Objective

1. This paper sets out staff analysis and recommendations relating to the proposals in the Exposure Draft General Presentation and Disclosures on the identification of income and expenses to be classified as financing in the statement of profit or loss. This paper should be read in conjunction with Agenda Paper 21B Subtotals and categories—profit before financing, which explains the context of the financing category in the statement of profit or loss.

2. This paper covers only the proposals for income and expenses arising from liabilities. It also only covers those proposals in relation to entities other than those with specific main business activities, such as investing and the provision of financing to customers.

3. The proposals for income and expenses arising from assets to be classified in the financing category in the statement of profit or loss are discussed in Agenda Paper 21B Subtotals and categories—profit before financing.

4. Future papers will discuss:
   
   (a) the proposals for income and expenses to be classified in the financing category in the statement of profit or loss for entities with specified main business activities;
(b) minimum line items related to income and expenses classified in the financing category;

(c) whether incremental expenses related to financing activities should be classified in the financing category; and

(d) whether the effect of changes in discount rates and foreign exchange differences, in addition to interest income and expenses, should be classified in the financing category for liabilities for which not all income and expenses are classified in the financing category.

**Summary of staff recommendations**

5. The staff recommend that:

(a) the Board require the following income and expenses to be classified in the financing category of profit or loss:

   (i) all income and expenses from liabilities that arise from transactions that involve only the raising of finance; and

   (ii) interest income and expenses from other liabilities

(b) the Board describe transactions that involve only the raising of finance as transactions that involve:

   (i) the receipt by the entity of cash or a reduction in a financial liability; and

   (ii) the return by the entity of cash or an entity's own equity.

(c) the Board not proceed with the proposed addition to the definition of financing activities in IAS 7; and

(d) the Board not proceed with the proposed definition of liabilities from financing activities in the new IFRS Standard.

**Structure of the paper**

6. This paper is structured as follows:
(a) proposals in the Exposure Draft (paragraphs 7–11);
(b) feedback (paragraphs 12–23);
   (i) income and expenses on liabilities arising from financing activities (paragraphs 14–15);
   (ii) interest income and expenses on liabilities not arising from financing activities (paragraphs 16–21); and
   (iii) interest on trade payables and trade receivables (paragraphs 22–23);
(c) staff analysis (paragraphs 24–60);
   (i) analysis of the questions about the definition of liabilities arising from financing activities (see paragraphs 26–33);
   (ii) adjusted approach for the financing category in profit or loss (see paragraphs 34–47);
   (iii) consequences for the statement of cash flows (see paragraphs 48–55);
   (iv) consequences for a definition of liabilities arising from financing activities (see paragraphs 56–58); and
   (v) comparison of the treatment of interest on trade payables and trade receivables (see paragraphs 59–60).
(d) Appendix A—possible clarification of the proposed definition of liabilities arising from financing activities and application to specific liabilities.
(e) Appendix B—Comparison of outcomes of different approaches.

Proposals in the Exposure Draft

7. Paragraph 49 of the Exposure Draft proposed the financing category would include:¹
   (a) income and expenses from cash and cash equivalents (discussed in Agenda Paper 21B);

¹ Also see paragraphs B34–B37 and BC33–BC47 of the Exposure Draft.
(b) income and expenses on liabilities arising from financing activities; and

(c) interest income and expenses on other liabilities, for example, the unwinding of discounts on pension liabilities and provisions.

8. Paragraph 50 of the Exposure Draft proposed to define liabilities arising from financing activities as those involving the receipt or use of a resource from a provider of finance with the expectation that:

(a) the resource will be returned to the provider of finance; and
(b) the provider of finance will be compensated through the payment of a finance charge that is dependent on both the amount of the credit and its duration.

9. Paragraph B35 of the Exposure Draft gave as examples of liabilities arising from financing activities:

(a) debentures, loans, notes, bonds and mortgages;
(b) lease liabilities; and
(c) trade payables (for example those negotiated on extended credit terms).

10. Paragraph B37 of the Exposure Draft gives the following examples of interest income and expenses on liabilities not arising from financing activities in the financing category:

(a) net interest expense (income) on a net defined benefit liability (asset) applying IAS 19 *Employee Benefits*;
(b) unwinding of the discount on a decommissioning, restoration or similar liability;
(c) unwinding of the discount on other long-term provisions, for example warranty provisions and deferred consideration for a business combination; and
(d) increases in the present value of the costs to sell a non-current asset (or disposal group) held for sale that arise from the passage of time as discussed in paragraph 17 of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. 
11. The Exposure Draft also proposed to add its definition of financing activities to supplement the definition of financing activities that already exists in IAS 7 Statement of Cash Flows as follows:

Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.

In relation to borrowings, financing activities involve the receipt or use of a resource from a provider of finance with the expectation that:

(a) the resource will be returned to the provider of finance; and

(b) the provider of finance will be appropriately compensated through the payment of a finance charge that is dependent on both the amount of the credit and its duration.

Feedback

12. The feedback in this section is an extract from Agenda Paper 21B of the December 2020 Board meeting of feedback that relates to income and expenses arising from liabilities to be included in the financing category, with some additional detail. Feedback on whether income and expenses from cash and cash equivalents should be included in the financing category is included in Agenda Paper 21B for this meeting.

13. Many respondents provided comments on the proposed content of the financing category:

(a) income and expenses on liabilities arising from financing activities (paragraphs 14–15);

(b) interest income and expenses on liabilities not arising from financing activities (paragraphs 16–21); and

(c) interest on trade payables and trade receivables (paragraphs 22–23).
**Income and expenses on liabilities arising from financing activities**

14. Many respondents agreed with classifying income and expenses on liabilities arising from financing activities in the financing category; many commented but did not express a view; and many did not comment.

15. A few respondents said some aspects of the proposed definition of ‘liabilities arising from financing activities’ were unclear.

   (a) A few respondents said it was unclear whether, to meet the first part of the definition (paragraph 50(a) of the Exposure Draft), the resource had to be returned in the same form as it was received. For example, they said it was unclear whether the definition would capture finance expenses on trade payables and advance payments received from customers (contracts with a significant financing component in scope of IFRS 15 *Revenue from Contracts with Customers*) in which cash is exchanged for goods or services.

