Project **Financial Statement Presentation (FSP)**

Presenting cash flow information

Introduction

1. In June 2010, the boards decided to engage in additional outreach activities before finalising and publishing an exposure draft on financial statement presentation. In July 2010 the staff of the IASB and the FASB posted on each board's website a staff draft (which can be downloaded from: http://www.ifrs.org/Current+Projects/IASB+Projects/Financial+Statement+Presentation/Phase+B/Staff+draft+of+proposed+standard.htm) of an exposure draft (FSP staff draft) that reflects the boards' cumulative tentative decisions on financial statement presentation, concluding with their joint meeting in April 2010. The proposals in that staff draft are the basis for the staff current outreach activities.

Objective

2. At the November Global Preparers Forum meeting, the IASB and FASB staff would like to discuss the proposals in the staff draft for presenting cash flow information. For ease, of reference, Appendices A–C reproduce the paragraphs in the staff draft (from the Standard, Basis for conclusions and Implementation Guidance) that include the proposed guidance for presenting cash flow information.

Statement of cash flows

Direct method of presentation

3. In current practice, most entities choose to present their operating cash flows indirectly in the statement of cash flows by reconciling profit or loss to net operating cash flows

rather than present those cash flows using a direct method. However, existing IFRSs and US GAAP require all entities to use a direct method to present their investing and financing cash flows.

4. The staff draft proposed that in the statement of cash flows, an entity should present cash inflows and outflows in each of the sections and categories. For example, an entity would present separately the classes of its cash receipts and payments for its operating activities, such as cash collected from customers and cash paid to suppliers to acquire inventory. The disaggregation of cash flows in the statement of cash flows would be more limited than in the statement of comprehensive income. This is a change from the proposal in the October 2008 discussion paper. An entity also would be required to reconcile operating income to operating cash flows and provide this information as part of the statement of cash flows.

5. The boards think that operating cash receipts and payments (as well as investing and financing cash receipts and payments) should be presented in the statement of cash flows because that presentation:

   (a) is more intuitive and understandable to a broad range of users of financial statements;

   (b) improves the ability to predict future cash flows;

   (c) improves insight into an entity's cash conversion cycle and the relationship between revenues and expenses presented in the statements of comprehensive income and cash flows;

   (d) provides information that academic research has shown leads to better decision-making and results in information that is superior to any derivations at which even the most skilled analyst would arrive; and

   (e) provides the ability to develop trends and comparisons not currently achievable.

6. Users of financial statements responding to the discussion paper indicated that a direct presentation of all cash flows can be used:

   (a) to compare similar types of cash receipts and payments across entities;

(b) to develop questions about how the amount, timing and uncertainty of cash flows differ from income and expense items in the statement of comprehensive income;

(c) to perform a more meaningful cash flow variance analysis; and

(d) to analyse the sensitivity of different types of cash flows to change in production volume.

Improved indirect method

7. In response to the criticisms of the direct method statement of cash flows proposed in the discussion paper, the boards explored the following modifications for improving the indirect method of presenting operating cash flows:

(a) require the reconciliation of income to operating cash flows to begin with the operating income subtotal from the statement of comprehensive income, rather than with profit or loss or net income.

(b) require an entity to disaggregate the net change items in the operating category in the statement of cash flows to correspond with the line items presented in the statement of financial position. A net change item is the change in a deferral of past operating receipts and payments, or the change in accruals of operating cash receipts and disbursements (eg the change in accounts receivable or the change in deferred revenue).

(c) require an entity to present cash receipts and payments related to the purchase, sale and settlement of operating assets or liabilities (eg purchase of fixed assets).

8. Users of financial statements have indicated they are especially interested in cash from customers. Disclosure of that amount may provide additional information about an entity's ability to convert revenues to cash.

9. Although the abovementioned improvements to an indirect method statement of cash flows address some of the needs expressed by users, the staff draft proposes that all entities should present a direct method statement of cash flows rather than an improved indirect method statement of cash flows, because an indirect method statement of cash flows:

(a) is not intuitive;

(b) does not help a user to analyse trends of cash inflows and outflows;

(c) leads to processing errors, according to academic research; and

(d) requires analysts to continue to use indirect cash flow information to derive direct cash flow amounts.

