
Enter meeting name here**Date** **May 2025****Project** **Statement of Cash Flows and Related Matters****Topic** **Cover paper and questions for the IASB****Contacts** Nick Barlow (nbarlow@ifrs.org)
Aida Vatrenjak (avatrenjak@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 of this paper

1. This paper, together with Agenda Paper 20A of this meeting, recommends topics to explore in the Statement of Cash Flows and Related Matters project for potential ways to improve financial reporting, specific topics not to include in the project plan and our initial estimate of the timeline. Agenda Paper 20A sets out the recommended topics to explore and the project plan. This paper provides additional explanations and includes the questions for the IASB.

Summary of staff recommendations

2. We recommend that the IASB:
 - (a) plan for the project to assess potential ways to improve:
 - (i) the disaggregation of cash flow information in the financial statements;
 - (ii) the reporting of information about non-cash transactions in the financial statements;
 - (iii) the transparency of information about cash flow measures not specified in IFRS Accounting Standards;

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- (iv) the consistent application of requirements for classifying cash flows as operating, investing and financing; and
 - (v) the consistent application of the definition of cash equivalents.
 - (b) not include in the project plan:
 - (i) defining growth and maintenance capital expenditures;
 - (ii) developing new requirements for cash flow information by segment;
 - (iii) developing specific offsetting requirements;
 - (iv) changing the requirements of IAS 7 *Statement of Cash Flows* to present operating activities using the direct or the indirect method;
 - (v) defining the measures free cash flows or net debt;
 - (vi) re-defining the categories of operating, investing, or financing as an objective;
 - (vii) aligning the classification of cash flows in the statement of cash flows with the classification of related income and expenses in the statement of profit or loss applying IFRS 18 *Presentation and Disclosure in Financial Statements* as an objective;
 - (viii) expanding the definition of cash and cash equivalents; and
 - (ix) developing alternatives to a statement of cash flows.
 - (c) approach the work for financial institutions by:
 - (i) first considering improvements to the statement of cash flows generally before deciding on the applicability of any changes to the requirements for financial institutions;
 - (ii) specifically considering exempting financial institutions from some or all of the requirements for presenting a statement of cash flows; and
 - (iii) considering any presentation or supplemental disclosure requirements specific to financial institutions which might enhance the usefulness of information about cash flows for such entities.

Structure of this paper

3. This paper is structured as follows:
 - (a) topics we plan to explore (paragraphs 4–14);
 - (b) approach to requirements for financial institutions (paragraphs 15–20); and
 - (c) draft timeline (paragraphs 21–25).

Topics we plan to explore

4. At its March 2025 meeting the IASB discussed findings of its initial research on the nature and extent of perceived deficiencies with the requirements of IAS 7. The topics included in the research were initially identified by stakeholders in its Third Agenda Consultation. We identified in the research findings additional detail for each topic and different stakeholder priorities (see slides 4 and 5 of Agenda Paper 20A). The detailed topics and stakeholder priorities were further confirmed with stakeholder advisory groups through discussions at the March 2025 meetings of the Capital Markets Advisory Committee (CMAC), Global Preparers Forum (GPF) and the Accounting Standards Advisory Forum (ASAF).
5. In our initial research findings, we identified three clear priorities for users of financial statements:
 - (a) improved disaggregation of cash flow information;
 - (b) improved information about non-cash transactions; and
 - (c) improved transparency of information about common cash flow measures not specified in IFRS Accounting Standards.
6. We think the IASB should assess potential ways to improve financial reporting for these investor priorities in the project.
7. In our initial research findings, we also identified diversity in the application of:

