IFRS

STAFF PAPER

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IFRS® Interpretations Committee meeting

Project	**Demand Deposits with Restrictions on Use (IAS 7)**		
Paper topic	Comment letters on tentative agenda decision		
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Introduction

1. In September 2021, the IFRS Interpretations Committee (Committee) published a tentative agenda decision in response to a submission on IAS 7 *Statement of Cash Flows*. The submission asked whether an entity includes as a component of cash and cash equivalents in its statements of cash flows and financial position a demand deposit with restrictions on use agreed with a third party.

2. In the fact pattern described in the submission, an entity:

   (a) holds a demand deposit whose terms and conditions do not prevent the entity from accessing the amounts held in it (that is, were the entity to request any amount from the deposit, it would receive that amount on demand).

   (b) has a contractual obligation with a third party to keep a specified amount of cash in that separate demand deposit and to use the cash only for specified purposes. If the entity were to use the amounts held in the demand deposit for purposes other than those agreed with the third party, the entity would be in breach of its contractual obligation.

3. The Committee observed that:

   (a) paragraph 6 of IAS 7 defines 'cash' by stating that it 'comprises cash on hand and demand deposits.' IAS 7 includes no other requirements on whether an item qualifies as cash beyond the definition itself.

(b) requirements in IAS 7 and IAS 1 *Presentation of Financial Statements* indicate that amounts included in cash and cash equivalents may be subject to restrictions.

4. The Committee concluded that restrictions on use of a demand deposit arising from a contract with a third party do not result in the deposit no longer being cash, unless those restrictions change the nature of the deposit in a way that it would no longer meet the definition of cash in IAS 7. In the fact pattern described in the submission, the contractual restrictions on use of the amounts held in the demand deposit do not change the nature of the deposit—the entity can access those amounts on demand. The Committee therefore concluded that the entity includes the demand deposit as a component of 'cash and cash equivalents' in its statement of cash flows.

5. Regarding presentation in the statement of financial position, the Committee concluded that, applying the applicable requirements in IAS 1, the entity:

(a) presents the demand deposit as cash and cash equivalents in its statement of financial position; but

(b) when relevant to an understanding of its financial position, the entity would disaggregate the cash and cash equivalents line item and present the demand deposit subject to contractual restrictions on use separately in an additional line item.

6. The Committee also concluded that, applying paragraphs 45 and 48 of IAS 7, the entity discloses the demand deposit subject to contractual restrictions on use as a component of cash and cash equivalents and the amount of significant cash and cash equivalent balances unavailable for use by the group, as well as information about that amount. The entity also considers whether to disclose additional information:

(a) in the context of the requirements in IFRS 7 *Financial Instruments: Disclosures* about liquidity risk arising from financial instruments and how an entity manages that risk; and

(b) if the information it provides applying the disclosure requirements in IAS 7 and IFRS 7 is insufficient to enable users of financial statements to understand the impact of the restrictions on the entity's financial position (paragraph 31 of IAS 1).

7. Based on its analysis, the Committee concluded that the principles and requirements in IFRS Accounting Standards provide an adequate basis for an entity to determine whether to include as a component of cash and cash equivalents in its statements of cash flows and financial position demand deposits subject to contractual restrictions on use agreed with a third party. Consequently, the Committee tentatively decided not to add a standard-setting project to the work plan.

8. The objective of this paper is to:

   (a) analyse comments on the tentative agenda decision (paragraphs 10–37); and

   (b) ask the Committee whether it agrees with our recommendation to finalise the agenda decision (paragraph 38).

9. Appendix A to this paper sets out the proposed wording of the agenda decision.

Comment letter summary

10. We received 17 comment letters by the comment letter deadline. All comments received, including any late comment letters, are available on our website.[1] This agenda paper includes analysis of only the comment letters received by the comment letter deadline, which are reproduced in Agenda Paper 3A.

11. Most respondents agree (or do not disagree) with the Committee's technical analysis and conclusions in the tentative agenda decision. Some of these respondents, however:

    (a) express concerns about the classification outcomes of applying the tentative agenda decision. These respondents say:

        (i) applying the requirements in IAS 7 could result in inconsistent classification outcomes between demand deposits and other items that would otherwise meet the definition of cash equivalents; or

        (ii) classifying as cash demand deposits with contractual restrictions on use would not provide useful information to users of financial statements.