10.

Questions on presenting cash flow information
1. We know that there are concerns about the cost of presenting operating cash inflows and outflows, your thoughts? Do you think that an improved indirect method of presentation, as described above, with some direct cash flow information (eg cash collected from customers) will provide incrementally useful information and be less costly to prepare than implementing a direct method of presentation? Are there other ways that today's cash flow statement can be improved? 2. How do you interpret the proposed presentation requirements in paragraphs 177–184 in the staff draft regarding the level of disaggregation for cash flow information? Specifically, (a) Do you interpret that management will be the one deciding the right level of disaggregation of cash flows (including operating cash flows) and that there are no requirements for maximum or minimum information? (b) If you think that the proposed presentation requirements as drafted will produce too much disaggregated cash flow information, how would you suggest revising the current wording? For example, would you suggest specific line items to be included as part of the operating cash flow information (such as cash collected from customers, cash paid to suppliers and employees, capital expenditures, or non-recurring cash flows like cash paid for legal settlements)? 3. Do you have any comments on the paragraphs in the basis for conclusions that summarise the boards' considerations in developing the staff draft proposals (see Appendix B) or on the implementation guidance including in the staff draft (see Appendix C)?

Appendix A – Proposed presentation requirements on cash flow information in the staff draft

A1. Paragraphs 168–199 in the staff draft provide the proposed requirements on the presentation of the statement of cash flows. For discussion purposes paragraphs 168–192 are reproduced below.

Statement of cash flows

Presentation of a statement of cash flows

168 **A statement of cash flows shall present information about the change in cash during the reporting period in a manner that relates the cash receipts and cash payments to information presented in the statements of financial position and comprehensive income.**

169 The total amounts of cash shown at the beginning and end of the period in the statement of cash flows shall be the same as the amounts shown in the cash line item in the statement of financial position (see paragraphs 117 and 118).

Information to be presented in the statement of cash flows

170 **An entity shall present in the statement of cash flows its gross cash receipts and gross cash payments in sections and categories that are consistent with (a) the classification of the related asset, liability or equity in the statement of financial position and (b) the related item of income or expense in the statement of comprehensive income. Cash flows related to amounts in the operating finance subcategory in the statements of financial position and comprehensive income shall be presented in the operating category in the statement of cash flows.**

171 Generally, information about the gross amounts of cash receipts and cash payments during a reporting period is more relevant than information about the net amounts of those receipts and payments. However, the net amount of related cash receipts and payments provides sufficient information for some types of cash flows (see paragraphs 185–188).

172 **An entity shall present a reconciliation of profit or loss from operating activities to net cash flows from operating activities as an integral part of the statement of cash flows.**

173 The net cash flows from operating activities is reconciled by adjusting profit or loss from operating activities for the effects of:

(a) non-cash operating income items such as depreciation or share-based remuneration;

(b) changes during the period in operating assets or liabilities such as inventories, receivables and payables; and

(c) cash flows from the purchase, sale or settlement of operating assets or liabilities (such as capital expenditures or the settlement of a decommissioning liability for cash).

174 **An entity shall present transactions that do not require the use of cash as a supplement to the statement of cash flows in a way that provides all relevant information about those transactions including the following, if applicable:**

(a) the effect on the capital structure of the entity; and

(b) the effect on the asset structure of the entity.

175 Examples of non-cash transactions that shall be presented as a supplement to the statement of cash flows include:

(a) the acquisition of assets either by assuming directly related liabilities or by means of a finance lease;

(b) the acquisition of an acquiree by means of an equity issue; and

(c) the conversion of debt to equity. [IAS 7.44 with modification]

176 Non-cash adjustments to profit or loss from operating activities are presented in the reconciliation of profit or loss from operating activities to net cash flows from operating activities.

Disaggregating cash flows

177 **An entity shall disaggregate cash flows in the statement of cash flows by classes of cash receipts and payments so that the statement of cash flows provides a meaningful depiction of how the entity generates and uses cash.**

178 A meaningful depiction of cash receipts and payments shall reflect the nature of the income or expense (or return on equity) to which the cash flow is related.