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- (a) the requirements of IAS 7 for classifying cash flows as operating, investing, and financing; and
 - (b) the definition of cash equivalents.
8. We think that the IASB should also assess in the project potential ways of improving financial reporting by reducing these areas of diversity. Although users of financial statements did not generally identify these same issues, given the nature of these issues, they might not be apparent to users from the financial statements. Consistency in the classification of cash flows and application of the definition of cash equivalents is likely to improve the usefulness of information about cash flows in the financial statements.
9. We do not expect it is feasible to resolve diversity in the classification of cash flows for every transaction that was identified in the initial research findings. For example, some transactions may not be prevalent so their effect on the classification may not provide significant benefits to users of financial statements. We think there are some transactions that might require further research to fully understand the extent of diversity and benefits of consistency. We also have feedback that the classification for some of these items might not be the most useful for users of financial statements. For example, we expect to receive more information about the classification of leases from responses to the Request for Information *Post-implementation Review of IFRS 16 Leases*. In some cases we think there might also be opportunities for the work of the IFRS Interpretations Committee (Interpretations Committee) to contribute towards reducing diversity (see paragraphs 24–25).
10. We therefore think we should begin work for the topic of classification with a scoping exercise to identify:
- (a) potential improvements that could be made by clarifying the requirements of IAS 7;
 - (b) potential improvements that could be made by developing new requirements; and

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- (c) transactions for which there would be limited benefits to users of financial statements by improving consistent application and for which no further work should be completed (for example, because they are not prevalent).
11. Work would then progress based on the results of that scoping exercise and include consideration of any improvements that might be made through the work of the Interpretations Committee.
12. Slide 6 of Agenda Paper 20A summarises specific areas where the initial research findings provided evidence it would either not be feasible to develop solutions or where there was a clear lack of stakeholder demand for pursuing further in the project. We think that the IASB should not include these topics in the project plan. This would mean not planning any specific work to actively explore these topics further. However, as the project progresses, if we identify evidence of issues related to the topics being more extensive or more feasible to resolve than initially assessed we think the IASB could reconsider performing work in these areas. We also think excluding them from the plan does not restrict considering them to the extent they relate to assessing potential ways to improve financial reporting for topics included in the project plan. For example, we recommend that re-defining the operating, investing, and financing categories as an objective not be included in the project plan but we might identify changes to these definitions as a possible way of reducing diversity in their application.
13. Slides 8–13 of Agenda Paper 20A set out further detail on each topic explored in the initial research including reasons for including or excluding those issues from the project plan.
14. We think the recommended topics to explore in the project apply to all entities. However, as discussed in [Agenda Paper 20D of March 2025](#) we think a different cost-benefit analysis is required for financial institutions when considering any possible changes to the requirements for these entities. Some stakeholders have also questioned whether financial institutions should be exempt from some or all of the requirements

to present a statement of cash flows. We have therefore considered how the project should approach the requirements for financial institutions in the next section.

Questions for the IASB

1. Does the IASB agree with the staff recommendation to include in the project plan assessing potential ways to improve:
 - a. the disaggregation of cash flow information in the financial statements;
 - b. the reporting of information about non-cash transactions in the financial statements;
 - c. the transparency of information about cash flow measures not specified in IFRS Accounting Standards;
 - d. the consistent application of requirements for classifying cash flows as operating, investing and financing; and
 - e. the consistent application of the definition of cash equivalents?
2. Does the IASB agree with the staff recommendation not to include in the project plan:
 - a. defining growth and maintenance capital expenditures;
 - b. developing new requirements for cash flow information by segment;
 - c. developing specific offsetting requirements;
 - d. changing the requirements of IAS 7 to present operating activities using the direct or the indirect method;
 - e. defining the measures free cash flows or net debt;
 - f. re-defining the categories of operating, investing, or financing as an objective;
 - g. aligning the classification of cash flows in the statement of cash flows with the classification of related income and expenses in the statement of profit or loss applying IFRS 18 as an objective;
 - h. expanding the definitions of cash and cash equivalents; and
 - i. developing alternatives to a statement of cash flows?

Requirements for financial institutions

15. In our initial research, stakeholders of all types said that the statement of cash flows for financial institutions provides limited useful information. We also understand from those findings that the nature of both banks and insurers is such that there are limited

opportunities to improve the information provided by the statement of cash flows for these entities.

