

## International Financial Reporting Standards



# Disclosure Initiative

## Exposure Draft: Proposed amendments to IAS 7 *Statement of Cash Flows*

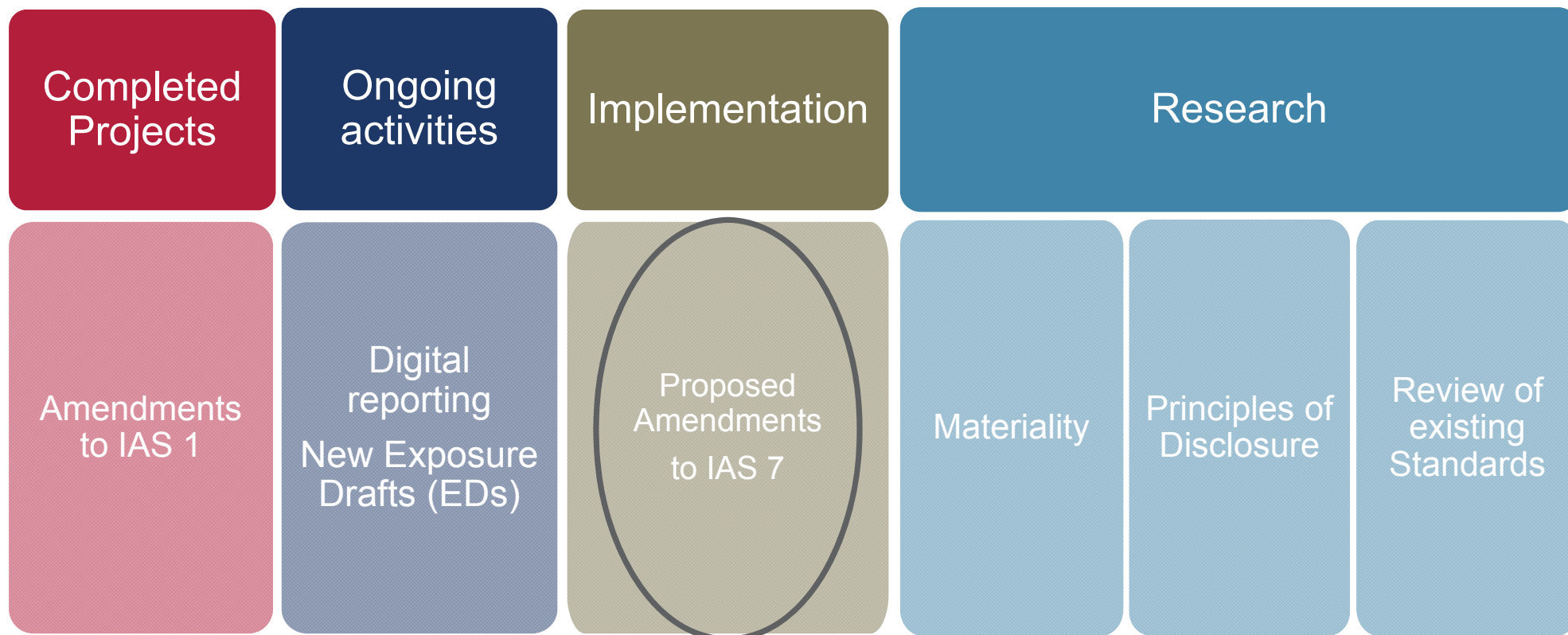
The views expressed in this presentation are those of the presenter, not necessarily those of the IASB or IFRS Foundation.

- Published by the IASB on 18 December 2014
- Comment period until 17 April 2015
- The amendments relate to additional disclosures about cash flows:
  - Reconciliation of amounts in the statement of financial position for which cash flows are classified as financing activities
  - Additional information about liquidity and restrictions on cash and cash equivalents

# Development of the Exposure Draft

The views expressed in this presentation are those of the presenter,  
not necessarily those of the IASB or IFRS Foundation

## Disclosure Initiative



# Developing the Exposure Draft

## FSP project 2009 September

A paper from the FSP project highlighted that a number of user and preparer groups in Europe (mainly the UK and France) have asked that an entity be required to present a net debt reconciliation in its financial statements.

## Agenda Consultation 2011

Respondents called for improved disclosure requirements about debt – some requested a requirement for entities to provide a 'net debt reconciliation'.

## Discussion Forum & Feedback Statement 2013

This is an example where adding a requirement is expected to improve the clarity of an annual report by drawing relevant information together.

## IASB's discussion (October 2013)

A narrow-scope project of amendments to IAS 7 *Statement of Cash Flows* to address the concerns of investors.

# Developing the Exposure Draft Contd.

## Capital Markets Advisory Committee (October 2013)

Sought advice on whether net debt disclosure is an important issue.

## Investor Survey (January 2014)

Survey of investors to identify why investors seek to understand debt, including changes in debt during the reporting period.

