Borrowings	(2,050,000)
Current Borrowings	(562,000)
Total Gross Indebtedness	**(2,612,000)**
Total Cash	1,174,102
Total Net Indebtedness	**(1,437,898)**
Statement of Changes in Net Indebedness	
Net Cash from Operating Activities	407,709
Net Cash from investing activities	110,100
Net cash from financing (Other than debt payements)	(161,295)
Net Cash from Equity Transactions	84,240
Net cash used for income tax	(281,221)
Total Change in Net Indebtedness from Cash Flows	*159,533*
Non Cash changes	
Foreign Exchange	(9,372)
Change in net indebtedness	**150,161**
Indebtedness at the beginning of the period	(1,588,059)
Net indebtedness at end of period	**(1,437,898)**

Note 3 - ANALYSIS OF NET DEBT

	At 1 Jan 1996	Cash Flow	Acquisition* (excl. cash and overdrafts)	Other non-cash changes	Exchange movement	At 31 Dec 1996
	£000	£000	£000	£000	£000	£000
Cash in hand, at bank	235	(1,250)			1,392	377
Overdrafts	(2,528)	(5,502)			(1,422)	(9,452)
		(6,752)				
Debt due after 1 yr	(9,640)	(2,533)	(1,749)	2,560	(792)	(12,154)
Debt due within 1 yr	(352)	(1,156)	(837)	(2,560)	1,465	(3,440)
Finance leases	(4,170)	1,342	(1,231)	(2,845)		(6,904)
		(2,347)				
Current asset investments	1,240	(700)				540
TOTAL	(15,215)	(9,799)	(3,817)	(2,845)	643	(31,033)

b Reconciliation of net cash flow to movement in net debt

£ million	2008	Group 2007
(Decrease)/increase in cash and cash equivalents during the year	(1)	331
Net cash outflow from decrease in debt and lease financing	424	485
Decrease in current interest-bearing deposits maturing after three months	(458)	(389)
New loans and finance leases taken out and hire purchase arrangements made	(179)	(9)
Reduction in finance leases and loans due to disposal of BA Connect		85
Changes in net debt resulting from cash flows	(214)	503
Exchange and other non-cash movements	(105)	147
Movement in net debt during the year	(319)	650
Net debt at April 1	(991)	(1,641)
Net debt at March 31	(1,310)	(991)