
Statement of Cash Flows and Related Matters— Project plan

May 2025

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Objective of this paper

This paper provides an outline of the project plan and supports the staff recommendations and questions for IASB included in Agenda Paper 20. Agenda Papers 20 and 20A should be read together. Their objective is to:

1. **Identify topics we will plan to explore in the project**—issues identified in the initial research for which we will assess potential ways to improve financial reporting
2. **Identify topics we will not plan to explore in the project**—issues identified in the initial research for which evidence already suggests there are not feasible solutions or are not stakeholder priorities
3. **Outline for structure of project work**—set out an initial plan to commence work on the topics we plan to explore in the project

Topics to explore in the project



Initial research findings (1/2)

Topic	Detailed topics identified in findings	Investor priority	Preparer & others priority	Potential complexity
Classification (see slide 11)	Definitions of categories and subtotals		✓	High
	Consistent application of categories		✓	Low
Disaggregation (see slide 8)	Specific information investors seek that is often not disaggregated	✓		Moderate
Cash equivalents (see slide 12)	Definition of cash equivalents/objective of the statement of cash flows		✓	High
	Consistent application of definition		✓	Low
Non-cash (see slide 9)	Non-cash transactions economically similar to cash transactions	✓		High
	Improved accessibility of currently disclosed non-cash information	✓		Low

Initial research findings (2/2)

Topic	Detailed topics identified in findings	Investor priority	Preparer & others priority	Potential complexity
Presentation method (see slide 9)	Specific direct method information that might provide sufficient benefits			Moderate
	Guidance on deciding method			Low
Common cash flow measures (see slide 10)	Requirements similar to MPMs for cash flow measures	✓	✓	Low
	Possible additional subtotals in the statement of cash flows	✓	✓	Moderate
Financial Institutions (see slide 13)	Potential for changes to classification, disaggregation or disclosure to improve usefulness for financial institutions			Moderate
	Potential for scope out for some entities			High

Topics we plan to explore in the project

Topics we plan to explore

- Disaggregation
- Non-cash transactions
- Transparency over common cash flow measures
- Consistent application of classification requirements
- Consistent application of the definition of cash equivalents
- Application to Financial Institutions

Topics we do not plan to explore

- Defining growth and maintenance capital expenditures
- Developing new segmental cash flow requirements
- Developing specific offsetting requirements
- Changing the requirements to present operating activities using the direct or the indirect method
- Defining free cash flows or net debt
- Re-defining categories of the statement of cash flows as an objective
- Aligning classification with IFRS 18 as an objective
- Expanding the definitions of cash and cash equivalents
- Developing alternatives to a statement of cash flows

Further detail is discussed by high-level topic in slides 7–13

Findings supporting topics we plan to explore

1. Initial research findings indicate three topics are clear investor priorities:
 - a) Disaggregation
 - b) Non-cash transactions
 - c) Transparency of common cash flow measures
2. Initial research findings indicate diversity in application which might not be apparent to investors. Improving diversity is likely to provide more useful information to investors. Diversity relates to:
 - a) Classification of cash flows
 - b) Definition of cash equivalents
3. Stakeholders of all types said the statement of cash flows provides limited useful information for financial institutions. All of the previous topics might apply to the statement of cash flows for financial institutions. However, a different cost-benefit analysis applies to making any changes to current requirements.

Disaggregation

Matters to include in the project plan

- ✓ Assess potential ways to improve disclosure for information about specific matters (might also be addressed by common cash flow measures see slide 10)—priority for investors
- ✓ Assess potential ways to build on IFRS 18 disaggregation guidance specific to SCF

Matters to exclude from the project plan

- ✗ Defining growth and maintenance capex—sufficient evidence not feasible
- ✗ Cash flow information by reportable segment—feedback better considered in a holistic project on segment reporting
- ✗ Develop specific offsetting guidance (separate from principal or agent)—not a priority for any stakeholder group

Initial research findings identified a number of specific items for which investors seek information:

- | | | |
|------------------------------------|---------------------------|---|
| • Capital expenditures (incl. R&D) | • Discontinued operations | • Information about dividends received and paid (incl. NCI) |
| • Composition of working capital | • Leases | |
| • Business combinations | • Income taxes | |

Non-cash/presentation method

Matters to include in the project plan

- ✓ Assess potential ways to improve information about changes in balance sheet items—priority for most investors
- ✓ Assess potential ways to improve information about non-cash transactions that are economically similar to cash transactions—priority for most investors