16. However, some stakeholders, including users of the financial statements of financial institutions, provided suggestions for supplemental disclosures that might provide useful information. As the project progresses, we might also identify further opportunities to improve the usefulness of information in the statement of cash flows for financial institutions. Some stakeholders also said that while the information they receive is limited, they still find that information useful.
17. Thus, as we said in Agenda Paper 20D of March 2025, we continue to think that the project should consider whether it is feasible to improve the usefulness of the statement of cash flows for financial institutions and whether some financial institutions should be scoped out of some, or all of the requirements of IAS 7.
18. Some stakeholders suggested developing a replacement for the statement of cash flows which might include various other types of information such as replicating information about capital requirements required in regulatory reports. We acknowledge that such information might be useful to users of the financial statements of these types of entities and that the information required might vary by jurisdiction. However, we think that by its nature, such alternative information is not about cash flows and therefore should not be explored in this project, consistent with our conclusion about alternatives to the statement of cash flows for all entities.
19. As proposed in Agenda Paper 20D of March 2025 we think work related to financial institutions should take place after understanding whether any improvements from other aspects of the project might apply, using a cost-benefit analysis specific to these entities. Assessing the applicability of cash flow information for these entities also allows more time to benefit from any progress made by the Financial Accounting Standards Board in their project specific to the statement of cash flows for financial institutions.

20. As shown in the draft timeline on slide 26 of Agenda Paper 20A, we have proposed starting work on the statement of cash flows for financial institutions at a later stage of the project, after key decisions on the other topics have been made. We plan to begin this work with an assessment of the scope of the requirements for the statement of cash flows and related disclosures for financial institutions.

Questions for the IASB

3. Does the IASB agree with the approach in the project plan in relation to financial institutions, specifically:
- a. first considering improvements to the statement of cash flows generally before deciding on the applicability of any changes to the requirements for financial institutions;
 - b. specifically considering exempting financial institutions from some or all of the requirements for presenting a statement of cash flows; and
 - c. considering any presentation or supplemental disclosure requirements specific to financial institutions which might enhance the usefulness of information about cash flows for such entities?

Draft timeline

21. Slides 20–25 of Agenda Paper 20A set out our initial projections for papers that might be required for each of the topics we recommend exploring in the project.
22. Slide 26 of Agenda Paper 20A sets out an initial timeline based on the projected papers identified in slides 20–25 and applying the overall principles of (see slides 18–19):
- (a) starting with the topics identified as priorities for users of financial statements;
 - (b) starting with initial scoping (when appropriate) to assess specific aspects of the topic or determine where to best resolve issues that touch on more than one topic;
 - (c) ordering topics such that resolution for one topic is completed before another topic that depends on it; and

- (d) ordering papers within a topic to first progress issues which we think might be resolved more quickly when possible.
23. The draft timeline is only a proposed starting point for the project. The actual timeline will be iterative as the project progresses. The papers we have projected are based on the initial research findings. However, the work for each topic might result in new approaches to explore, require additional follow up should the IASB require more information to decide on the best approach to a topic, or become unnecessary depending on the progression of the work and the decisions of the IASB. Any work undertaken by the Interpretations Committee is not included in the presented timeline as this work would be conducted separately.

Potential coordination with the Interpretations Committee

24. Some of the topics that will be considered in the project might be addressed, at least in part, by the work of the Interpretations Committee. In particular, there might be opportunities to reduce diversity in the application of requirements for classifying cash flows, the definition of cash and cash equivalents, and the disaggregation of specific items in instances when:
- (a) explaining how the applicable principles and requirements of IAS 7 apply to transactions or fact patterns might better resolve an issue than changing the requirements; or
 - (b) improving consistent application of IFRS Accounting Standards other than IAS 7 might better resolve an issue than developing new requirements (for example, consistent application of the requirement in IFRS 12 *Disclosure of Interests in Other Entities* to disclose dividends paid to non-controlling interests).
25. The project plan outlined in Agenda Paper 20A assumes that before bringing any questions to the Interpretations committee about whether circumstances in paragraph 24 might apply, the IASB would first consider various approaches to the topics explored in the project. After making key decisions it would consider whether any

incremental benefits, or alternatives, might be addressed by the work of the Interpretations Committee.

Questions for the IASB

4. Does the IASB have any comments on the draft timetable, specifically:
 - a. do you have comments on the principles for ordering topics in paragraph 22 of this paper (see slide 19 of Agenda Paper 20A);
 - b. do you think there are any inconsistencies with those principles in the draft timetable;
 - c. are there topics where you think we might have significantly over or underestimated the papers required; or
 - d. do you have any comments on working with the Interpretations Committee?