

STAFF PAPER

December 2017

IASB® Meeting

Project	Primary Financial Statements
Paper topic	Overview of the targeted improvements to the statement of cash flows

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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (Board) and does not represent the views of the Board or any individual member of the Board. Comments on the application of IFRS® Standards do not purport to set out acceptable or unacceptable application of IFRS Standards. Technical decisions are made in public and reported in IASB *Update*.

Purpose of this paper

1. This paper provides background information about improvements to the statement of cash flows and provides an overview of agenda papers 21C and 21D for this meeting.

Background information

2. The staff's research and outreach activities, presented to the Board in December 2016, revealed that users do not think that the Board should make major changes to the structure or content of the statement of cash flows and should instead focus on making improvements to the statement(s) of financial performance.
3. At that meeting, the Board tentatively agreed to explore three targeted improvements for the statement of cash flows to eliminate some diversity in practice and achieve consistency with the statement(s) of financial performance. These targeted improvements are:
 - (a) **Improvement # 1:** removing options for classifying cash flows from interest and dividends.
 - (b) **Improvement # 2:** having a consistent starting point for the indirect reconciliation of cash flows.

- (c) **Improvement # 3:** aligning the operating section across the statement of cash flows and the statement(s) of financial performance.

Relevant papers for this meeting

4. **Agenda Paper 21C** explores the removal of options for the classification of interest and dividends in the statement of cash flows by prescribing a single classification for these items.
5. **Agenda Paper 21D** provides the staff’s initial thoughts regarding the Board’s proposal to have a consistent starting point for the indirect reconciliation of cash flows and the potential alignment of the operating section across the statement of cash flows and the statement(s) of financial performance.

The FRC Discussion paper: Improving the Statement of Cash Flows

6. The UK Financial Reporting Council (FRC) published a Discussion Paper¹ *Improving the Statement of Cash Flows* (the FRC Discussion Paper) in October 2016. The FRC Discussion Paper sets out a number of suggestions for changes to the current requirements of IAS 7, in particular:
 - (a) Section 2 –paragraphs 2.20–2.34 refers to the classification of interest/dividends paid and of interest/dividends received and supports the removal of classification options in IAS 7.
 - (b) Section 4 –paragraphs 4.4–4.6, discusses a proposal to provide a reconciliation between a subtotal in the statement of profit or loss that represents operating income and cash flows from operating activities (including when a direct method cash flow statement is presented).
7. In July 2017, the FRC published a Feedback Statement ([FRC Feedback Statement](#)) that provides an overview of the responses received on the Discussion Paper. In our

¹ The Discussion Paper, the responses and the Feedback Statement may be accessed at: <https://www.frc.org.uk/consultation-list/2016/discussion-paper-improving-the-statement-of-cash>

analysis in Agenda Papers 21C–21D we will be referring to the proposals in the FRC’s Discussion Paper as well as to the FRC’s Feedback Statement when applicable.