   (b) A few respondents said it was unclear whether, to meet the second part of the definition (paragraph 50(b) of the Exposure Draft), the compensation to the finance provider should depend solely on the amount of credit and its duration. They said that for some liabilities compensation also depends on other factors such as the performance of the entity. A few respondents questioned whether the definition intended to capture only activities involving instruments that meet the ‘solely payments of principal and interest’ (SPPI) criterion described in IFRS 9 *Financial Instruments*.

   (c) A few respondents said it was unclear whether the proposed definition would capture:

      (i) negative interest;

      (ii) income and expenses from perpetual debt;

      (iii) imputed or notional interest determined for accounting purposes, for example:

          1. imputed interest on an interest-free loan; and

          2. the unwinding of the discount on liabilities measured at present value;
Primary financial statements  |  Financing category
Page 7 of 37

(iv) interest income and expenses and penalties on liabilities arising from uncertain tax positions;

(v) remeasurements of contingent consideration;

(vi) income and expenses related to liabilities with characteristics of equity;

(vii) any expenses related to supply chain financing.

**Interest income and expenses on liabilities not arising from financing activities**

16. Many respondents agree with classifying interest income and expenses on liabilities not arising from financing activities (for example, the unwinding of discounts on pension liabilities and provisions) in the financing category; some disagree and many did not express a view.

17. A few respondents explained they agree because:

   (a) many users of financial statements treat such income and expenses as if they were income or expenses from financing activities in their analysis—for example in valuation models based on ‘enterprise value’; and

   (b) an entity could make a funding decision to borrow money to transfer, fund or settle some of these liabilities.

18. A few other respondents said that arguments exist for classifying interest on liabilities not arising from financing activities in the operating or financing category. However, they accept the proposed approach to support comparability.

19. A few respondents said interest on liabilities not arising from financing activities should be classified in the operating category rather than the financing category. A few explained that they hold this view because:

   (a) the financing category should only include income and expenses on liabilities arising from financing activities;

---

2 The staff have not yet analysed this question.

3 Liabilities will usually give rise to interest expense.
(b) there is not always a market to transfer or settle such liabilities;
(c) the counterparty is not a lending institution; and
(d) some entities manage their pension cost as a whole, without distinguishing between the interest and service cost.

20. A few respondents made other suggestions:
   (a) a few agreed entities should classify net interest on net defined benefit liabilities in the financing category but suggested unwinding of a discount on other provisions, such as decommissioning liabilities, should be classified in the operating category. For example, a few preparers in the extractive industry said they view all income and expenses from decommissioning liabilities as a part of their operating activities.
   (b) a few said entities should be required to make an accounting policy choice for interest on liabilities not arising from financing activities based on management’s view on the function of the liability in the business.

21. A few respondents said it was unclear where an entity should classify the effect of changes in discount rates on liabilities not arising from financing activities when this effect is recognised in profit or loss.

**Interest on trade payables and trade receivables**

22. Applying the proposals in the Exposure Draft:
   (a) interest revenue from trade receivables would be classified in the operating category (paragraph B33(a) of the Exposure Draft) because it would not meet the definition of ‘income or expenses from investments’; whereas
   (b) interest expenses on trade payables would be classified in the financing category (paragraph B35(c) of the Exposure Draft) because it would meet the definition of income and expenses from financing activities.

23. Some respondents said the proposed classification for interest on trade receivables and trade payables is inconsistent, considering that both are related to an entity’s working capital management. Some of those respondents suggested an alternative approach to the classification of interest on trade payables to eliminate that inconsistency,
suggesting that interest expenses on trade payables should be classified in the operating category. They said income and expenses related to working capital management should be included in operating profit because they are part of an entity’s main business activities.

**Staff analysis**

24. Many respondents to the Exposure Draft generally agreed with the Board’s proposed approach. However, the staff have considered whether the Board should adjust its proposed approach in light of respondents’ questions on the definition of liabilities arising from financing activities.

25. The staff analysis is structured as follows:

(a) analysis of the questions about the definition of liabilities arising from financing activities (see paragraphs 26–33)—the staff consider whether the proposed definition can be clarified, with details of a possible clarification set out in Appendix A. However, the staff identify difficulties remaining even after the clarifications, and hence explore an adjusted approach;

(b) adjusted approach for the financing category in profit or loss (see paragraphs 34–47);

(c) consequences for the statement of cash flows (see paragraphs 48–55);

(d) consequences for a definition of liabilities arising from financing activities (see paragraphs 56–57); and

(e) comparison of the treatment of interest on trade payables and trade receivables (see paragraphs 59–60).

---

4 Some respondents suggested alternative approaches involving different classifications for interest on trade receivables. Those suggestions will be discussed at a future Board meeting.
Analysis of the questions about the definition of liabilities arising from financing activities

26. This section responds to the feedback from respondents that the definition of liabilities arising from financing activities is unclear (see paragraph 15).

27. Paragraph 50 of the Exposure Draft proposed to define liabilities arising from financing activities as those involving the receipt or use of a resource from a provider of finance with the expectation that:

(a) the resource will be returned to the provider of finance; and

(b) the provider of finance will be compensated through the payment of a finance charge that is dependent on both the amount of the credit and its duration.

28. There are three consequences of the definition of liabilities arising from financing activities. The definition:

(a) determines what income and expenses should be included in the financing category. All income and expenses arising on liabilities arising from financing activities are classified in the financing category (except any income and expenses recognised in other comprehensive income). However, only interest income and expenses are included in the financing category on liabilities that do not meet the definition of liabilities arising from financing activities;

(b) determines what cash flows are included in the financing section of the statement of cash flows and which liabilities are included in the disclosure requirements in IAS 7 relating to changes in liabilities arising from financing activities,5 and

(c) identifies liabilities that are labelled as arising from financing activities, with possible perceived links to net debt and capital structure.

29. Questions on the definition can be grouped as follows:

(a) what is a provider of finance?

---

5 Paragraph 44A of IAS 7 requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.
(b) does the resource that is returned have to be the same as the resource that is received or used?

(c) what is the payment of a finance charge that is dependent on both the amount of the credit and its duration?

30. A detailed analysis of these questions is set out in Appendix A. In summary, the staff concluded there were difficulties with each aspect:

(a) it is not possible to define or describe a ‘provider of finance’. A wide variety of entities provide finance in one form or another;

(b) some aspects of the Exposure Draft seem to indicate that the resource that is returned can differ from the resource received or used, but if that is the case almost all liabilities would pass that part of the definition, making the second part of the definition—whether there is a payment of a finance charge—the determining criterion; and

(c) whether there is a payment of a finance charge is difficult to determine. For example, we would want to conclude that the effective interest rate on a zero-coupon bond met this criterion. But that interest expense can be considered to be the same as the interest expense arising from the unwinding of the discount of a pension liability or decommissioning liability. Both arise from the accounting treatment rather than from explicit interest charges in a contract. If we concluded all such interest meets the criterion, many liabilities that the Exposure Draft described as not arising from financing activities would meet this part of the definition.