[1] At the date of posting this agenda paper, there were no late comment letters.

(b) observe that IAS 7 neither defines the terms ‘demand deposit’ and ‘restrictions’, nor specifies how restrictions on use affect whether an item meets the definition of cash. These respondents say further clarification or guidance on this matter is necessary. Some of these respondents also say without further clarification or guidance the Committee’s analysis is circular.

(c) question whether the analysis and conclusions in the tentative agenda decision could be applied to other fact patterns—in particular, to fact patterns in which restrictions on use arise from laws and regulations, rather than from a contractual agreement with a third party.

12. A few respondents disagree with the Committee’s technical analysis. In their view, demand deposits with restrictions on use that are unavailable to meet short-term cash commitments cannot be classified as cash.

13. Some respondents suggest the International Accounting Standards Board (IASB) address the matters discussed above through a standard-setting project on, or as part of a comprehensive review of, IAS 7. A few of these respondents suggest that the Committee not finalise the tentative agenda decision.

14. Further details about the matters raised by respondents, together with our analysis, are presented below.

Staff analysis

15. We have separately analysed comments related to:

(a) concerns about the classification outcomes of applying IAS 7 (paragraphs 16–22);

(b) ‘demand deposits’ and ‘restrictions’ (paragraphs 23–31);

(c) other fact patterns (paragraphs 32–36); and

(d) other comments (paragraph 37).

Concerns about the classification outcomes of applying IAS 7

Respondents' comments

16. The tentative agenda decision states that:

> Paragraph 6 of IAS 7 defines 'cash' by stating that it 'comprises cash on hand and demand deposits.' IAS 7 includes no other requirements on whether an item qualifies as cash beyond the definition itself.

17. Although agreeing (or not disagreeing) with this observation, a few respondents say the requirements that apply in determining whether an item meets the definition of *cash* and those that apply in determining whether an item qualifies as *cash equivalents* are inconsistent. They say restrictions on use could preclude an item (for example, a short-term time deposit) from being classified as cash equivalents because paragraph 7 of IAS 7 states that cash equivalents 'are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes'. These respondents question whether differing classification outcomes for similar assets would provide useful information to users of financial statements.

18. A few respondents also question whether presenting as cash demand deposits with restrictions on use would provide useful information. For example:

    (a) the Accounting Standards Board of the Institute of Chartered Accountants of India (ICAI) says such presentation would not 'faithfully represent the state of affairs of the entity' and Mojtaba Tajgardan says it may mislead users of financial statements, in particular if those users do not refer to disclosures in the notes.

    (b) KPMG says 'when the overall objective of IAS 7 is considered, it is questionable whether users are getting appropriate information if amounts that cannot be used to meet short-term cash commitments because of third-party restrictions are classified as 'cash'…'.

19. A few respondents note that, as part of its Request for Information *Third Agenda Consultation*, the IASB sought feedback on potential projects that it could add to its workplan, including a project on the statement of cash flows. Were such a project to be undertaken, these respondents suggest that the IASB reconsider the criteria for

classifying items as cash and cash equivalents, including how restrictions on use affect the classification of items as *cash* and *cash equivalents*.

Staff analysis

20. The respondents that expressed concerns about the outcomes of applying the tentative agenda decision did not disagree with the Committee's observations that:

    (a) IAS 7 includes no requirements on whether an item qualifies as *cash* beyond the definition itself (set out in paragraph 6 of IAS 7); and, in particular

    (b) the requirements in paragraph 7 of IAS 7 apply only in determining whether an item—that does not meet the definition of 'cash'—qualifies as 'cash equivalents'.

21. We agree with respondents that, applying IAS 7, some restrictions on use that would not preclude an item from meeting the definition of 'cash' might nonetheless preclude an item from qualifying as 'cash equivalents'. This is because cash on hand and demand deposits are cash, regardless of the purpose for which they are held (applying paragraph 6 of IAS 7); whereas paragraph 7 of IAS 7 requires cash equivalents to be held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Put another way, the classification of an item as *cash* depends only on the nature of the item whereas classification as *cash equivalents* depends also on the purpose for which an item is held.