## IASB's discussion (March 2014)

Tentative decision to amend IAS 7 to require a reconciliation of the opening and closing liabilities that form part of an entity's financing activities, excluding the changes in contributed equity.

# Developing the Exposure Draft Contd.

## Joint Capital Markets Advisory Committee & Global Preparers Forum (June 2014)

Sought views on draft proposals by reviewing illustrative examples.

## Global Preparers Forum (Summer 2014)

Sought views on the need to improve disclosures about cash and cash equivalents.

## IASB's discussion (September 2014)

Tentative decision to propose improvements to disclosures on cash and cash equivalents.

# Objectives of the Exposure Draft

The objectives are to improve disclosures:

About the information provided to users of financial statements about an entity's financing activities (debt), excluding equity items.

That help users of financial statements to understand the liquidity of an entity.



# Content of the Exposure Draft

The views expressed in this presentation are those of the presenter,  
not necessarily those of the IASB or IFRS Foundation

- **Problem:**
  - Lack of information disclosed about an entity's debt, including changes in debt during the reporting period.
- **Approach:**
  - Provide information requested by investors without having to define 'debt' owing to the difficulty in finding a definition that could be commonly agreed on and avoid delaying these narrow scope amendments.
  - The IASB identified that it could use the definition of 'financing activities' in paragraph 6 of IAS 7, which would capture items included in an entity's debt.

# Components of Financing Activities contd.

11

- **Approach:**
  - Require additional **information about movement** in those items during the period and enable entities to demonstrate what they consider as net debt.
- **Proposal:**
  - A **reconciliation of items for which cash flows are classified as financing activities** (excluding equity items) in accordance with IAS 7.

**Illustrative example:**

	<b>20X1</b>	<b>Cash flow</b>	<b>Non-cash changes</b>		<b>20X2</b>
			<b>Acquisition</b>	<b>New leases</b>	
Long-term borrowings	1,040	250	200	–	1,490
Lease liabilities	–	(90)	–	900	810
Long-term debt	<u>1,040</u>	<u>160</u>	<u>200</u>	<u>900</u>	<u>2,300</u>

# Cash and cash equivalents - liquidity

12

- **Problem:**
  - Investors say they **need better information about the availability of cash and cash equivalents**; for example, if cash and debt are in different jurisdictions and using the cash to settle debt could trigger a tax payment.
- **Proposal:**
  - Entity shall **disclose information about cash and cash equivalent balances**, such as **restrictions** that affect the decisions of an entity to use cash and cash equivalent balances, that are relevant to an understanding of the liquidity of the entity.

# IFRS Taxonomy for the Exposure Draft

The views expressed in this presentation are those of the presenter,  
not necessarily those of the IASB or IFRS Foundation

# IFRS Taxonomy for the Exposure Draft

14

- For the first time, a section on the **IFRS Taxonomy** is included in the **Exposure Draft**

## CONTENTS

	<i>from page</i>
<b>INTRODUCTION</b>	<b>4</b>
<b>INVITATION TO COMMENT</b>	<b>5</b>
<b>[DRAFT] AMENDMENTS TO IAS 7 STATEMENT OF CASH FLOWS</b>	<b>7</b>
<b>[DRAFT] AMENDMENTS TO THE ILLUSTRATIVE EXAMPLES ACCOMPANYING IAS 7 STATEMENT OF CASH FLOWS</b>	<b>8</b>
<b>PROPOSED IFRS TAXONOMY UPDATE RELATING TO THE EXPOSURE DRAFT DISCLOSURE INITIATIVE (PROPOSED AMENDMENTS TO IAS 7)</b>	<b>9</b>
<b>APPROVAL BY THE BOARD OF THE EXPOSURE DRAFT DISCLOSURE INITIATIVE (PROPOSED AMENDMENTS TO IAS 7) PUBLISHED IN DECEMBER 2014</b>	<b>14</b>

- **Format** is the same as for other Taxonomy releases

# IFRS Taxonomy – members

<b>Components of Items for which cash flows are classified as financing activities, excluding equity items</b>	<b>ER</b>	<b>Reference</b>
Items for which cash flows are classified as financing activities, excluding equity items (A)	D	Effective [date] IAS 7.44A
Items for which cash flows are classified as financing activities, excluding equity items (DM)	D	Effective [date] IAS 7.44A
Long-term borrowings (M)	E	Effective [date] IAS 7.IE A Statement of cash flows for an entity other than a financial institution
Lease liabilities (M)	E	Effective [date] IAS 7.IE A Statement of cash flows for an entity other than a financial institution

