
IASB[®] meeting

Date	December 2025
Project	Statement of Cash Flows and Related Matters
Topic	Presentation of cash flows from continuing and discontinued operations
Contacts	Satoshi Tsunoda (satoshi.tsunoda@ifrs.org) Nick Barlow (nbarlow@ifrs.org)

This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (IASB). This paper does not represent the views of the IASB or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS[®] Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB[®] *Update*.

Objective

1. At its September 2025 meeting, the IASB tentatively decided to develop potential requirements to improve the consistency of the presentation of cash flows from discontinued operations.
2. The objective of this paper is to discuss how to improve the consistency, that is, what kind of requirements would reduce diversity in practice that best respond to the feedback from users of financial statements (users).

Summary of staff recommendation

3. We recommend the IASB require an entity to present cash flows from discontinued operations in a separate category of the statement of cash flows.

Structure of this paper

4. This paper is structured as follows:
 - (a) background (paragraphs 5–17);

- (i) summary of the September 2025 IASB meeting (paragraphs 5–6);
 - (ii) summary of feedback from the November 2025 CMAC meeting (paragraphs 7–10);
 - (iii) summary of feedback from the November 2025 GPF meeting (paragraphs 11–14); and
 - (iv) relevant requirements in IFRS 18 and IFRS 5 (paragraphs 15–17);
- (b) staff analysis (paragraphs 18–26); and
- (c) question for the IASB.

Background

Summary of the September 2025 IASB meeting

5. At its September 2025 meeting, the IASB discussed diversity in entities' presentation of cash flows from discontinued operations in the statement of cash flows. [Agenda Paper 20A](#) of September 2025 included evidence of this diversity from our research of financial statements. We observed the following presentations:
- (a) each line item includes both of the cash flows from continuing and discontinued operations (Presentation 1);
 - (b) each line item includes only cash flows from continuing operations, followed by net cash flows from discontinued operations within each category (Presentation 2); and
 - (c) each line item includes only cash flows from continuing operations, with net cash flows from discontinued operations presented in a separate category (Presentation 3).
6. The IASB observed the concern from users that such diversity makes it difficult to understand the effect of discontinued operations on an entity's cash flows. To respond to the concern, the IASB tentatively decided to develop potential requirements to

improve the consistency in the presentation of cash flows from discontinued operations. At that meeting, some IASB members said before developing any requirements it would be necessary to understand better which of the three presentation methods would be the most useful to users and whether such a presentation would be feasible for preparers.

Summary of feedback from the November 2025 CMAC meeting

7. At the meeting with the Capital Markets Advisory Committee (CMAC) in November 2025, we asked members for their views on which of the presentation methods observed in practice (see paragraph 5) is the most useful.
8. Many CMAC members said they mainly analyse cash flows from continuing operations to estimate future cash flows. Therefore, they said a presentation which shows line items for continuing operations separately from those for discontinued operations (either Presentation 2 or Presentation 3 in paragraph 5) was the most useful.
9. Some CMAC members preferred entities present cash flows from discontinued operations within each of the operating, investing and financing categories (Presentation 2 in paragraph 5(b)) because:
 - (a) they find net cash flows from each activity including cash flows from discontinued operations presented in the statement of cash flows useful for comparing current with prior periods; and
 - (b) there is less risk of missing the amount of cash flows from discontinued operations which would be outside of each of the operating, investing and financing categories under Presentation 3.
10. Other CMAC members preferred presenting cash flows from discontinued operations in a separate category (Presentation 3 in paragraph 5(c)) because:
 - (a) such presentation makes it easier for users to remove information on cash flows from discontinued operations for the purposes of their analysis;

- (b) they find Presentation 2 too cluttered because it includes more line items than Presentation 3; and
- (c) it is consistent with the presentation in the statement of profit or loss applying IFRS 18 *Presentation and Disclosure in Financial Statements*.