179 Examples of cash receipts and payments that reflect the nature of the income or expense include:

(a) operating activities: cash received from customers, cash paid for labour and cash paid for advertising;

(b) investing activities: cash received from dividends, cash received from interest and cash received from rents; and

(c) financing activities: cash paid for interest.

180 An entity may aggregate related cash flows in a single line in the statement of cash flows if the resulting level of disaggregation provides a meaningful depiction of how the entity generates and uses cash. In making that assessment, an entity shall take into account the magnitude and variability of non-cash items and timing differences between current period cash flows and related amounts recognised in the statement of comprehensive income.

181 A meaningful depiction of cash receipts and payments shall also reflect:

(a) the nature of assets purchased or sold;

(b) the nature of liabilities incurred, issued or settled; and

(c) the nature of equity issued or redeemed.

182 Examples of cash receipts and payments that incorporate the nature of the assets being purchased or sold or the nature of the liabilities being incurred, issued or settled include:

(a) operating activities: purchase of property, plant and equipment, sale of an intangible asset and payment of a decommissioning liability;

(b) investing activities: purchase of fixed-income securities, sales of investments in equity securities and purchase of rental property; and

(c) financing activities: proceeds from issue of ordinary shares, repayments of long-term debt and proceeds from issue of preference shares.

183 **An entity shall disaggregate cash flows that it does not expect to occur every reporting period.**

184 Examples of cash flows that may not be expected to occur every reporting period include:

(a) payment of a legal judgement;

(b) payment of termination benefits; and

(c) receipt of an insurance settlement.

Presenting some cash flows on a net basis

185 **Cash flows arising from the following activities may be presented in the statement of cash flows on a net basis:**

(a) cash receipts and payments on behalf of customers if the cash flows reflect the activities of the customer, rather than those of the entity; and

(b) cash receipts and payments for items in which the turnover is quick, the amounts are large and the maturities are short. [IAS 7.22 with modification]

186 Examples of cash receipts and payments referred to in paragraph 185(a) are:

(a) the acceptance and repayment of demand deposits of a bank;

(b) funds held for customers by an investment entity; and

(c) rents collected on behalf of, and paid over to, the owners of properties. [IAS 7.23 and 23A with modification]

187 Examples of cash receipts and payments referred to in paragraph 185(b) are:

(a) advances made for, and the repayment of, principal amounts relating to credit card customers;

(b) the purchase and sale of some short-term investments; and

(c) advances made for, and the repayment of, other short-term borrowings; for example, those that have a maturity period of three months or less. [IAS 7.23 and 23A with modification]

188 **In addition to the criteria in paragraph 185, a financial services entity may present cash flows arising from each of the following activities on a net basis in the statement of cash flows:**

(a) cash receipts and payments for the acceptance and repayment of deposits with a fixed maturity date; and

(b) the placement of deposits with, and withdrawal of deposits from, other financial services entities. [IAS 7.24 with modification]

Cash flows for taxes collected from customers and remitted to government authorities

189 Taxes or fees that an entity collects from customers on behalf of government authorities that are not part of the entity's revenue shall be presented separately in the statement of cash flows net of the amounts remitted to the government authority. However, if a tax or fee collected from the customer is included in the entity's revenue, the collection of that tax or fee shall be included as part of cash from customers and the remittance to the government authority shall be included as a gross cash outflow.

Cash flows for entities that have deposit activities

190 Transactions between an entity and its customers that involve amounts on deposit with the entity shall be presented as cash inflows or cash outflows of the entity in its statement of cash flows. Transactions between depositors and the entity that are presented as cash flows of the entity may include but are not limited to:

(a) the crediting of interest to a customer's account;

(b) the deduction of fees from a customer's account; and

(c) the transfer of amounts between depositors' accounts and the bank for payment on a loan.

