
Global Preparers Forum

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Project	Statement of Cash Flows and Related Matters
Topic	Discontinued operations and cash flow measures
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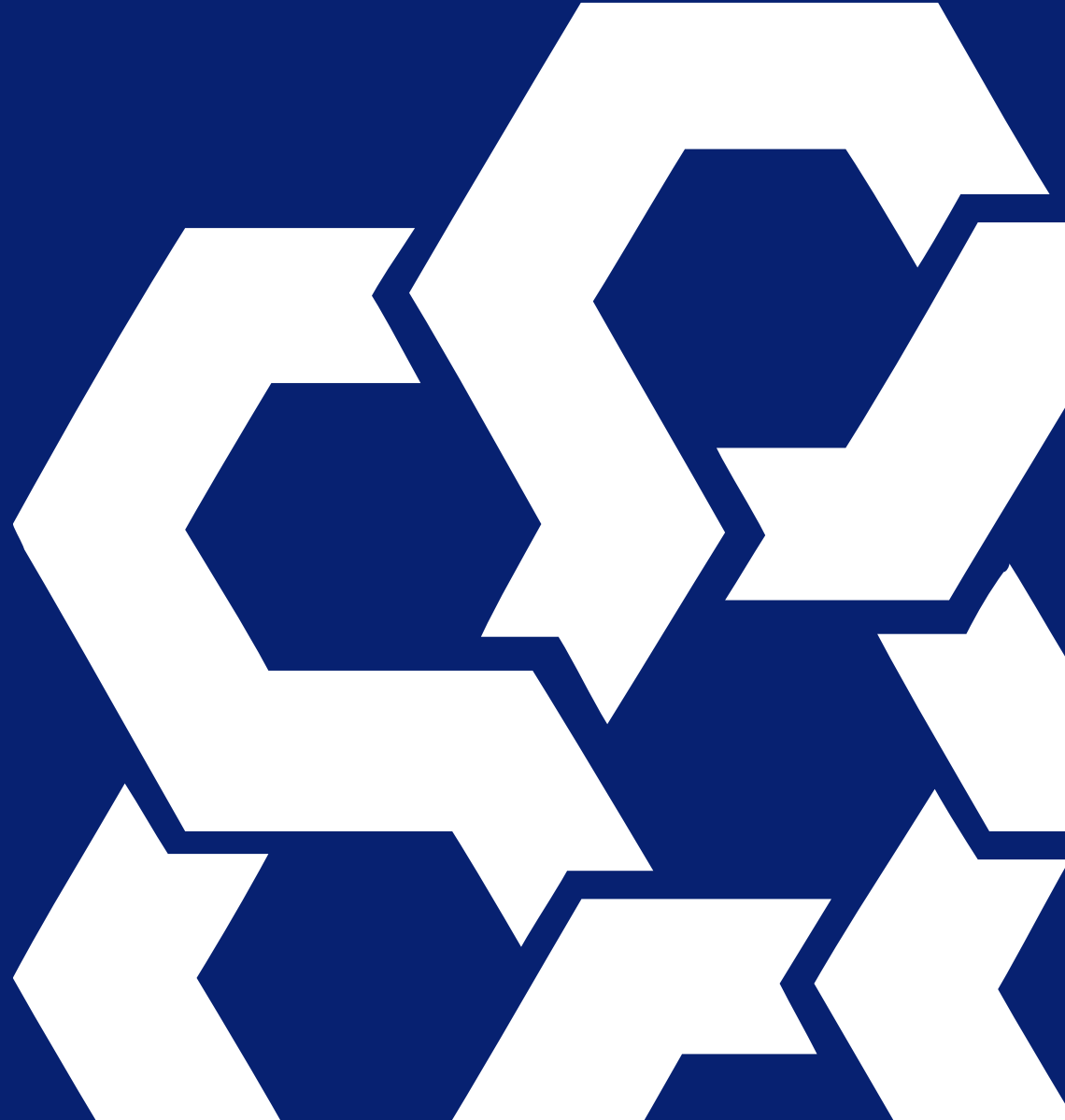
Purpose of this session

- Ask GPF members for views on:
 - the presentation of cash flows from discontinued operations;
 - the cash flow subtotals that might be included in the requirements for management-defined performance measures (MPMs); and
 - disclosures related to cash flow MPM reconciliations.
- The input from members will contribute to the IASB decisions on:
 - improving the consistency of the presentation of cash flows from discontinued operations; and
 - extending the MPM requirements in IFRS 18 *Presentation and Disclosure in Financial Statements* to also apply to cash flow measures.