31. Nonetheless, the staff identified a way of clarifying the definition so that, taken as a whole, it gives appropriate outcomes for classification in the financing category when applied to specific liabilities that respondents asked about. Those clarifications include requiring the resource to be returned to be the same as the resource received, and some clarifications on what constitutes a finance charge. A detailed analysis of the clarifications to the definition and application of the definition to those liabilities is given in Appendix A.

32. However, although the clarified definition results in appropriate outcomes for classification in the financing category, it:
(a) in some cases gives what seem inappropriate outcomes for classification in the statement of cash flows and for what would be described as ‘financing activities’—for example it would exclude liabilities arising from purchases of plant and equipment using financing arrangements with the manufacturer; and

(b) seems unduly complicated because of the need to consider the three elements of the definition set out in paragraph 29.

33. The staff have therefore considered whether it would be better not to use the definition proposed in the Exposure Draft for all three purposes described in paragraph 28. Instead the staff have considered whether a simpler and clearer approach can be developed by focusing on each purpose separately. In doing this the staff also considered whether the approach would result in misalignment between the financing categories in the statement of profit or loss and statement of cash flows or a lack of a link between those categories and activities described as financing activities.

**Adjusted approach for the financing category in profit or loss**

34. In relation to the statement of profit or loss, the definition of liabilities arising from financing activities in the Exposure Draft distinguishes between:

(a) liabilities for which all income and expenses are included in the financing category; and

(b) liabilities for which only interest expense is included in the financing category.

35. A more direct way of making that distinction would be to identify:

(a) **liabilities that arise from transactions that involve only financing activities**, for example corporate bonds, bank loans and mortgages. The outcome of such transactions is solely the raising of finance for the entity’s operating or investing activities. The transactions do not themselves involve any operating or investing activities. Hence, all resulting income and expenses should be categorised as financing.

(b) **liabilities that arise from transactions that combine financing with another activity**, for example trade payables with extended credit terms, lease liabilities and pension liabilities. The outcome of such transactions is both an
operating (or investing) activity and a financing component. Hence, it is necessary to identify which items of income and expenses should be classified as financing. The identification of those items of income and expenses is discussed in paragraph 47 of this paper.

(c) **liabilities that involve no financing**, for example trade payables paid shortly after the goods or services are received. The outcome of such transactions is solely an operating (or investing) activity. Hence, no items of income or expenses should be categorised as financing.

36. This approach identifies the liabilities for which all income and expenses should be classified in the financing category by focusing on the most important aspect of the liability for this purpose, which is whether a transaction involves only financing activities or a combination of financing and other activities. As a result, this approach has a simple and clear objective.

37. Accordingly, the staff recommend that income and expenses to be included in the financing category of profit or loss should be:

(a) all income and expenses from liabilities that arise from transactions that involve only the raising of finance; and

(b) only specific income and expenses relating to other liabilities.

38. These types of income and expenses are discussed further in:

(a) paragraphs 40–45 of this paper which discuss:

(i) additional guidance that could support the objective of identifying liabilities that arise from transactions that involve only the raising of finance; and

(ii) the outcomes of this approach compared to the approach proposed in the Exposure Draft and the approach explored in Appendix A; and

(b) paragraphs 46–47 of this paper which discuss the specific income and expenses relating to other liabilities to be classified in the financing category.

39. The staff emphasise that they do not think that liabilities that arise from transactions that involve only the raising of finance should be labelled as ‘liabilities arising from
financing activities’. That label would not be a faithful representation for such liabilities because the label implies a wider range of liabilities. There are liabilities that arise from transactions that combine financing with another activity that are regarded as arising from financing activities, for example lease liabilities. Whether this project should address the question of which liabilities should be labelled as arising from financing activities is discussed in paragraph 56 of this paper.

Liabilities that arise from transactions that involve only the raising of finance

40. The analysis of liabilities in Appendix A indicates that it would be helpful to have guidance to identify transactions that involve only the raising of finance. The staff recommend that transactions that involve only the raising of finance be described as transactions that involve:

(a) the receipt by the entity of cash or a reduction in a financial liability; and

(b) the return by the entity of cash or an entity’s own equity.

41. The staff identified the receipt and return of cash as indicative of a transaction involving no activity other than financing from the examples in Appendix A. Those examples also indicated that:

(a) the resources that can be received should include a reduction in a financial liability. The staff think that a reduction in a financial liability is equivalent to receiving cash. For example, a liability to a bank under a supply chain financing transaction will involve a reduction in liabilities to suppliers (see paragraphs A53–A56 of Appendix A). The staff think such supply chain finance transactions involve only a financing activity; and

(b) the resources that can be returned should include the entity’s own equity. In the circumstances when a liability arises for share settlements, the shares are essentially being used as a currency to settle the liability. The staff think that the settlement of a liability with the entity’s own equity does not preclude the liability being solely involved in financing activities, for example share-settled bonds (see paragraphs A29–A31).
42. The staff will do further work to test there are no unintended consequences from the 
criteria in paragraph 40, for example consequences arising from restricting the 
resources to be received and returned to cash rather than cash equivalents.

43. Under an approach that focuses on the distinction between transactions that involve 
only financing activities and transactions that combine financing and another activity, 
no criterion for a finance charge similar to that set out in paragraph 50(b) of the 
Exposure Draft would be needed. The reason for this is that any transaction that 
involves financing, either as the only activity or combined with another activity, will 
involves a finance charge. The existence of such a charge does not distinguish 
between those liabilities for which all income and expenses should be classified in the 
financing category and those liabilities for which only some income and expenses 
should be so classified.

44. Appendix B compares the outcomes for specific liabilities of:

(a) the definition proposed in the Exposure Draft;

(b) the possible clarification of the definition explored in Appendix A; and

(c) the staff’s recommended approach which focuses on the distinction between 
transactions that involve only financing activities and transactions that 
combine financing and another activity.

45. That comparison demonstrates that the outcomes under the staff’s recommended 
approach (paragraph 44(c)) is not substantially different from what we think the 
Board intended to achieve in the Exposure Draft. However, we think it is more 
understandable and easier to apply because it removes the areas of uncertainty 
identified by the feedback on the Exposure Draft.