191 For example, a commercial bank that credits a depositor's account for interest earned or deducts a fee from a depositor's account has cash flows that do not change the entity's cash balance. Even though the total cash balance of the bank does not change, a cash flow takes place between the bank and its customer. These amounts are included in the statement of cash flows as a cash outflow (the interest credited to a customer's account) and a cash inflow (the deduction of the fee). The offset to these transactions is the net change to the deposit accounts.

Preparing a direct method statement of cash flows

192 To present cash flows using a direct method, an entity may obtain information about gross cash receipts and gross cash payments either:

(a) directly from the accounting records of the entity; or

(b) indirectly by analysing the changes in assets and liabilities (eg the change in accounts receivable) attributable to:

(i) corresponding income and expense amounts (eg sales to customers);

(ii) non-cash items (eg write-downs and reclassifications);

(iii) cash transactions that change the amount of the asset or liability but are not related to income or expense (eg acquisitions or divestments); and

(iv) other items not relevant to identifying the gross operating cash receipt or payment (eg amounts not related to transactions with customers, such as vendor rebates that are classified as trade receivables).

Appendix B – Basis for conclusions on cash flow information

B1. Paragraphs BC177 – BC199 in the staff draft summarise the considerations of the IASB and the FASB in developing the proposals in the presentation of cash flows information. For discussion purposes paragraphs BC177 – BC197 are reproduced below.

Statement of cash flows (paragraphs 168−199)

A direct method of presentation

BC177 The boards propose requiring an entity to present all cash inflows and outflows in the statement of cash flows (a direct method statement of cash flows). Prior to this proposal, an entity had a choice of presenting operating cash flows using either a direct method or an indirect method. Investing and financing cash flows are currently presented using a direct method. In an indirect method statement of cash flows, operating cash inflows and outflows are not presented; instead, profit or loss or net income (or other profit measures in IFRSs) is reconciled to total operating cash flows.

BC178 The discussion paper included the boards' preliminary view that a direct method statement of cash flows should be required in all cases. In their deliberations, the boards affirmed that preliminary view on the basis of input received from users of financial statements and academic research and in the light of the proposed changes to the amount of information to be presented in the statement of cash flows (compared with the discussion paper proposal). The boards think that operating cash receipts and payments (as well as investing and financing cash receipts and payments) should be presented in the statement of cash flows because that presentation:

(a) is more intuitive and understandable to a broad range of users of financial statements;

(b) improves the ability to predict future cash flows;

(c) improves insight into an entity's cash conversion cycle and the relationship between revenues and expenses presented in the statements of comprehensive income and cash flows;

(d) when accompanied by a reconciliation of operating cash flows to operating income, links the statement of financial position and the statement of cash flows;

(e) provides information that academic research has shown leads to better decision-making and results in information that is superior to any derivations at which even the most skilled analyst would arrive; and

(f) provides the ability to develop trends and comparisons not currently achievable.

BC179 Preparer respondents to the discussion paper generally opposed the proposal to require all cash flows to be presented using a direct method in the statement of cash flows. In their view, the benefits provided by the direct method statement of cash flows proposed in the discussion paper do not outweigh the costs to prepare that type of statement. The one-off preparation costs include major entity-wide systems modifications or replacements that would also require business process analysis and redesign, validation testing and staff training, documentation of systems and processes for internal control purposes, and audit fees associated with any new processes or systems. Ongoing costs related to the direct method statement of cash flows proposed in the discussion paper would include costs for increased data storage and management, increased personnel costs because of additional upfront transaction processing and additional internal and external audit costs because there would be a need for more transaction testing.

BC180 Users of financial statements responding to the discussion paper indicated that a direct presentation of all cash flows can be used:

(a) to compare similar types of cash receipts and payments across entities;

(b) to develop questions about how the amount, timing and uncertainty of cash flows differ from income and expense items in the statement of comprehensive income;

(c) to perform a more meaningful cash flow variance analysis; and

(d) to analyse the sensitivity of different types of cash flows to changes in production volume.

BC181 Most of the 43 analysts who took part in the discussion paper field test found a direct method statement of cash flows more useful than an indirect method statement of cash flows. Several analyst participants said that a direct method presentation of cash flows is more intuitive and makes it easier for users of financial statements to grasp the sources and uses of cash.