Summary of feedback from the November 2025 GPF meeting

11. At the meeting with the Global Preparers Forum (GPF) in November 2025, we asked members for their observations on the presentation methods in practice including the costs or complexity of each method.
12. In the meeting, some members said they would be able to present each line item in the statement of cash flows consisting only of cash flows from continuing operations (that is, Presentation 2 or Presentation 3 in paragraph 5), while a few members raised concerns about the practical complexity in preparing such a presentation, and the risk of users misunderstanding the information from such a presentation in some cases, such as when an entity has intercompany transactions between continuing and discontinued operations.
13. After further outreach, we understand the concerns are about whether the resulting cash flows from continuing operations presented in the statement of cash flows would be representative of the cash flows that will continue after the disposal of discontinued operations.
14. For example, an entity might allocate cash outflows for services shared between continuing and discontinued operations. However, those cash flows might cease after disposal of the discontinued operation. Consequently, the cash flows presented for continuing operations might not represent the cash flows the entity will incur after the disposal of discontinued operations because in the future they will include the cash flows attributable to the discontinued operation. Similar issues can arise because of the presentation of cash flows from continuing operations for transactions with

entities comprising discontinued operations that might be eliminated but might continue as transactions with third party after disposal of the discontinued operation.

Relevant requirements in IFRS 18 and IFRS 5

15. An entity is required to present or disclose the net cash flows attributable to the operating, investing and financing activities of discontinued operations (paragraph 33(c) of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*).
16. In determining whether to present information in the primary financial statements, an entity is required to use the role of the primary financial statements to provide a useful structured summary (paragraph 21 of IFRS 18). For example, an entity is required to assess whether to present in the statement of cash flows the information required by paragraph 33(c) of IFRS 5 (see paragraph 15) by using the role of the primary financial statements. Paragraph 16 of IFRS 18 states the role of the primary financial statements is to provide a useful structured summary, that is:
 - to provide structured summaries of a reporting entity's recognised assets, liabilities, equity, income, expenses and cash flows, that are useful to users of financial statements for:
 - (a) obtaining an understandable overview of the entity's recognised assets, liabilities, equity, income, expenses and cash flows;
 - (b) making comparisons between entities, and between reporting periods for the same entity; and
 - (c) identifying items or areas about which users of financial statements may wish to seek additional information in the notes.
17. For some presentation requirements, it is not necessary for an entity to assess whether to present or disclose the required information because applying these requirements will always be necessary for a primary financial statement to provide a useful structured summary. For example, an entity is required to comply with the requirements for the statement of profit or loss (paragraph 22(a) of IFRS 18):

- (a) to classify income and expenses in one of the five categories, which includes the discontinued operations category (paragraph 47 of IFRS 18);
- (b) to present specific totals and subtotals (paragraph 69 of IFRS 18); and
- (c) to present an allocation of profit or loss (paragraph 76 of IFRS 18).

Staff analysis

18. The staff analysis is structured as follows:

- (a) presentation of cash flows from continuing operations—where we discuss whether line items for continuing operations should be presented separately from discontinued operations in the statement of cash flows (paragraphs 19–22); and
- (b) presentation of cash flows from discontinued operations—where we discuss whether cash flows from discontinued operations should be presented (paragraphs 23–26):
 - (i) in a separate category of the statement of cash flows; or
 - (ii) in individual line items within the operating, investing, and financing categories of the statement of cash flows.

Presentation of cash flows from continuing operations

19. Our outreach indicates that users prefer having information about cash flows from continuing operations separately from discontinued operations (see paragraph 8). Therefore, to reduce the diversity in the presentation of continuing and discontinued operations in a way that is the most useful to users, we recommend the IASB require an entity present line items for continuing operations separately from those for discontinued operations in the statement of cash flows.
20. We think our recommended presentation in paragraph 19 would provide a useful structured summary of an entity's cash flows because it allows users:

-
- (a) to obtain an understandable overview of an entity's cash flows—line items under this presentation would provide users with a better overview than if line items include both cash flows from continuing and discontinued operations (as users said they want to analyse information on continuing operations separately, see paragraph 8);
 - (b) to make comparisons between entities—this presentation would enable comparisons of cash flows from continuing operations between entities regardless of whether an entity has discontinued operations;
 - (c) to make comparisons between reporting periods for the same entity—this presentation would improve comparability for the same entity between the period with discontinued operations and the period after disposition of the discontinued operations. In addition, comparability with the past period is retained because an entity is required to re-present comparative periods in its financial statements (paragraph 34 of IFRS 5); and
 - (d) to identify items or areas about which users might wish to seek additional information in the notes to the financial statements—this presentation would result in cash flows from discontinued operations being presented as separate line item(s), with cross-references to the related note as required by paragraph 114 of IFRS 18. This presentation would draw users' attention to the additional information about discontinued operations disclosed in the notes.
21. We also note, although the IASB tentatively decided that alignment between the statement of cash flows and the statement of profit or loss was not an objective of this project, that our recommended presentation might increase the understandability of financial statements from better comparison with the statement of profit or loss which separately presents income and expenses from continuing operations and those from discontinued operations.
22. As a result of the meeting with GPF, we note there is a question on the treatment of transactions between continuing operations and discontinued operations (see paragraph 13). We think this question already exists today. However, requiring all

entities to disclose the line items in the statement of cash flows from continuing operations might make the question more widespread. We plan to explore whether disclosure requirements might improve the understanding of the effect of transactions between continuing operations and discontinued operations at a reasonable cost to preparers.