Information for GPF members

Cash flows from discontinued operations (15 min)	4–8
Cash flow subtotals (30 min)	9–24
Disclosures relating to cash flow MPMs reconciliations (15 min)	25–29

Presentation of cash flows from discontinued operations



Background—cash flows from discontinued operations

- **Paragraph 33(c) of IFRS 5 requires an entity to:**
 - present or disclose the net cash flows from the operating, investing and financing activities of discontinued operations.
- **From initial outreach some investors said:**
 - diversity in the presentation and disclosure of cash flows from discontinued operations makes it difficult to understand the effect of discontinued operations on an entity's statement of cash flows.
- **From analysing a sample of financial statements, we observed diversity in:**
 - Whether each line item in the statement of cash flows include only continuing operations, or both continuing and discontinued operations; and
 - whether the net cash flows from discontinued operations are presented or disclosed.
- **Recent tentative decision by IASB:** At the September 2025 IASB meeting, the Board tentatively decided to improve the consistency of the presentation of cash flows from discontinued operations.

Background—cash flows from discontinued operations

- To explore with GPF members how we might improve the consistency of the presentation of cash flows from discontinued operations:
 - **Illustration on slide 7** sets out three examples of the varying presentations to support discussion **of the questions on slide 8**.
 - The 3 examples illustrate the following:
 - Presentation 1 – each line item includes both of the cash flows from continuing and discontinued operations
 - Presentation 2 – each line item includes only cash flows from continuing operations, followed by net cash flow from discontinued operations within each category
 - Presentation 3 – each line item includes only cash flows from continuing operations, with net cash flows from discontinued operations presented in separate category

Illustration on diversity in presentation on cash flows from discontinued operations

Presentation 1

Statement of cash flows

Operating profit - continuing ops	3,220
Operating profit - discontinued ops	70
Depreciation and amortisation	450
Changes in working capital	- 1,190
Income taxes paid	- 900
Operating activities	1,650

Proceeds from sale of equipment	20
Others	- 500
Investing activities	- 480

Payment of lease liabilities	- 90
Interest paid	- 270
Others	- 700
Financing activities	- 1,060

Note - Discontinued operations

Net CF from operating activities:	209
Net CF from investing activities:	15
Net CF from financing activities:	- 23

Presentation 2

Statement of cash flows

Operating profit - continuing ops	3,220
Depreciation and amortisation	440
Changes in working capital	- 1,340
Income taxes paid	- 879
Net CF - continuing ops	1,441
Net CF - discontinued ops	209
Operating activities	1,650

Proceeds from sale of equipment	5
Others	- 500
Net CF - continuing ops	- 495
Net CF - discontinued ops	15
Net CF from investing activities	- 480

Payment of lease liabilities	- 70
Interest paid	- 267
Others	- 700
Net CF - continuing ops	- 1,037
Net CF - discontinued ops	- 23
Net CF from financing activities	- 1,060

Note - Discontinued operations

None

Presentation 3

Statement of cash flows

Operating profit - continuing ops	3,220
Depreciation and amortisation	440
Changes in working capital	- 1,340
Income taxes paid	- 879
Operating activities - continuing ops	1,441

Proceeds from sale of equipment	5
Others	- 500
Investing activities - continuing ops	- 495

Payment of lease liabilities	- 70
Interest paid	- 267
Others	- 700
Financing activities - continuing ops	- 1,037