22. Any reconsideration of the classification requirements for cash and cash equivalents in IAS 7 is beyond the scope of the submission and would require standard-setting. As respondents note, the IASB is currently undertaking its *Third Agenda Consultation* and it might decide to add a project to its work plan on the statement of cash flows. Depending on the scope of any such project, the IASB might decide to review the definition of cash and the criteria for an item to qualify as cash equivalents.

‘Demand deposits’ and ‘restrictions’

Respondents’ comments

23. The tentative agenda decision states that:

> …restrictions on use of a demand deposit arising from a contract with a third party do not result in the deposit no longer being cash, unless those restrictions change the nature of the deposit in a way that it would no longer meet the definition of cash in IAS 7.

24. Some respondents observe that IAS 7 does not define ‘demand deposit’ and ‘restrictions’. These respondents say further clarification or guidance (including examples) are necessary to assess whether restrictions would change the nature of a demand deposit in a way that it would no longer meet the definition of cash. Respondents suggest either the Committee provides such guidance or the IASB consider providing it as part of a standard-setting project on IAS 7.

25. Without a definition of these terms or further guidance, a few respondents say the Committee’s conclusion is circular. For example, KPMG says the analysis in essence says ‘a demand deposit with restrictions remains a demand deposit unless the restrictions change its nature such that it is no longer a demand deposit’. KPMG also observes that, because of the lack of definitions for the terms, there is diversity in how entities classify amounts held in a separate account to meet third party commitments.

26. The ICAI and KPMG note that paragraph 13 of IFRS 12 *Disclosure of Interests in Other Entities* refers to ‘significant restrictions’ on an entity’s ability to both ‘use’ and ‘access’ assets.[2] In line with that paragraph, Aziz el Barnoussi and the ICAI suggest clarifying that, when assessing whether restrictions change the nature of a demand deposit, an entity considers all types of restrictions on both ‘use’ and ‘ability to access’.

[2] Paragraph 13 of IFRS 12 requires entities to disclose ‘significant restrictions (eg statutory, contractual and regulatory restrictions) on its ability to access or use the assets and settle the liabilities of the group, such as those that restrict the ability of a parent or its subsidiaries to transfer cash or other assets to (or from) other entities within the group…’.

Staff analysis

27. Paragraph 8.4 of the IFRS Foundation's *Due Process Handbook* states:

> Agenda decisions (including any explanatory material contained within them) cannot add or change requirements in IFRS Standards. Instead, explanatory material explains how the applicable principles and requirements in IFRS Standards apply to the transaction or fact pattern described in the agenda decision.

28. The agenda decision can neither define the terms 'demand deposit' and 'restrictions' nor provide related guidance without, in our view, adding or changing requirements in IFRS Accounting Standards. Defining those terms or providing guidance would be possible only if the Committee were to decide to add a standard-setting project to the work plan.

29. In our view, the Committee carefully drafted the analysis in the tentative agenda decision so that it does not go beyond the existing requirements in IAS 7, and we do not view that analysis as circular. The sentence reproduced in paragraph 23 of this paper simply says restrictions on use do not necessarily preclude a deposit from meeting the definition of cash in IAS 7. This observation can also be derived from the requirements in paragraph 48 of IAS 7 and paragraph 66(d) of IAS 1, which the tentative agenda decision also explains. Furthermore, immediately after this observation in the tentative agenda decision, the Committee explains why the contractual restrictions on use do not change the nature of the demand deposit in the fact pattern described in the agenda decision. The tentative agenda decision states:

> In the fact pattern described in the request, the contractual restrictions on use of the amounts held in the demand deposit do not change the nature of the deposit—***the entity can access those amounts on demand*.** The Committee therefore concluded that the entity includes the demand deposit as a component of 'cash and cash equivalents' in its statement of cash flows. (emphasis added)

30. We therefore continue to agree with the Committee that the tentative agenda decision adequately explains how the *existing* principles and requirements in IAS 7 apply to

the fact pattern described in the submission. The tentative agenda decision explains that:

(a) IAS 7 includes no requirements on whether an item qualifies as cash beyond the definition of cash itself;

(b) restrictions on use do not necessarily preclude a demand deposit from meeting the definition of cash—this is implicit in requirements in both IAS 1 and IAS 7; and

(c) in the fact pattern described in the submission, the restrictions do not change the nature of deposit in a way that it would no longer meet the definition of cash because the entity can access amounts on demand.