BC182 A majority of the 540 analysts who took part in a survey conducted by the CFA Institute either strongly agreed or agreed that information about operating cash flows presented using a direct method would better enable them to forecast future cash flows of an entity than using an indirect method. A majority of the same participant group also strongly agreed or agreed that a direct method presentation would be more useful in assessing the degree to which an entity's earnings are likely to recur than an indirect method.

BC183 The academic research related to this topic that was presented to the boards indicated that a direct method statement of cash flows provides information that has better predictive value and results in fewer analytical and processing errors than does an indirect method.

BC184 The discussion paper described and illustrated a direct method statement of cash flows that was aligned with the disaggregated by-nature and by-function income and expense information presented in the statement of comprehensive income. The discussion paper's proposal to require the same level of disaggregation in the statement of cash flows as in the statement of comprehensive income would have resulted in extensive changes to accounting systems, as well as significant ongoing costs such as data storage and processing. Some users of financial statements indicated that this level of disaggregation might exceed the level needed to be useful.

BC185 A small group of preparers assisted the boards in understanding which aspects of the proposed direct method statement of cash flows gave rise to the extensive costs that had been identified in the comment letters and field tests. Some preparers were concerned about the proposal to present cash flow information by function and said that without that proposed level of disaggregation, a direct method statement of cash flows might not be as costly to prepare. The preparers in that group explained that when an entity purchases an item, the entity does not necessarily know what the function of that item will be. To compile cash flow information by function, an entity would, for example, have to link its payables systematically to the corresponding by-function expense—something that is not done today.

BC186 The boards decided that the information in the statement of cash flows need not align with the information in the statement of comprehensive income at the line item level by function and nature. Instead, they propose that cash flows should be disaggregated by nature and that the standard should include guidance on when it would be appropriate to aggregate cash flows. By eliminating the complexity inherent in tracking cash flows by function and by requiring less disaggregation, the proposed requirements may enable an entity to use a derived (indirect-direct) approach to prepare the statement of cash flows. Preparers indicate that that approach is less costly than compiling transaction-level data about cash paid or received (a direct-direct approach).

BC187 The boards acknowledge that requiring less disaggregation in the statement of cash flows would not entirely mitigate the preparation costs that arise from doing business in many different countries, which may involve different currencies and diverse accounting and reporting systems. The boards observe that these costs would arise to some extent whenever there is a substantial change in the way an entity prepares or presents its financial information, but believe that in this case the benefits would outweigh the costs.

Reconciliation between operating income and operating cash flows

BC188 Users of financial statements stated that the reconciliation of income to operating cash flows currently provided in an indirect method statement of cash flows provides useful information that they would like to retain. Users explained that a direct method statement of cash flows would be best understood when accompanied by a similar indirect reconciliation because it helps to explain the changes in the statement of financial position.

BC189 In response to user interest in the working capital information included in an indirect method statement of cash flows, the boards propose requiring an entity to present a reconciliation of operating income to operating cash flows as a supplement to the statement of cash flows. That reconciliation differs from what is currently provided in an indirect method statement of cash flows because it begins with income from operating activities as defined in the exposure draft rather than with profit or loss or net income (or another measure of income in IFRSs). Starting the reconciliation with profit or loss or net income necessitates including in the reconciliation items such as interest, taxes and the income, expense, gains and losses of investing activities. However, if the reconciliation starts with income from operating activities (the subtotal of the operating category), those items (and their effects on the changes in asset and liability line items) are not part of the reconciliation. Consequently, the reported operating cash flows are exclusive of cash flows from non-operating assets and liabilities.

BC190 The boards propose retaining existing requirements to include information about non-cash transactions in the financial statements because information about those transactions is essential to understanding the totality of an entity's transactions and the impact of non-cash transactions on an entity's asset and capital structure.

BC191 The exposure draft proposes that the presentation of non-cash transaction information and the reconciliation of operating income to operating cash flows should be an integral part of the statement of cash flows. Users of financial statements observed that having this information as part of the statement it supplements is most useful because an analysis of the statement of cash flows would be incomplete without it. The boards thus decided, in a change from the discussion paper, that an entity should not be permitted to present the reconciliation and non-cash information in the notes to financial statements.