Presentation of cash flows from discontinued operations

23. If the IASB agrees with the staff recommendation to require an entity present line items for continuing operations separately from those for discontinued operations in the statement of cash flows, we think there are two alternatives for a potential requirement on the presentation of cash flows from discontinued operations. Both alternatives would provide the same information in the financial statements but the focus of the presentation of subtotals and line items in the statement of cash flows is different for each. The alternatives are to:
- (a) require an entity to present cash flows from discontinued operations in a separate category of the statement of cash flows (which would likely result in Presentation 3 in paragraph 5); and
 - (b) require an entity to present cash flows from discontinued operations in each of the operating, investing and financing categories (which would likely result in Presentation 2 in paragraph 5).
24. The features of presenting cash flows from discontinued operations in a separate category are as follows:
- (a) the structure of the statement of cash flows under this alternative would focus on the subtotals of cash flows from continuing operations for operating, investing and financing as separate from those from discontinued operations. It also focusses on the subtotal of net cash flows from discontinued operations rather than the individual subtotals of operating, investing and financing for discontinued operations. This focus would help users more easily see

information about continuing operations separately in the statement of cash flows; and

- (b) an entity would be able to assess whether to present in the statement of cash flows or disclose in the notes the net cash flows from the operating, investing and financing activities of discontinued operations by using the role of the primary financial statements to provide a useful structured summary (see paragraph 16). As a result, an entity would be able to avoid clutter in the financial statements by presenting discontinued operations as a single line item in the statement of cash flows when judged to contribute to a useful structured summary.

25. The features of presenting cash flows from discontinued operations in each of the operating, investing and financing categories are as follows:

- (a) the structure of the statement of cash flows under this alternative focusses on the subtotals of net cash flows from the operating, investing and financing activities. It would allow users to easily compare current with prior period amounts of the net cash flows by activity and more easily identify whether there are significant amounts of operating, investing, and financing activities from discontinued operations relative to the net cash flows by activity; and
- (b) an entity would always be required to present as line items net cash flows from the operating, investing and financing activities of discontinued operations. This would mean presenting those line items is always necessary for a primary financial statement to provide a useful structured summary, similar to the presentation requirements explained in paragraph 17.

26. We recommend the IASB require an entity to present cash flows from discontinued operations in a separate category because:

- (a) a separate category allows users to focus directly on information about continuing operations (which CMAC members said would be useful);

-
- (b) IFRS 5 requires an entity to present or disclose the net cash flows attributable to the operating, investing and financing activities of discontinued operations. We do not think that the cash flows from discontinued operations for operating, investing and financing are always necessary to achieve a useful structured summary. A separate category for discontinued operations would allow entities to apply judgement in determining whether to present these line items to provide a useful structured summary or to disclose them in the notes. If the IASB decides to develop a list of specified line items for the statement of cash flows as part of this project, cash flows attributable to the operating, investing and financing activities of discontinued operations could be included for completeness of that list.
- (c) having a separate category for discontinued operations increases understandability of the financial statements because it is consistent with the presentation of discontinued operations in the statement of profit or loss (albeit the IASB's tentative decision that alignment between the statement of cash flows and the statement of profit or loss was not an objective of this project).
- (d) we understand some users might find subtotals of net cash flows from the operating, investing and financing activities as a total of continuing and discontinued operations useful (see paragraph 9). However, users would be able to easily calculate such subtotals from the information either presented in the statement of cash flows or disclosed in a note with a cross-reference to the statement of cash flows. In addition, digital reporting is expected to reduce the burden of finding information in financial statements as information on cash flows from continuing and discontinued operations would be tagged, thus, reducing the risk of a user missing the information.

Questions for the IASB

Questions for the IASB

1. Does the IASB agree to require an entity to present cash flows from discontinued operations in a separate category of the statement of cash flows?
2. Does the IASB have any questions or comments about exploring whether disclosure requirements might improve the understanding of the effect of transactions between continuing operations and discontinued operations at a reasonable cost?