31. Finally, we note that paragraph 13(a) of IFRS 12 requires an entity to disclose information about significant restrictions on its ability to access or use assets and settle liabilities of the group (for example, restrictions on the ability of a parent or its subsidiaries to transfer cash to other entities within the group). The requirements in that paragraph are, in our view, irrelevant to the matter discussed in the tentative agenda decision.

Other fact patterns

Respondents' comments

32. Some respondents say it is unclear how the tentative agenda decision would apply to other fact patterns—in particular, they question whether the tentative agenda decision would apply when restrictions on use arise from laws and regulations, rather than from contractual agreements. For example:

(a) KPMG says the tentative agenda decision, if finalised, would be of limited use because 'the fact pattern is not representative of the diversity and complexity of fact patterns commonly seen in practice'.

(b) the HKICPA describes three fact patterns that are prevalent in mainland China and Hong Kong in which restrictions on use arise from laws and regulations.

33. Some of these respondents suggest that the Committee clarify whether the tentative agenda decision would apply to fact patterns in which the restrictions on use arise from laws and regulations. In this regard, Aziz el Barnoussi says restrictions on use do not change the nature of a demand deposit, irrespective of whether the restriction is due to regulatory, legal, or contractual reasons.

34. The HKICPA says there is an interplay between laws and regulations and contractual terms that also arise in other financial reporting areas, including in the IASB's Financial Instruments with Characteristics of Equity (FICE) project. The HKICPA suggests that the Committee take this into consideration in deciding the timing of finalising an agenda decision.

Staff analysis

35. The Committee's analysis and conclusions are based on the specific fact pattern described in the submission and set out in the tentative agenda decision. The Committee has not therefore considered other fact patterns, such as fact patterns in which restrictions arise from laws and regulations.

36. In its September 2021 meeting, the Committee specifically discussed and decided to clarify that its analysis and conclusions apply to fact patterns in which the restriction on use arise from a contract with a third party. The wording of the tentative agenda decision reflects this. In our view, analysing other fact patterns would be beyond the scope of the question asked in the submission.

Other comments

37. The following table summarises respondents' comments on other matters together with our analysis of these comments.

Respondents' comments	**Staff analysis and conclusions**
1. Applicability of paragraph 48 of IAS 7 Paragraph 48 of IAS 7 requires an entity to 'disclose, together with commentary by management, the amount of significant cash and cash equivalent balances held by the	*We recommend some changes.* The tentative agenda decision states that an entity discloses 'the amount of significant cash and cash equivalent balances unavailable for use by the group, as well as information about that amount.'

Respondents’ comments	Staff analysis and conclusions
entity that are *not available for use by the group*’ (emphasis added). GAAP Advisors and KPMG note that, in the fact pattern, the demand deposit is restricted for use by the entity, not by the group. Therefore, these respondents say the paragraph is not applicable to the fact pattern.	Therefore, it does not state that entities would necessarily provide such disclosure in all circumstances, but would do so only if balances are ‘unavailable for use by the group’. However, we agree with respondents’ comments that this paragraph might not always be applicable, and that (if material) entities would already provide information about balances subject to restrictions applying the other requirements referred to in the tentative agenda decision. We therefore recommend that the Committee remove the reference to paragraph 48 of IAS 7—please see Appendix A for the changes proposed.
2. Sequence of events in the fact pattern KPMG says it is unclear whether the sequence of events in the fact pattern could affect the conclusion reached. It says there are two possible readings: a. the sequence of events matter—that is, the tentative agenda decision applies to a fact pattern in which the entity already has a demand deposit. It then enters into a contractual agreement with a third party that does not change the terms of the deposit but adds restrictions on use. b. the sequence of events does not matter—that is, the tentative agenda decision applies to any fact pattern involving a deposit that is accessible on demand while subject to contractual restrictions on use. Such restrictions could be pre-existing or concurrent.	*We recommend no further action.* In our view, the tentative agenda decision does not establish any particular sequence of events, and therefore the Committee’s analysis does not depend on whether the entity holds a demand deposit before or after entering into a contractual agreement with a third party. Applying the tentative agenda decision, an entity assesses whether the restrictions on use change the nature of the deposit in a way that it would no longer meet the definition of cash in IAS 7, regardless of whether the deposit is pre-existing or newly created.