CF from Discontinued ops	201
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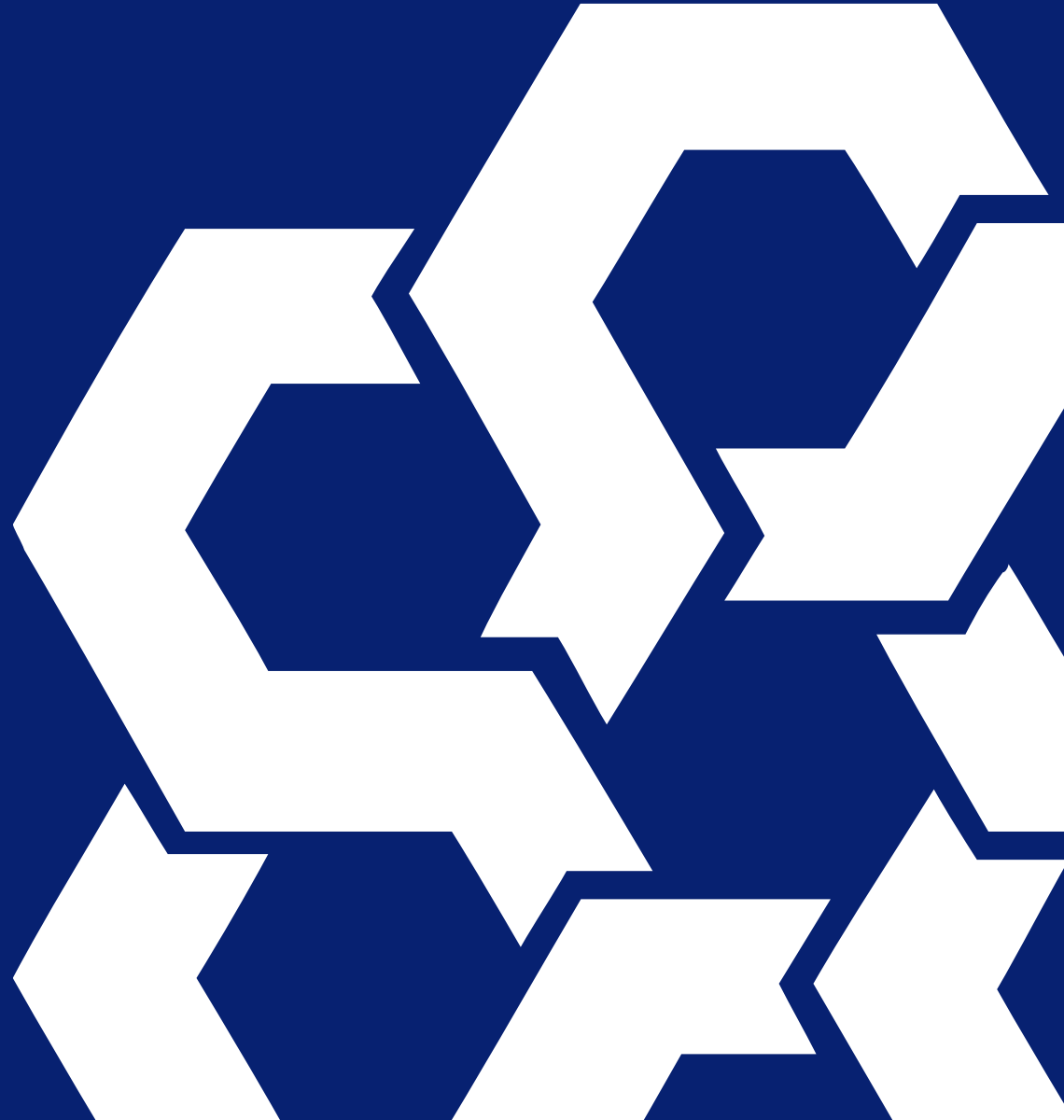
Note - Discontinued operations

Net CF from operating activities:	209
Net CF from investing activities:	15
Net CF from financing activities:	- 23

Questions to GPF members – discontinued operations

1. Are you aware of any specific reasons for presenting a particular method shown in slide 7 (for example, are there specific circumstances that are better communicated by one than another)?
2. Are there differences in the cost or complexity of these presentations, and if so, why?

Cash flow subtotals



IFRS 18 refresher - What are MPMs?