Liabilities that arise from transactions that combine financing with another 
activity

46. In respect of the liabilities that arise from transactions that combine financing with 
another activity (see paragraph 35(b)), the staff has considered the feedback from a 
few respondents that some or all of the interest income or expenses on these liabilities
should be classified in the operating category rather than the financing category. The Basis for Conclusions for the Exposure Draft explains that the Board acknowledged that not all users of financial statements consider such income or expenses to be similar to income or expenses from financing activities. However, the Board concluded that a consistent basis for the classification of the interest income or expenses on these liabilities is important so users of financial statement know where they have been presented. Their disclosure separate from disclosure of income and expenses from liabilities that arise from transactions that involve only financing activities (see paragraph 35(a)) allows users of financial statements to adjust operating profit if they wish to do so. Given the balance of the feedback on this topic, the staff thinks there is no reason to change these conclusions.

47. The staff considered which items of income and expenses should be classified in the financing category for the liabilities described in paragraph 35(b). The staff do not think this project should try to develop principles on how to identify financing income and expenses within the total change in the carrying amount of a liability. That question would raise complex issues beyond the scope of this project. Instead, we recommend the Board continue with the approach in the Exposure Draft that interest income and expenses should be classified in the financing category. As noted in paragraph 4(d) of this paper we will consider at a future meeting whether the effect of changes in discount rates and foreign exchange rates should also be classified in the financing category.

<table>
<thead>
<tr>
<th>Question for the Board</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Q1</strong> Does the Board agree that income and expenses to be classified in the financing category of profit or loss should be:</td>
</tr>
<tr>
<td>(a) all income and expenses from liabilities that arise from transaction that involve only the raising of finance; and</td>
</tr>
<tr>
<td>(b) interest income and expenses from other liabilities?</td>
</tr>
</tbody>
</table>

---

6 The feedback related to the proposal in the Exposure Draft for interest expenses on liabilities that do not arise from financing activities. The staff think that feedback would also apply to liabilities that combine financing with another activity.
Q2 Does the Board agree that transactions that involve only the raising of finance are transactions that involve:

(a) the receipt by the entity of cash or a reduction in a financial liability; and

(b) the return by the entity of cash or an entity’s own equity.

**Consequences for the statement of cash flows**

48. The classification of cash flows is straightforward for liabilities that arise from transactions that involve only financing activities (paragraph 35(a)) and liabilities that arise from transactions that involve no financing activities (paragraph 35(c))—the cash flows are classified in the financing section and operating (or investing) sections respectively.

49. In contrast, the analysis of the liabilities in Appendix A highlights the difficulties of classifying in the cash flow statement the cash flows that relate to liabilities that arise from transactions that involve financing and another activity (paragraph 35(b)). For some such liabilities, IAS 7 is clear on the classification of their cash flows, for example IAS 7 requires repayments of lease liabilities to be included in financing activities. However, for other such liabilities, the requirements of IAS 7 are less clear—for example, should cash flows relating to trade payables with extended credit terms be classified as operating, financing or split between the two?

50. The staff have identified two main problems in classifying cash flows that relate to liabilities that arise from transactions that involve financing and another activity:

(a) some users of financial statements have asked for the presentation of hypothetical cash flows to depict the different activities involved in the transaction. For example, for PPE acquired using a financing arrangement with the manufacturer, some users of financial statements would like to see an investing cash outflow for the acquisition of the item of PPE, an investing cash inflow for the finance raised from the manufacturer and financing cash outflows for the repayment of the liability.
(b) in the absence of such hypothetical cash flows to separate the different activities involved in the transaction, it can be difficult to allocate the actual cash flows. For example, cash flows relating to a pension liability often cannot be allocated between operating and financing other than on an arbitrary basis because of the disconnect between the contributions paid to the pension plan and the total expense recognised.

51. The addition of the proposed definition in the Exposure Draft of liabilities arising from financing activities to the definition in IAS 7 of financing activities (see paragraph 11) does not help with these problems. Rather it makes them worse because it restricts the cash flows that can be included in the financing category, so for example repayments of financing arrangements with manufacturers of PPE would not be able to be included in the financing category.

52. Resolving these problems is beyond the scope of this project. In March 2018 the Board tentatively decided not to extend the scope of this project to cover additional topics related to the statement of cash flows, an approach the staff continue to recommend. However, the staff think this project should avoid making the problems worse.

53. The definition of financing activities also determines which liabilities are covered by the disclosure requirement to provide information about changes in liabilities arising from financing activities caused by cash flows and non-cash changes. The addition of the proposed definition in the Exposure Draft would restrict the scope of the liabilities that are required to be covered.

54. Hence the staff recommend not continuing with the proposed addition to the definition of financing activities in IAS 7.

55. The staff emphasise that removing the proposed addition to the definition of financing activities in IAS 7 does not increase any lack of alignment between the statement of profit or loss and the statement of cash flows:

(a) alignment for income and expenses and cash flows arising from the liabilities that involve only financing (those described in paragraph 35(a)) is achieved without the proposed addition to the definition, as is the alignment for items
arising from liabilities that involve no financing (those described in paragraph 35(c)).

(b) alignment for income and expenses and cash flows arising from liabilities that involve financing and another activity (those described in paragraph 35(b)) would be made worse by the proposed addition to the definition, again because it would limit the cash flows that could be included in financing activities.

<table>
<thead>
<tr>
<th>Question for the Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 Does the Board agree not to proceed with the proposed addition to the definition of financing activities in IAS 7?</td>
</tr>
</tbody>
</table>

**Consequences for a definition of liabilities arising from financing activities**

56. The staff recommendations on the classification of items in the statement of profit or loss and the statement of cash flows remove the need for a definition of liabilities arising from financing activities. Not having such a definition has the following advantages:

(a) it avoids any perception that the Board is adopting a narrow view of net debt or capital structure that excludes any liabilities other than those that involve solely financing activities; and

(b) it avoids any confusion created by having a financing category in profit or loss with a subset of items described as arising from financing activities.

57. The staff therefore recommend deleting the definition when the Exposure Draft is developed into a standard.

58. The staff note that deleting the definition of liabilities arising from financing activities would also annul the proposal in the Exposure Draft for entities to present a separate line item for income and expenses from financing activities. We will discuss minimum line items relating to items classified in the financing category in future papers.
Question for the Board

Q4 Does the Board agree not to proceed with the proposed definition of liabilities from financing activities in the new IFRS Standard?