Other cash flow presentations considered

BC192 In response to the criticisms of the direct method statement of cash flows proposed in the discussion paper, the boards considered whether modifications to the indirect method statement of cash flows that most entities present today could provide the information that users of financial statements believe is missing. The boards explored the following modifications for improving the indirect method of presenting operating cash flows:

(a) require the reconciliation of income to operating cash flows to begin with the operating income subtotal from the statement of comprehensive income, rather than with profit or loss or net income.

(b) require an entity to disaggregate the net change items in the operating category in the statement of cash flows to correspond with the line items presented in the statement of financial position. A net change item is the change in a deferral of past operating receipts and payments, or the change in accruals of operating cash receipts and disbursements (eg the change in accounts receivable or the change in deferred revenue).

(c) require an entity to present cash receipts and payments related to the purchase, sale and settlement of operating assets or liabilities (eg purchase of fixed assets).

BC193 Starting an indirect method statement of cash flows with operating income and disaggregating the net change items to align with the presentation in the statement of financial position should clarify the relationships of the changes in operating assets and liabilities. For example, the change in receivables and other assets may be presented on a single line in an indirect method statement of cash flows today. This single line might be the sum of several items, such as accounts receivable, interest receivable, other short-term assets, other long-term assets and tax refunds. If the amounts of the net change items reconcile only operating assets and liabilities and are disaggregated as set out above, a user of the financial statements would have a better view into the cash and non-cash changes of each line in the statement of financial position. For instance, if the change in deferred revenues was disaggregated, then cash collected in advance from customers would be more discernible, thus enabling assumptions to be made about cash and revenues in future periods.

BC194 The possible improvements to the statement of cash flows described above do not address all of the shortcomings that are present in today's indirect method statement of cash flows. Consequently, the boards considered supplemental disclosures, such as cash from customers and the reconciliation of differences between the net change items presented in the statement of cash flows and the changes in the statement of financial position.

BC195 Users of financial statements have indicated they are especially interested in cash from customers. Disclosure of that amount may provide additional information about an entity's ability to convert revenues to cash.

BC196 The boards think that a summary of differences between the change in the statement of financial position and the net change items presented in the statement of cash flows would enable a user to understand better the relationships between the financial statements.

BC197 Although these possible improvements to an indirect method statement of cash flows address some of the needs expressed by users, the exposure draft proposes that all entities should present a direct method statement of cash flows rather than an improved indirect method statement of cash flows, because an indirect method statement of cash flows:

(a) is not intuitive;

(b) does not help a user to analyse trends of cash inflows and outflows;

(c) leads to processing errors, according to academic research; and

(d) requires analysts to continue to use indirect cash flow information to derive direct cash flow amounts.

Appendix C – Implementation guidance on cash flow information

C1. The illustrative statement of cash flows for a manufacturing entity included in the staff draft and an example of how an entity might apply some of the presentation requirements for cash flow information are presented on the following pages.

IASB Staff paper

STATEMENTS OF CASH FLOWS

	For the years ended 31 December	
	20X1	**20X0**
BUSINESS		
Operating		
Cash collected from customers	2,812,741	2,572,073
Cash paid for labour	(810,000)	(845,000)
Cash paid for materials	(935,554)	(785,000)
Cash contribution to pension plan	(340,200)	(315,000)
Other operating cash outflows	(260,928)	(242,535)
Cash paid for lease	(50,000)	-
Capital expenditures	(54,000)	(50,000)
Disposal of property, plant and equipment	37,650	-
Sale of receivables	8,000	10,000
Net cash flows from operating activities	**407,709**	**344,538**
Investing		
Net change in short-term investments	(300,000)	(800,000)
Investment in associates	-	(120,000)
Dividends and interest received	62,619	55,500
Purchase of securities	-	(130,000)
Sale of securities	56,100	51,000
Net cash flows for investing activities	**(181,281)**	**(943,500)**
NET CASH FLOWS FROM BUSINESS ACTIVITIES	**226,428**	**(598,962)**
FINANCING		
Dividends paid	(86,400)	(80,000)
Interest paid	(83,514)	(82,688)
Proceeds from reissue of treasury shares	84,240	78,000
Proceeds from issue of short-term debt	162,000	150,000
Proceeds from issue of long-term debt	-	250,000
NET CASH FLOWS FROM FINANCING ACTIVITIES	**76,326**	**315,312**
Net cash flows from continuing operations before taxes	302,754	(283,650)
INCOME TAX		
Cash paid for income tax	(281,221)	(193,786)
Change in cash before discontinued operation and effect of foreign exchange	21,533	(477,436)
DISCONTINUED OPERATION		
Net cash outflows from discontinued operation	(12,582)	(11,650)
Effect of foreign exchange	3,210	1,027
Change in cash	**12,161**	**(488,059)**
Beginning cash	61,941	550,000
Ending cash	**74,102**	**61,941**

