
FASB | IASB Education Meeting

Date	11 October 2024
Project	Statement of Cash Flows and Related Matters
Topic	Project Commencement
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Project overview

Project background

- In its September 2024 meeting, the IASB moved the Statement of Cash Flows and Related Matters project from the research pipeline to the research work plan
- The IASB had added the project to the research pipeline in its April 2022 meeting following the feedback to its Third Agenda Consultation
- The matters raised by stakeholders include both presentation issues (such as the classification of cash flows) and other issues (such as information about the non-cash effects of some transactions)
- The IASB will now conduct initial research, including meetings with stakeholders and review of existing studies, to gather evidence on the nature and extent of perceived deficiencies in current reporting and the likely benefits of developing new financial reporting requirements
- The project team plans to report the results of initial research into the issues raised by stakeholders to the IASB in Q1 2025 to help the IASB decide on the project scope

Summary of stakeholder feedback

The following slides summarise stakeholder feedback received in the Third Agenda Consultation regarding a project on the Statement of Cash Flows and Related Matters. The topics stakeholders identified that might be considered in the project are not presented in any specific order and include:

1. Implications to financial institutions
2. Classification of cash flows
3. Disaggregation of cash flow information
4. Definition of cash and cash equivalents
5. Application of the direct method
6. Non-cash effects of some transactions
7. Cash flow measures and other disclosures

Implications for financial institutions

Views of Stakeholders

- Some stakeholders made following comments on the statement of cash flows of financial institutions:
 - the statement of cash flows does not reflect how financial institutions manage cash and liquidity in practice;
 - the needs of stakeholders are already met by IFRS 7 *Financial Instruments: Disclosures* and the Basel Regulatory Framework; and
 - the requirements in IAS 7 are not specific to the banking industry, and it is difficult to calculate some items
- Therefore, stakeholders suggested either:
 - removing the requirement to present a statement of cash flows for financial institutions; or
 - developing a statement of cash flows specifically for financial institutions
- However, some also said that it is important for a financial institution to present a statement of cash flows because it provides essential information, such as cash flows relating to dividend payments, capital issued and repaid, and acquisitions and disposals

Classification of cash flows

Views of Stakeholders

- Some stakeholders requested the IASB revisit the classification of cash flows into operating, investing and financing categories specified in IAS 7, in the light of differences in the classification requirements of IFRS 18 *Presentation and Disclosure in Financial Statements*
- Some stakeholders suggested classification requirements be revised to provide more detail on capital expenditure, in particular separating capital maintenance from capital growth expenditure

Disaggregation of cash flow information

Views of Stakeholders

- Several stakeholders said some information presented in the Statement of Cash Flows should be disaggregated. For example:
 - net cash flows attributable to the operating, investing and financing activities of discontinued operations; or
 - working capital changes

Definition of cash and cash equivalents

Views of Stakeholders

- Some stakeholders suggested the IASB consider whether the Statement of Cash Flows should report flows of cash separately from those of cash equivalents
- Further they questioned:
 - whether cryptocurrencies could be considered as cash; and
 - whether there is a better basis other than the maturity period of an investment to determine whether the investment is a cash equivalent

Application of the direct method

Views of Stakeholders

- Some stakeholders requested the IASB consider the feasibility of requiring the direct method because, in their view, the indirect method fails to provide users with some decision-useful information such as:
 - cash collected from suppliers
 - cash flows arising from supplier finance arrangements
- Other stakeholders noted the potential complexity and associated costs to preparers in implementing the direct method