Respondents' comments	Staff analysis and conclusions
3. Title of the tentative agenda decision Deloitte suggests changing the title of the tentative agenda decision to 'Demand Deposits with Third Party Contractual Restrictions on Use' (added words underlined). It says, because the restrictions in the fact pattern arise from a contractual agreement with a third party, such a change would ensure that the tentative agenda decision is not applied too broadly.	*We recommend some changes.* We suggest changing the title of the tentative agenda decision to 'Demand Deposits with Restrictions on Use arising from a Contract with a Third Party' (added words underlined). This change, in our view, would better reflect the fact pattern.
4. Control over the demand deposit The Chartered Accountants Academy and Training and Advisory Services quote the definition of 'control' in the *Conceptual Framework for Financial Reporting* and say control over the demand deposit is the main issue in the fact pattern. They say the Standards do not currently address deposits over which the recipients of the funds may not have full control. They therefore suggest that the Committee provide additional guidance about whether an entity would recognise such deposits as assets.	*We recommend no further action.* In our view, the principles and requirements in IAS 7 provide an adequate basis for an entity to determine whether demand deposits with restrictions on use can be included as a component of cash and cash equivalents. Questions about control over demand deposits, and whether an entity would recognise such deposits as assets, are beyond the scope of the question asked in the submission.
5. Inconsistency between requirements in IAS 7 and IAS 1 Ernest & Martin Associates and GAAP Advisors say there are inconsistencies	*We recommend no change.* We disagree. We observe no inconsistency between the requirements in paragraph 7 of IAS 7 and paragraph 66(d) of IAS 1 because they serve different purposes. Paragraph 7 of IAS 7 applies when determining whether an investment qualifies as cash equivalents, whereas paragraph 66(d) of

Respondents' comments	Staff analysis and conclusions
between the requirements in paragraph 7 of IAS 7 and paragraph 66(d) of IAS 1.[3] Ernest & Martin Associates say it is unclear which time frame to use when determining whether an instrument is a cash equivalent—whether it should be three months as required by paragraph 7 of IAS 7 or twelve months as required by paragraph 66(d) of IAS 1. GAAP Advisors say paragraph 7 of IAS 7 requires cash equivalents to be classified as current assets and, therefore, cash is similarly required to be classified as current. They suggest amending paragraph 66(d) of IAS 1 to read, 'the asset is cash or cash equivalent (as defined in IAS 7)~~ unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period~~.'	IAS 1 applies when classifying an asset (that is cash or cash equivalents) as current or non-current in the statement of financial position. We also disagree with the suggested change to paragraph 66(d) of IAS 1. In our view, paragraph 7 of IAS 7 cannot be read to imply that cash and cash equivalents should always be classified as current. Paragraph 48 of IAS 7 and paragraph 66(d) of IAS 1 indicate that amounts included in cash and cash equivalents may be subject to restrictions, and the latter paragraph clarifies that certain restrictions could result in cash being classified as non-current.
6. The IASB should consider the matter further Paragraph BC25 of IAS 7 explains that, in the Exposure Draft *Disclosure Initiative* (proposed amendments to IAS 7), the IASB proposed 'additional disclosure requirements about an entity's liquidity such as restrictions that affect an entity's decision to use cash and cash equivalent balances'. The paragraph explains that the IASB decided that further work was needed before finalising the	*We recommend no change.* In paragraph BC25 of IAS 7, the IASB acknowledged that cash and cash equivalents may be subject to restrictions on use, which is consistent with the Committee's analysis and conclusions. We note that the IASB proposals that paragraph BC25 of IAS 7 refers to covered disclosure requirements only, not requirements related to classifying items as cash and cash equivalents.

[3] Paragraph 7 of IAS 7 states '…an investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition…', while paragraph 66 of IAS 1 states 'an entity shall classify an asset as current when: … (d) the asset is cash or cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.'

Respondents' comments	Staff analysis and conclusions
proposals, noting that the IASB 'may also, in due course, consider adding to its technical work programme a project that would look at liquidity disclosures more broadly'. Noting that paragraph, KPMG suggests that the IASB consider this matter further.	

Staff recommendation

38. Based on our analysis, we recommend finalising the agenda decision with the changes suggested in Appendix A to this paper. If the Committee agrees with our recommendation, we will ask the IASB whether it objects to the agenda decision at the first IASB meeting at which it is practicable to present the agenda decision.