**Comparison of the treatment of interest on trade payables and trade receivables**

59. As noted in paragraph 23, some respondents said the proposed classification for interest on trade receivables and trade payables is inconsistent, considering that both are related to an entity’s working capital management.

60. This paper does not discuss feedback on how interest on trade receivables should be classified. That feedback will be discussed in a future Board paper on the boundary between the operating and investing categories. On the question of whether interest expenses on trade payables should be classified in the operating category, the staff think this would damage the comparability and understandability provided by all interest expenses being included in a single category, as discussed in paragraph 46 of this paper.
Appendix A—possible clarification of the proposed definition of liabilities arising from financing activities and application to specific liabilities

A1 This Appendix is structured as follows:

a. possible clarification of the definition of liabilities arising from financing activities; and
b. detailed analysis of specific liabilities.

Possible clarification of the definition of liabilities arising from financing activities

A2 The staff considered whether it would be possible to address the questions raised by respondents by clarifying the definition of liabilities arising from financing activities proposed in the Exposure Draft. Paragraphs A3–A18 of this Appendix discuss possible clarifications. However, as noted in paragraphs 34–37 of the paper, the staff are recommending a different approach.

What are the questions relating to the definition?

A3 The proposed definition of financing activities in the Exposure Draft is activities involving the receipt or use of a resource from a provider of finance with the expectation that:

a. the resource will be returned to the provider of finance; and
b. the provider of finance will be compensated through the payment of a finance charge that is dependent on both the amount of the credit and its duration.

A4 As noted in paragraph 29 of this paper, respondents raised questions on the definition of liabilities arising from financing activities relating to:

a. what is a provider of finance?
b. does the resource that is returned have to be the same as the resource that is received or used?
c. what is the payment of a finance charge that is dependent on both the amount of the credit and its duration?

A5 In relation to the first question, the Exposure Draft did not define or describe a ‘provider of finance’. That is not a problem if the other parts of the definition are sufficiently robust—a provider of finance can simply be an entity that provides finance as described in paragraphs 50(a) and 50(b). However, it would be difficult if the definition needed to rely on the existence of a ‘provider of finance’ as an additional criterion to identify which liabilities meet the definition of arising from financing activities—the staff do not think it would be possible to develop a clear description. A wide variety of entities provide finance in one form or another.

A6 On the second question, the staff acknowledges there are grounds for uncertainty about whether the resource returned has to be the same as the resource received or used:

a. in support of an interpretation that the same resource has to be returned, paragraph 50(a) of the Exposure Draft refers to ‘the resource’, implying the resource returned is the same resource as the one that was received. Further, if a different resource could be returned, the part of the definition in paragraph 50(a) would be met by almost all liabilities, making this part of the definition largely redundant. In any exchange transaction, an entity assumes a liability in return for receiving an asset.7 For example, the following liabilities would be among those captured by paragraph 50(a) of the Exposure Draft:

i. trade payables—goods or services received, cash returned;

ii. pension liabilities—employee services received, cash returned; and

iii. decommissioning oil rig liability—asset for oil rig received, cash or services returned.

b. in support of the interpretation that the resource to be returned can be a different resource, paragraph B35 includes trade payables negotiated on extended credit terms and lease liabilities as an example of liabilities that arise

---

7 The asset may be consumed immediately (resulting in Dr expense, Cr liability) or may continue to exist (resulting in Dr asset, Cr liability).
from financing activities. Trade payables (even when negotiated on extended credit terms) involve the receipt of goods and services and the return of cash (ie the resource returned is different from the resource received). Lease liabilities can also be regarded as involving the receipt of one resource, the right-of-use asset, and the return of a different resource, cash (see paragraphs A38–A42). Further, liabilities that meet this part of the definition still need to meet the compensation criterion set out in paragraph 50(b) of the Exposure Draft. Hence not all the liabilities identified in sub-paragraph A6(a) as meeting the first part of the definition would meet the definition as a whole.

A7 On the third question, the staff also acknowledges there are potentially difficult questions in identifying when amounts meet the criterion of the payment of a finance charge that is dependent on both the amount of the credit and its duration. A key question relates to interest that is imputed by the accounting but is not explicitly stated in the terms of the contract (notional interest). For example, an entity will recognise interest expense at an effective interest rate on a zero-coupon bond even though that interest may not be explicitly identified in the contract. If such notional interest expense does not meet the criterion, many liabilities that seem clearly to arise from financing activities would not be included in the definition. But, exactly the same effect arises for pension liabilities (or any liability measured at the present value of future cash flows) so if notional interest expense does meet the criterion, all liabilities that are measured using present value calculations would meet that part of the definition.

A8 Because of these questions, the staff considered how to clarify the definition.

**How could we clarify the definition?**

A9 We considered two approaches to clarify the definition:

a. clarify that the resource that is returned can be different to the resource received (paragraphs A10–A11); and

b. clarify that the resource that is returned has to be the same as the resource received, and that the finance charge (see paragraphs A12–A18):
i. does not have to depend solely on the amount of the credit and its
duration, nor is this criterion intended to be the same as the SPPI test in
IFRS 9.

ii. includes notional interest calculated for accounting purposes.

A10 If we adopt an approach which clarifies that the resource that is returned can be
different from the resource received or used, almost all liabilities will meet that part of
the definition. Hence the effect of the definition will depend almost entirely on the
second part—the criterion that the provider of finance will be compensated through
the payment of a finance charge that is dependent on both the amount of the credit and
its duration. But as described in paragraph A7, that criterion on its own seems to
either exclude too many liabilities (if notional interest does not meet it) or include too
many liabilities (if notional interest does meet it).

A11 Accordingly, the staff concluded that an approach that allows the resource that is
returned to be different from the resource received or used could not lead to a robust
definition of liabilities that arise from financing activities.

A12 The staff then considered whether a clear definition could be developed by requiring
the resource that is returned to be the same as the resource that was received or used.

A13 Under such an approach, additional clarifications would be needed so the finance
charge:

a. does not have to depend solely on the amount of the credit and its duration,
nor is this criterion intended to be the same as the SPPI test in IFRS 9. The
staff think the Board intended to include as liabilities arising from financing
activities liabilities such as convertible debt classified as a liability in its
entirety (paragraphs A23–A25).

b. includes notional interest calculated for accounting purposes. The staff think
the Board intended to include as liabilities arising from financing activities
liabilities such as zero-coupon bonds.