Non-cash effects of some transactions

Views of Stakeholders

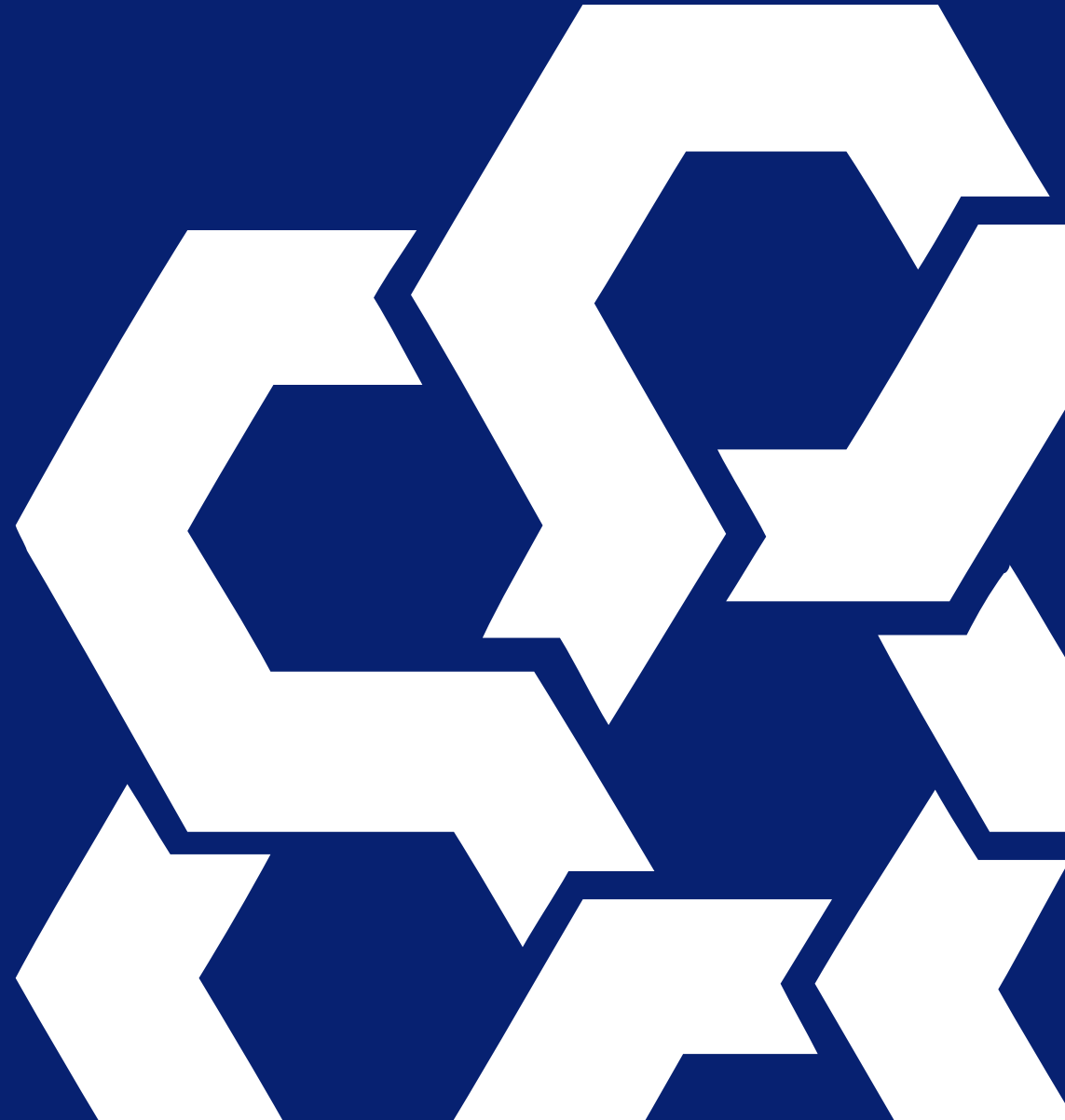
- Stakeholders highlighted the difficulty in reconciling the Statement of Financial Position with the Statement of Cash Flows due to the non-cash effects of some transactions
- Therefore, they suggested either requiring non-cash effects of some transactions be presented in the Statement of Cash Flows or requiring further disclosures
- Some stakeholders suggested companies be required to present a statement of changes in net debt

Cash flow measures and other disclosures

Views of Stakeholders

- Stakeholders requested standardised definitions of some cash flow measures, for example, free cash flows
- Further they requested the IASB develop additional disclosure requirements that provide information on how companies manage cash inflows and outflows to meet payment obligations, plan for future payments etc.

Appendix



Appendix A – IFRS 18 consequential amendments to IAS 7 for the classification of interest and dividends in the Statement of Cash Flows

Cash flow item	Classification before amendments to IAS 7	Classification after amendments to IAS 7	
		Companies with no specified main business activities	Companies with specified main business activities
Interest received	Operating or investing	Investing	A single category for each item—operating, investing or financing
Interest paid	Operating or financing	Financing	
Dividends received	Operating or investing	Investing	
Dividends paid	Operating or financing	Financing	Financing

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