	For the years ended 31 December	
	20X1	20X0
Operating profit	**892,377**	**788,055**
Adjustment to reconcile operating profit to net cash flows from operating activities:		
Gain on disposal of property, plant and equipment	(22,650)	-
Depreciation and amortisation	279,120	273,500
Loss on sale of receivable	4,987	2,025
Impairment loss on accounts receivable	23,068	15,034
Loss on obsolete and damaged inventory	29,000	9,500
Share-based remuneration	22,023	17,000
Impairment loss on goodwill	-	35,033
Other non-cash items	(1,189)	(1,100)
Net change in asset and liability accounts		
Accounts receivable, trade	(422,250)	(431,663)
Inventory	58,628	48,398
Advances from customers	(243,000)	(225,000)
Accounts and salaries payable	76,954	91,665
Other assets and liabilities	(3,259)	(7,409)
Net pension liability	(236,250)	(220,500)
Cash inflows and outflows from other operating activities		
Sale of property, plant and equipment	37,650	-
Capital expenditure	(54,000)	(50,000)
Cash paid on lease principal	(33,500)	-
Net cash flows from operating activities	**407,709**	**344,538**

Supplemental information about non-cash activities

Capitalisation of equipment in exchange for lease	-	330,000

IG11.A reporting entity may arrive at the operating cash flows it presents in its statement of cash flows by compiling transaction level data or it may derive that operating cash flow information by adjusting the change in asset or liability balances for amounts of income and expense and other adjustments. The following accounts receivable detail illustrates how an entity would use either method to arrive at the line item 'cash from customers' presented in a direct method statement of cash flows.

Accounts receivable detail

	Opening balance	Sales	Receivable from acquisition	Cash collections		Other entries		**Closing balance**
A Co	**1,000**	2,500		(2,600)	*			**900**
B Corp	**2,500**	4,000		(4,500)	*			**2,000**
C Inc	**1,800**	-		(1,700)	*			**100**
D Co	**-**		10,000	-				**10,000**
HIJ Suppliers	**2,200**			(2,200)		4,000	a	**4,000**
PQR Factoring	**-**			(5,000)		5,000	b	**-**
W Corp	**8,000**	23,000		-				**31,000**
X Partners	**10,000**	8,000		-				**18,000**
Y Corp	**6,400**	-		-		(6,400)	c	**-**
Z Co	**250**	50,000		(49,000)	*			**1,250**
	32,150	87,500	10,000	(65,000)		2,600		**67,250**

* Cash receipts from customer accounts = 57,800

Direct method cash from customers - transactional level data

Cash received from customers (via system query of customer account cash receipts)	57,800

Direct method cash from customers - derived by changes in balances

Beginning balance	32,150
Less: Ending balance	67,250
Sales	87,500
	52,400
Transactions with those other than customers:	
Adjustment for acquisition	10,000
Adjustment for change in non-customer trade receivables	1,800
Adjustment for account reduction from factoring	(6,400)
Cash from customers	57,800

a) Receivable for vendor volume incentives included with trade receivables
b) Amount received from factoring company from sale of Y Corp receivables
c) Sale of Y Corp receivable to PQR factoring