A14 To test this approach, we analysed its outcomes using examples of various liabilities
for which application questions were raised during outreach, fieldwork and comment
letters, including some of those discussed in paragraph 15(c). In the analysis, we
assessed the appropriateness of the outcomes for each of three consequences of the definition of financing activities in the Exposure Draft set out in paragraph 28:

a. what income and expenses should be classified in the financing category;

b. what cash flows are included in the financing section of the statement of cash flows and which liabilities are included in the disclosure requirements in IAS 7 relating to changes arising from cash flows and non-cash changes; and

c. what is labelled as financing activities, with possible perceived links to net debt and capital structure.

A15 Appendix B compares the outcomes for liabilities analysed of:

a. the definition proposed in the Exposure Draft;

b. the possible clarification of the definition explored in this Appendix; and

c. the approach that focuses on the distinction between transactions that involve only financing activities and transactions that combine financing and another activity described in paragraphs 34–44 of this paper.

A16 That comparison demonstrates that the outcomes under the clarified definition explored in this Appendix are not substantially different from what was proposed in the Exposure Draft but removes some areas of uncertainty. However, a few areas of uncertainty remain.

A17 In addition, although the analysis raises only few difficulties with the determination of the income and expenses to be included in the financing category in the statement of profit or loss, it illustrates conflicts between the outcome of the definition for the statement of profit or loss and the outcomes of the definition for the statement of cash flows and the use of the label ‘financing activities’.

A18 The conflict arises because, in relation to liabilities that do not meet the definition:

a. in the statement of profit or loss:

   i. interest income and expenses are anyway classified in financing category as interest on other liabilities; and

   ii. no other income and expenses arise from these liabilities that we think should be classified in financing category.
b. in contrast, in the statement of cash flows, the cash flows would simply be excluded from the financing category and the liabilities themselves would be excluded from those labelled as ‘arising from financing activities’.

**Detailed analysis of specific liabilities**

A19 In the following paragraphs we analyse the application of the proposed definition of financing activities in the Exposure Draft to:

a. exchanges of cash for cash or own shares:
   i. perpetual debt (see paragraphs A20–A22);
   ii. convertible debt (see paragraphs A23–A25);
   iii. puttable instruments and obligation to deliver a pro rata share of the net assets of the entity only on liquidation (see paragraphs A26–A28); and
   iv. share-settled bonds (see paragraphs A29–A31).

b. exchanges of goods or services for cash:
   i. trade payables with extended credit terms (see paragraphs A32–A34);
   ii. IFRS 15 contract liabilities with significant financing component (see paragraphs A35–A37);
   iii. lease liabilities (see paragraphs A38–A42);
   iv. plant and equipment purchased using a financing arrangement with the manufacturer (see paragraphs A43–A45).

c. consideration for a business combination:
   i. contingent consideration (see paragraphs A46–A48);
   ii. put options or forward contracts written on non-controlling interests (see paragraphs A49–A52).

d. supply chain finance (see paragraphs A53–A56).
Exchanges of cash for cash or own shares

Perpetual debt

A20 An entity issues a financial instrument under which it is obliged to pay an interest charge each period but not to repay the principal amount at a specified date. On initial recognition, the entity recognises a financial liability for its obligation to pay interest in perpetuity. The liability is subsequently measured at amortised cost or at FVPL.

A21 Applying the definition of financing activities in the Exposure Draft, the resource received is cash and the resource returned is cash. The financing charge is the same as the resource returned—interest in perpetuity. Hence the definition is met.

A22 The staff think this outcome is appropriate for all three consequences set out in paragraph 28 of this paper because the transaction involves nothing other than the raising of financing.

Convertible debt

A23 On initial recognition an entity recognises a liability and an equity component. The liability component is subsequently measured at amortised cost or FVPL. Some convertible bonds are classified as financial liabilities in their entirety because the equity conversion option in them does not meet the ‘fixed-for-fixed’ condition in IAS 32. Such convertible bonds are subsequently measured at FVPL or at amortised cost with an embedded derivative measured at FVPL.

A24 Applying the definition of financing activities in the Exposure Draft, the resource received is cash and the resource returned will be cash or own shares. In addition, there is a financing charge. It is difficult to apply the definition because the definition refers to the expectation the resource will be returned. At the time the bond is issued the entity will not know what resource will be returned.

---

8 Some perpetual debt instruments are classified as equity instruments because they include no contractual obligation to deliver cash other than at liquidation of the entity. For example, some perpetual instruments that are classified as equity give the issuer the right to defer interest payments indefinitely or cancel them.
A25 The staff think an appropriate outcome for all three consequences set out in paragraph A14 of this paper would be for the liability to be regarded as arising from financing activities because the transaction involves nothing other than the raising of financing. In particular, the staff think it is appropriate to include in the financing category in profit or loss the change in the carrying amount of a convertible bond caused by a change in the fair value of the entity’s shares, because the entity is giving away the right for the bondholders to acquire its shares at lower than the market price in exchange for a lower financing cost (lower interest rate).

**Puttable instruments and obligations to deliver a pro rata share of the net assets of the entity only on liquidation**

A26 On initial recognition an entity receives cash and recognises a financial liability. The liability is subsequently measured at FVPL, or at amortised cost. If the shares are puttable at fair value, or instruments require a delivery of a pro rata share of the entity’s net assets, it is likely that the instruments have an embedded derivative, which is measured at FVPL.

A27 Applying the definition of financing activities in the Exposure Draft, the resource received is cash and the resource returned is cash. In addition, there is a financing charge or dividends payable. Hence the definition is met. Accordingly, all income and expenses arising on the liability would be included in financing.

A28 The staff think this outcome is appropriate for all three consequences set out in paragraph 13 of this paper because the transaction involves nothing other than the raising of financing.

---

9 Puttable instruments or instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation are classified as financial liabilities if they do not meet the conditions specified in paragraphs 16A–16B or 16C–16D of IAS 32 respectively.

10 The holder of the instruments may be entitled to a pro-rata share of the net assets but because the obligation is settled when the entity is liquidated (ie all assets sold and liabilities settled), those net assets will be converted to cash.
**Share-settled bonds**

A29  An entity issues a bond for cash which it will settle in a variable number of own shares to equal a fixed cash amount. Initially the entity receives cash and recognises a financial liability for the fixed amount payable and subsequently measures the liability at amortised cost or FVPL.