# IFRS Taxonomy – line items

<b>Line items for disclosure of reconciliation of items for which cash flows are classified as financing activities, excluding equity items</b>	<b>ET<sup>(a)</sup></b>	<b>ER<sup>(b)</sup></b>	<b>Reference</b>
Items for which cash flows are classified as financing activities, excluding equity items	M	D	Effective [date] IAS 7.44A(a); Effective [date] IAS 7.44A(c)
Increase (decrease) in items for which cash flows are classified as financing activities, excluding equity items	M	D	Effective [date] IAS 7.44A(b)
Increase (decrease) through financing cash flows, items for which cash flows are classified as financing activities, excluding equity items	M	D	Effective [date] IAS 7.44A(b)(i)
Increase (decrease) through obtaining or losing control of subsidiaries or other businesses, items for which cash flows are classified as financing activities, excluding equity items	M	D	Effective [date] IAS 7.44A(b)(ii)
Increase (decrease) through other non-cash changes, items for which cash flows are classified as financing activities, excluding equity items	M	D	Effective [date] IAS 7.44A(b)(iii)
Increase (decrease) through effect of changes in foreign exchange rates, items for which cash flows are classified as financing activities, excluding equity items	M	E	Effective [date] IAS 7.44A(b)(iii)
Increase (decrease) through changes in fair values, items for which cash flows are classified as financing activities, excluding equity items	M	E	Effective [date] IAS 7.44A(b)(iii)
Increase (decrease) through non-cash changes in lease liabilities, items for which cash flows are classified as financing activities, excluding equity items	M	E	Effective [date] IAS 7.IE A Statement of cash flows for an entity other than a financial institution



# IAS 7 Amendments - visualisation

Line items for disclosure of reconciliation of items for which cash flows are classified as financing activities, excluding equity items	Items for which cash flows are classified as financing activities, excluding equity items (A)		
	Long-term borrowings (M)	Lease liabilities (M)	Items for which cash flows are classified as financing activities, excluding equity items (DM)
Items for which cash flows are classified as financing activities, excluding equity items [at beginning of period]	1,040	–	1,040
Increase (decrease) through financing cash flows, items for which cash flows are classified as financing activities, excluding equity items	250	(90)	160
Increase (decrease) through obtaining or losing control of subsidiaries or other businesses, items for which cash flows are classified as financing activities, excluding equity items	200	–	200
Increase (decrease) through non-cash changes in lease liabilities, items for which cash flows are classified as financing activities, excluding equity items	–	900	900
Items for which cash flows are classified as financing activities, excluding equity items [at end of period]	1,490	810	2,300

# IFRS Taxonomy – line items

- Line items for restrictions on cash and cash equivalents

Element label	ET	ER	Reference
Description of restrictions that affect decisions of entity to use cash and cash equivalent balances	T	D	Effective [date] IAS 7.50A
Tax liabilities that would arise on repatriation of foreign cash and cash equivalent balances	M	D	Effective [date] IAS 7.50A

# Questions for respondents & Further steps

The views expressed in this presentation are those of the presenter,  
not necessarily those of the IASB or IFRS Foundation

# IAS 7 Amendments – content questions

20

## Question 1—Disclosure Initiative amendments

This Exposure Draft of proposed amendments to IAS 7 forms part of the Disclosure Initiative. Its objectives are to improve:

- (a) information provided to users of financial statements about an entity's financing activities, excluding equity items; and
- (b) disclosures that help users of financial statements to understand the liquidity of an entity.

Do you agree with the proposed amendments (see paragraphs 44A and 50A)? Do you have any concerns about, or alternative suggestions for, any of the proposed amendments?

## Question 2—Transition provisions

Do you agree with the proposed transition provisions for the amendments to IAS 7 as described in this Exposure Draft (see paragraph 59)?

If not, why and what alternative do you propose?

## Question 3—IFRS Taxonomy

Do the proposed IFRS Taxonomy changes appropriately reflect the disclosures that are set out in the proposed amendments to IAS 7 and the accompanying illustrative example? In particular:

- (a) are the amendments reflected at a sufficient level of detail?
- (b) should any line items or members be added or removed?
- (c) do the proposed labels of elements faithfully represent their meaning?
- (d) do you agree that the proposed list of elements to be added to the IFRS Taxonomy should be limited to information required by the proposed amendments to IAS 7 or presented in the Illustrative Examples in IAS 7?

## Question 4—IFRS Taxonomy due process

As referenced in paragraph BC20, the IASB is holding a trial of a proposal to change the IFRS Taxonomy due process. Although not constituting a formal public consultation of the IFRS Taxonomy due process, views are sought on the following:

- (a) do you agree with the publication of the proposed IFRS Taxonomy Update at the same time that an Exposure Draft is issued?
- (b) do you find the form and content of the proposed IFRS Taxonomy Update useful? If not, why and what alternative or changes do you propose?

# Due Process & Next Steps

- The Exposure Draft was **published** by the IASB on **18 December 2014**.
- **Comment** letter period ends **17 April 2015**.
- **Deliberations by the IASB** based on the comment received start **Q2 2015**.
- **Progress to a final Amendment** will **depend on the comments** received.