Question for the Committee
Does the Committee agree with our recommendation to finalise the agenda decision as explained in paragraph 38 of this paper?

Appendix A—proposed wording of the tentative agenda decision

Demand Deposits with Restrictions on Use arising from a Contract with a Third Party (IAS 7 *Statement of Cash Flows*)

The Committee received a request about whether an entity includes a demand deposit as a component of cash and cash equivalents in its statements of cash flows and financial position when the demand deposit is subject to contractual restrictions on use agreed with a third party. In the fact pattern described in the request, the entity:

a. holds a demand deposit whose terms and conditions do not prevent the entity from accessing the amounts held in it (that is, were the entity to request any amount from the deposit, it would receive that amount on demand).
b. has a contractual obligation with a third party to keep a specified amount of cash in that separate demand deposit and to use the cash only for specified purposes. If the entity were to use the amounts held in the demand deposit for purposes other than those agreed with the third party, the entity would be in breach of its contractual obligation.

Cash and cash equivalents in the statement of cash flows

Paragraph 6 of IAS 7 defines 'cash' by stating that it 'comprises cash on hand and demand deposits.' IAS 7 includes no ~~other~~ requirements on whether an item qualifies as cash beyond the definition itself.

IAS 7 and IAS 1 *Presentation of Financial Statements* indicate that amounts included in cash and cash equivalents may be subject to restrictions. Namely:

a. paragraph 48 of IAS 7 requires an entity to disclose information about 'significant cash and cash equivalent balances held by the entity that are not available for use by the group'; and
b. paragraph 66(d) of IAS 1 requires an entity to classify as current an asset that is 'cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period'.

The Committee concluded that restrictions on use of a demand deposit arising from a contract with a third party do not result in the deposit no longer being cash, unless those restrictions change the nature of the deposit in a way that it would no longer meet the definition of cash in IAS 7. In the fact pattern described in the request, the contractual restrictions on use of the amounts held in the demand deposit do not change the nature of the deposit—the entity can access those amounts on demand. The Committee therefore concluded that the entity includes the demand deposit as a component of 'cash and cash equivalents' in its statement of cash flows.

Presentation in the statement of financial position

Paragraph 54(i) of IAS 1 requires an entity to include a line item in its statement of financial position that presents the amount of 'cash and cash equivalents'. Paragraph 55 of IAS 1 states 'an entity shall present additional line items (including by disaggregating the line items listed in paragraph 54) … in the statement of financial position when such presentation is relevant to an understanding of the entity's financial position'.

The Committee therefore concluded that, in the fact pattern described in the request, the entity presents the demand deposit as cash and cash equivalents in its statement of financial position. When relevant to an understanding of its financial position, the entity would disaggregate the cash and cash equivalents line item and present the demand deposit subject to contractual restrictions on use separately in an additional line item.

An entity that presents assets as current or non-current would, applying paragraph 66(d) of IAS 1, classify the demand deposit as current unless the deposit is 'restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period'.

Disclosures

Paragraph 45 of IAS 7 states that 'an entity shall disclose the components of cash and cash equivalents…'~~, and paragraph 48 of IAS 7 requires an entity to disclose, together with commentary by management, 'the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the group'.~~ Applying this requirement ~~those requirements~~, the entity discloses the demand deposit subject to contractual restrictions on use as a component of cash and cash equivalents ~~and the amount of~~

~~significant cash and cash equivalent balances unavailable for use by the group, as well as information about that amount~~. The entity also considers whether to disclose additional information:

a. in the context of the requirements in IFRS 7 *Financial Instruments: Disclosures* about liquidity risk arising from financial instruments and how an entity manages that risk; and
b. if the information it provides applying the disclosure requirements in IAS 7 and IFRS 7 is insufficient to enable users of financial statements to understand the impact of the restrictions on the entity's financial position (paragraph 31 of IAS 1).

The Committee concluded that the principles and requirements in IFRS Accounting Standards provide an adequate basis for an entity to determine whether to include demand deposits subject to contractual restrictions on use agreed with a third party as a component of cash and cash equivalents in its statements of cash flows and financial position. Consequently, the Committee ~~[~~decided~~]~~ not to add a standard-setting project to the work plan.