A30  Applying the definition of financing activities in the Exposure Draft, the resource received is cash and the resource returned is the entity’s own shares. Hence the definition is not met. Accordingly, only the interest expense on liabilities measured at amortised cost would be included in the financing category in profit or loss. Changes in fair value of liabilities measured at FVPL would not be included. In the statement of cash flows, the cash received would not be included in the financing activity section. In addition, the liability would not be described as part of financing activities.

A31  The staff do not think any of these outcomes provides an appropriate depiction of share-settled bonds because such bonds are issued solely for the purpose of raising finance.

**Exchanges of goods or services for cash**

**Trade payables with extended credit terms**

A32  An entity acquires goods or services with explicit extended credit terms in the contract. On initial recognition, the entity recognises an asset or expense for the goods or services and a liability at amortised cost, ie an amount that reflects the present value of amount payable. Subsequently the entity recognises interest expense applying the amortised cost measurement.\(^{11}\)

A33  Applying the definition of financing activities in the Exposure Draft, the resource received is goods or services and the resource returned is cash. Hence the definition is not met. Accordingly, only interest expenses are recognised in the financing activities.

---

\(^{11}\) In theory, an entity could designate them FVPL, but that is highly unlikely. If they were, we would not require the entity to disaggregate the change in FV to identify an interest expense.
category in profit or loss. The cash payments are recognised in the operating activities section of the statement of cash flows and the liability would not be classified as arising from financing activities.12

A34 The staff think the outcomes for the statement of profit or loss is appropriate because the financing aspect of the transaction is captured in the financing category. The staff think the outcomes for the statement of cash flows and the labelling of the liability as not financing activities illustrate some general difficulties with the definition of financing activities, as discussed in paragraphs 48–57 of this paper.

**IFRS 15 contract liabilities with significant financing component**

A35 An entity enters into an IFRS 15 contract under which it receives cash significantly in advance of transferring goods or services to the customer, with a resulting significant financing component. The entity initially recognises a contract liability for the cash received and subsequently accretes interest on the liability recognising interest expense.

A36 Applying the definition of financing activities in the Exposure Draft, the resource received is cash and the resource returned is goods or services. Hence the definition is not met. Accordingly, only interest expense is recognised in the financing category in profit or loss, not other income or expenses arising from the liability, for example a change arising from a change in the estimate of variable consideration. In the statement of cash flows, the cash received would be included in operating activities, and the liability would not be labelled as financing activities.

A37 The staff think the outcome in the statement of profit or loss is appropriate because only amounts relating to the financing aspect of the transaction are included in the financing category. The staff think the outcomes for the statement of cash flows and the labelling of the liability as not financing activities illustrate some general difficulties with the definition of financing activities, as discussed in paragraphs 48–57 of this paper.

12 Paragraph B35(c) of the Exposure Draft lists ‘trade payables (for example those negotiated on extended credit terms)’ as an example of liabilities arising from financing activities. Under this analysis that example would need to be amended.
Lease liabilities

A38 An entity enters into a lease contract as a lessee. The entity recognises a right-of-use asset at cost and a liability for the present value of the lease payments. Subsequently the lease liability is remeasured to reflect the interest expense, payments made to the lessor and any reassessment or lease modifications.

A39 In the Exposure Draft, lease liabilities are given as an example of liabilities that arise from financing activities. The staff think lease liabilities can be analysed in a way that meets the definition of liabilities arising from financing activities, by regarding the resource used and returned as the underlying asset. This analysis is supported by the discussion in paragraphs BC28–BC29 of the Basis for Conclusions on IFRS 16, which explain that the lessee controls the use of the underlying asset during the lease term, and has an obligation to return the underlying asset to the lessor at the end of the lease term. The Board concluded that there is no outflow of economic benefits from the lessee when it returns the leased item, because the lessee does not control the economic benefits associated with the asset that it returns to the lessor. Accordingly, IFRS 16 does not allow recognition of an asset or liability for the underlying asset that will be returned at the end of the lease term. However, the proposed definition of financing activities in the Exposure Draft does not require the resource to be used and returned to be an asset of the entity.

A40 However, the staff think that lease liabilities can also be analysed as involving the receipt of the right-of-use asset and the return of cash. The staff thinks this analysis is more consistent with the accounting model applied in IFRS 16. Accordingly, the staff use this analysis in the main body of this paper and in the rest of this Appendix.

A41 Using this analysis the definition of a liability arising from financing activities is not met. Accordingly, only interest expense is recognised in the financing category in profit or loss, not other income or expenses relating to the liability, for example the effect on the lease liability of a partial or full termination. In the statement of cash flows, the cash paid would in principle be included in operating activities. However,

---

13 In fact the income or expense that arises from a lease modification that decreases the term of a lease is the net of the change in the right-of-use asset and the change in the lease liability, so identifying it solely as arising from the lease liability is not strictly accurate. For the purpose of this analysis, that is not a problem because it is excluded from income and expenses classified as financing.
IAS 7 *Statement of Cash Flows* explicitly requires cash payments by a lessee to repay lease liabilities to be included in the financing section of the cash flow statement. In relation to the label of liabilities arising from financing activities, the liability would not be labelled as arising from financing activities despite IFRS 16 explaining that many users of financial statements regard lease liabilities as ‘debt-like’ (see paragraphs BC45–BC51 of the Basis for Conclusions on IFRS 16).

**A42** The staff think the outcome in the statement of profit or loss is appropriate because only amounts relating to the financing aspect of the transaction are included in the financing category. The staff think the outcomes for the statement of cash flows and the labelling of the liability as not arising from financing activities illustrate some general difficulties with the definition of liabilities arising from financing activities, as discussed in paragraphs 48–57 of this paper.

**Plant and equipment purchased using a financing arrangement with the manufacturer**

**A43** An entity acquires an item of plant or equipment using a financing arrangement with the manufacturer of the item. On initial recognition, the entity recognises an asset at cost and a liability equal to the present value of the repayments. The liability is subsequently measured at amortised cost.

**A44** Applying the definition of financing activities in the Exposure Draft, the resource received is the item of plant or equipment and the resource returned is cash. Hence the definition is not met. Accordingly, only interest expense is recognised in the financing category in profit or loss, not other income or expenses arising from the liability.