Matters to exclude from the project plan

- ✗ Changes to requirements for the presentation of cash flows from operating activities using the direct or indirect method—low priority for most stakeholders

Transparency of information about common cash flow measures

Matters to include in the project plan

- ✓ Assess possibility of MPM type approach for cash flow based subtotals—priority for most investors
- ✓ Assess potential ways to improve other specific information with management definitions/approach (e.g. disaggregation of net debt, growth/maintenance capex, working capital see slide 8)—priority for most investors

Matters to exclude from the project plan

- ✗ Defining free cash flows or net debt—initial feedback suggests not feasible and low priority for most stakeholders

Classification of cash flows

Matters to include in the project plan

- ✓ Assess potential ways to improve consistent application of classification requirements—priority for many preparers and others and helps investors identify items needed for analysis

Matters to exclude from the project plan

- ✗ Re-defining operating, investing, financing as an objective—feedback suggests these are useful categories
- ✗ Aligning classification with IFRS 18 as an objective—not a priority for investors

Stakeholders identified numerous transactions where there might be inconsistent or less useful classification. We think we need to first assess these transactions to identify potential to clarify requirements, potential for new requirements, or potentially insufficient benefits to change.

- | | | |
|----------------------------|--------------------------|-------------------------------|
| • cash held for sale | • financing to customers | • shares withheld on employee |
| • contingent consideration | • foreign exchange | share options |
| • deferred consideration | • government grants | • variable consideration |
| • derivatives and hedges | • leases | • Income taxes |
| • discontinued operations | • pensions | |
| • factoring | • sale leasebacks | |

Definition of cash equivalents

Matters to include in the project plan

- ✓ Assess potential ways to improve consistent application of definition—priority for many preparers and others and aids comparability
- ✓ Assess potential ways to clarify when cash is an entity's (agent)—priority for many preparers and others and important question for effects of non-cash transactions topic

Matters to exclude from the project plan

- ✗ Expanding the definition of cash and cash equivalents—investor feedback is comparability more important and prefer not expanding to include more investments
- ✗ Alternative presentations of the statement of cash flows (e.g. statement of net debt)—feedback fundamental structure provides useful information and more targeted improvements stakeholder priority

Initial research findings identified a number of aspects of the definition which might lead to diversity:

- Short-term (90-days)
- Insignificant risk
- Used for short term needs
- Insignificant changes in value
- Used for cash management

Financial institutions

Matters to include in the project plan

- ✓ Assess potential changes arising from other topics for improving usefulness for financial institutions including classification and disaggregation—some stakeholders identify usefulness of some items and identify challenges to scope of any exemptions
- ✓ Assess possibility of scope exemptions for some or all requirements for some entities—most stakeholders identify limited usefulness of SCF
- ✓ Assess potential improvements from specific disclosures identified by investors

Matters to exclude from the project plan

- ✗ Explore alternatives to statement of cash flows—low priority for many investors and beyond the scope of statement of cash flows

Questions for the IASB (1/3)

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?

Questions for the IASB (2/3)

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?

Questions for the IASB (3/3)

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 timetable



Key factors to consider in deciding project plan

Stakeholder priorities

Considering how to best meet investor information needs while considering the needs of the other stakeholders

Potential complexity of solutions

Understanding the potential for complexity will help assess which approaches might be more efficient, for example:

- approaches to one topic might affect the approach on another topic and there might be approaches that resolve connected problems;
- change management for some possible approaches might be more challenging; or
- some approaches might involve greater technical challenges

Draft timetable

- Putting the key factors into practice the draft timetable is based on the following:
 - Starting with the topics identified as investor priorities
 - Starting with initial scoping to assess specific aspects of the topic or determine where to best resolve issues that touch on more than one topic (e.g. specific transactions for classification or growth versus maintenance as 'MPM' or disaggregation)
 - Ordering topics such that resolution for one topic is completed before another topic that depends on it (e.g. classification which might revise subtotals is completed before considering specified subtotals necessary for common cash flow measures)
 - Ordering papers within a topic to first progress issues which we think might be resolved more quickly when possible (e.g. non-cash balance sheet movements prior to economically similar transactions)
- Additionally, the timetable considers:
 - Existing resources—progressing topics simultaneously to fully utilise team and create ownership of topics
 - Timing of papers to allow consultation on topics with consultative groups prior to making recommendations so the IASB can benefit from this feedback before taking decisions

Improving disaggregation of cash flow information

Initial scoping paper to identify from the items identified by investors:

Which might be solved
building on disaggregation
principles

Which might best be solved
developing specific
disclosure requirements

Subsequent papers

Explore building on
disaggregation principles

Explore possible additional
disclosure requirements

Identify any issues which
might be solved by guidance
from the IC

Improving information provided about non-cash transactions

Initial paper to review existing requirements and identify gaps in disclosures including:

Scope of existing non-cash transaction requirements in IAS 7

Other related disclosures, for example: IFRS 2, IFRS 7, IFRS 12, and IFRS 18

Explore improving connectivity within the notes: tables, reconciliations and cross-references

Subsequent papers

Explore feasibility of possible requirements to improve disclosure of items identified in initial work related to changes in balance sheet items

Explore feasibility of possible requirements to improve disclosure of transactions economically equivalent to cash

Whether to specify presentation in the statement of cash flows for non-cash information

Improving transparency of common cash flow measures

Initial paper to identify the scope of common cash flow measures:

Determine scope measures to be included (e.g. only 'free cash flow' measures or also other management definitions such as capital expenditure or net debt)

Subsequent papers

Define measures included in scope (including MPM-type SCF subtotals)

Disclosure requirements for measures in scope

Specified subtotals that measures can be reconciled

Reducing diversity in the classification of cash flows

Initial scoping paper to identify from the transactions raised by stakeholders:

Underlying issues which
might be solved by clarifying
IAS 7 requirements

Underlying issues which
might be solved by new
requirements

Underlying issues for which
there are not sufficient
benefits to change

Subsequent papers

Explore possible clarifications
to IAS 7 requirements

Explore possible new
requirements

Identify any inconsistent
application which might be
solved by work of the IC

Reducing diversity in applying definition of cash equivalents

Paper exploring approaches clarifying the definition of cash equivalents including:

Meanings and/or weightings of: 'short-term', 'insignificant changes in value', and 'insignificant risk'

Whether 'used for cash management' and 'held for short-term needs' are part of the definition

Subsequent papers

Explore feasibility of clarifying when cash is the entity's (ie principal or agent)

Identify any inconsistent application which might be solved by work of the IC

Financial institutions

Initial paper to identify possible scope exemptions:

Explore feasibility of identifying entities that might be exempted from preparing SCF or specific related requirements

Consider feasibility of application to mixed business activities

Identify any specific requirements that some entities might be exempted from

Subsequent papers

Explore feasibility of changes arising from other topics improving usefulness for financial institutions including classification and disaggregation

Explore feasibility of specific disclosure enhancements identified by investors

Draft timeline

[illegible]

Question 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 Agenda Paper 20 (see slide 19);
 - 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 under estimated the papers required; or
 - d. do you have any comments on working with the Interpretations Committee?

Appendix—additional detailed considerations to draft timetable



Content

- Interconnections affecting timing
- Possible common solutions to consider in scoping
- Expected feedback in the near term

Interconnections affecting timing

- Definition of cash equivalents:
 - Provides stable population for determining final scope of **non-cash transactions** (this however is at the detailed level, higher level scope decisions such as including balance sheet movements and/or economic similar transactions can progress but cannot be fully complete until cash equivalents is known)
- Classification (and any related subtotals)
 - Provides anchors for **common cash flow measures** based on subtotals (scope, definition, and most disclosures could still develop independently)
- Financial institutions
 - The possibility of considering any improvements from other topics requires those topics to be completed first

Possible common solutions to consider in scoping

- Working capital/net debt
 - **Non-cash** movements in balance sheet
 - **Disaggregation** of working capital
 - **Direct method information** (though low priority issue) for specific transactions – sales to customers, purchases from suppliers (both WC related items)
 - **Common cash flow measures** management approach
- Use of an agent
 - **Non-cash** transactions that are economically similar to cash transactions
 - **Definition of cash equivalents** clarity on when a transaction is with the entity's
- Growth versus maintenance
 - **Disaggregation** of capital additions and/or R&D, leases
 - **Common cash flow measures** management approach
- Effects of business combinations (M&A)
 - **Disaggregation** of M&A effects (presentation or disclosure)
 - Separate **classification** of M&A activity

Expected feedback in the near term

- EFRAG DP seeks comments by 15 May 2025 – final views will not be known till sometime after
- We have feedback shared from development of RFI for leases, planned to be issued in June 2025 – views likely to impact non-cash, disaggregation, and possibly classification
- The comment period for FASB's Invitation To Comment (ITC) for its KPI project ended 30 April 2025 – likely to help with common cash flow measures

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