**A45** The staff think the outcome in the statement of profit or loss is appropriate because only amounts relating to the financing aspect of the transaction are included in the financing category. The staff think the outcomes for the statement of cash flows and the labelling of the liability as not arising from financing activities illustrate some general difficulties with the definition of liabilities arising from financing activities, as discussed in paragraphs 48–57 of this paper.
Consideration for a business combination

**Contingent consideration**

A46 As part of a business combination, an entity is obliged to pay contingent consideration, to be settled either in cash or own shares. On initial recognition, the entity recognises a liability at fair value. The debit entry is to goodwill. The liability is remeasured at fair value with the resulting income or expense recognised in profit or loss.14

A47 Applying the proposed definition of liabilities arising from financing activities in the Exposure Draft, the resource received is the net assets of the subsidiary and the resource returned is cash, or the entity’s own equity. Hence the definition is not met. The amount the entity will have to pay will probably be linked to the performance of the entity, even if paid in cash. The FV change would not just be the effect of the time value of money and would probably not be disaggregated to show an interest expense reflecting the time value of money so nothing would be included in financing.

A48 The staff think this outcome is appropriate because the purpose of the transaction is not solely to raise finance, rather it is also to acquire the net assets of the subsidiary. Hence only interest expense should be included in financing, if separately identified. Other changes should be included in operating. The staff think the outcomes for the statement of cash flows and the labelling of the liability as not arising from financing activities illustrate some general difficulties with the definition of liabilities arising from financing activities, as discussed in paragraphs 48–57 of this paper.

**Put options or forward contracts written on non-controlling interest**

A49 An entity issues an option that allows (or a forward contract that requires) a non-controlling interest (NCI) to put their shares in a subsidiary to the entity for cash or another financial asset at a later date. On initial recognition, the entity recognises a

---

14 Except when the remeasurements are measurement period adjustments in which case the carrying amounts are adjusted (see IFRS 3.58)
financial liability for the present value of the redemption amount. The debit entry is to equity. The entity subsequently measures forward contracts written on NCI in accordance with IFRS 9, recognising changes in the measurement of the liability in profit or loss. For put options on NCI however, practice varies on subsequent measurement of the liability: some recognise changes in profit or loss, others in equity. 15 There are forward contracts and put options on NCI are settled by delivering the entity’s own equity instruments. Regardless of whether the contract is settled in cash or own equity instruments, some put options or forward contracts on NCI have a fixed redemption amount, in which case the subsequent measurement reflects the unwinding of the discount to present value, while others have the redemption price is linked to the performance of the acquired subsidiary, in which case the liability is remeasured using current assumptions.

A50 Applying the definition of liabilities arising from financing activities in the Exposure Draft, the resource that is received is a bigger share of the net assets of the subsidiary (or the possibility of a bigger share) and the resource that will be returned is cash or the entity’s own equity. Hence the definition is not met. Accordingly, only interest expense would be recognised in the financing category. That would capture the unwinding of the discount if the redemption price is fixed but not the remeasurement of the liability if the redemption price is linked to the performance of the acquired subsidiary.

A51 The staff think this outcome is appropriate because the purpose of the transaction is not solely to raise finance, rather it is to ensure a smooth transition on acquisition, often in a business combination transaction. Hence only interest expense should be classified as financing. Other changes should be included in operating.

A52 The staff think the outcomes for the statement of cash flows and the labelling of the liability as not arising from financing activities illustrate some general difficulties with the definition of liabilities arising from financing activities, as discussed in paragraphs 48–57 of this paper.

15 The Interpretations Committee proposed to clarify that the changes in the measurement of the financial liabilities should be recognised in profit or loss but the draft Interpretation was not finalised.
Supply chain finance

A53 An entity enters into an arrangement with a bank under which the bank agrees to pay amounts an entity owes to the entity’s suppliers and the entity agrees to pay the bank at the same date as, or a date later than, suppliers are paid. Depending on the terms of the arrangement and the circumstances (for example, whether suppliers decide to be paid earlier than the invoice date by the bank), the entity will either:

a. derecognise the liability to the supplier and recognise a liability to the bank, with the liability to the bank subsequently measured at amortised cost; or
b. not derecognise the liability to the supplier because under the arrangement the bank simply acts as a paying agent.

A54 In the situation described in paragraph A53b, there is no further analysis to be done. In the situation described in paragraph A53a, applying the definition of liabilities arising from financing activities in the Exposure Draft, the resource that is received is the reduction in liabilities to suppliers (trade payables) and the resource that will be returned is cash. Hence the definition is not met. Accordingly, only interest expense would be recognised as financing.

A55 In the statement of cash flows, the cash payment would be treated as an operating cash flow. The liability would not be described as arising from financing activities.

A56 The staff questions whether these outcomes are appropriate, as discussed in paragraph 41 of this paper.
## Appendix B—Comparison of outcomes of different approaches

<table>
<thead>
<tr>
<th>Examples analysed</th>
<th>Resource returned the same?</th>
<th>Definition of liabilities from financing as per ED definition and application guidance met?</th>
<th>Clarified ED definition met, where the resource returned is the same, finance charge includes notional interest, and does not only depend on amount of credit and its duration?</th>
<th>Definition of liabilities arising from transactions that are only financing as per staff recommendation met?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exchange of cash for cash (analysed perpetual debt, puttable instruments and obligation to deliver a pro rata share of the net assets of the entity only on liquidation)</td>
<td>Yes (cash received and cash returned, or may have to be returned in case of convertible debt)</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Exchange of cash for cash or own equity (analysed convertible debt, share-settled bonds)</td>
<td>No or unclear (cash received, own equity returned, for share-settled bonds, cash received, cash or own shares returned for convertible debt)</td>
<td>Unclear</td>
<td>No for share-settled bonds, unclear for convertible debt</td>
<td>Yes</td>
</tr>
<tr>
<td>Exchanges of goods or services for cash (analysed leases, purchases of plant and equipment on finance, trade payables or IFRS 15 liabilities with significant financing)</td>
<td>No (non-financial asset received, cash returned, and vice versa for IFRS 15 liabilities)</td>
<td>Unclear based on definition, yes for examples analysed based on application guidance, no for others (defined benefit liabilities, decommissioning liabilities)</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Consideration for business combination (analysed contingent consideration, put options or forward contracts written on non-controlling interests)</td>
<td>No (net assets of subsidiary received, cash or own shares returned)</td>
<td>Unclear</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Supply chain finance</td>
<td>No (either received goods and service, or reduction in liability, cash returned)</td>
<td>Unclear based on definition, probably yes based on application guidance</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>