Performance measures

Non-Financial performance measures

For Example:

- Number of subscribers
- Customer satisfaction score
- Store surface

Financial performance measures

(Sub)totals of income and expenses

IFRS-Specified For example:

- Operating profit
- Operating profit before depreciation amortisation and specified impairments

MPMs

For example:

- Adjusted profit or loss
- Adjusted operating profit
- Adjusted EBITDA

Other measures that are not subtotals of income/expenses

For example:

- Free cash flow
- Return on equity
- Net debt
- Same-store sales

Adapting MPMs to include ‘cash flow MPMs’

Performance measures

Financial performance measures

Subtotals of income & expenses

IFRS-Specified

- Operating profit
- Operating profit before depreciation amortisation and specified impairments

MPMs

- Adjusted profit or loss
- Adjusted operating profit
- Adjusted EBITDA

Subtotals of cash inflows and outflows

Possible IFRS-specified

- (from the statement of cash flows)
- Net operating cash flows
 - Net investing cash flows
 - Net financing cash flows
 - Net change in working capital
 - Operating cash flows before income taxes

Possible cash flow MPMs

- Adjusted operating cash flows
- Free cash flow
- Adjusted free cash flow
- Adjusted funds from operations

Other measures that are not subtotals of income and expenses or cash inflows and outflows

- Return on equity
- Net debt

Non-financial performance measures

- Number of subscribers
- Customer satisfaction score
- Store surface

For this discussion, we use the term ‘**cash flow MPMs**’ to refer to all cash flow subtotals not defined/required in IFRS Accounting Standards. Within our discussion/questions, we will focus on a subset of cash flow MPMs—free cash flow’ (FCF) type measures (how many view ‘free cash flow’).

Background—cash flow MPMs

- At the joint CMAC-GPF meeting in June 2025, we obtained views of members on applying a similar approach to IFRS 18 MPMs to cash flow measures.
- Summary of the key feedback includes:
 - **Most GPF members said that FCF type cash flow measures are frequently provided.** However, some cash flow measures might relate to investing and financing activities;
 - **Most GPF members said they think that the MPM disclosure requirements would work generally well for cash flow measures;** and
 - **Most GPF members said that cash flow measures would not need to include** disclosure of the income tax effect and the effect on non-controlling interests (NCI) for each item in the MPM reconciliation.
 - **Some GPF members said that they already prepare reconciliations and related explanations for cash flow measures that they report outside of the financial statements.** However, challenges might arise if they are required to provide more disaggregated reconciling information than they currently prepare.

Background—cash flow MPMs

- **Since the June 2025 CMAC-GPF meeting:**
 - The IASB tentatively decided* to propose extending the requirements for MPMs in IFRS 18 to also apply to cash flow measures (that is, the measures in the statement of cash flows not specified in IFRS Accounting Standards).
 - The IASB discussed* adapting from IFRS 18 some aspects of the scope, definition and disclosure requirements for MPMs, so that they would also apply to cash flow MPMs. *(We perform our work on the assumption that these requirements would be introduced as an amendment to IFRS 18. However, this assumption might change as the project progresses)*

* July 2025 [IASB meeting](#)

Subtotals in the statement of cash flows

- **How IFRS 18 deals with P&L Subtotals:**

- IFRS 18 includes a list of P&L subtotals that are excluded from the MPM disclosures because they are commonly used and the relationships to subtotals specified by IFRS Accounting Standards are well understood or apparent from presentation in the financial statements. Some of these measures serve as useful anchors for the MPM reconciliation.
- For example, operating profit required by IFRS 18 or the specified operating profit before depreciation, amortisation and specified impairments (an 'anchor point' for EBITDA) are excluded from the MPM disclosures.

- **What we are considering for cash flow measures:**

- In extending the MPM requirements to include cash flow measures, we are considering the relevant cash flow subtotals that should be excluded from the MPM disclosure requirements for the same reasons.
- The wording of the definition of cash flow MPMs is still being developed. Whether any measures considered in this section require a specific exclusion will depend on the final definition.

Category subtotals in the statement of cash flows

- The following category subtotals are commonly used in the statement of cash flows, even though they are not defined in IAS 7 *Statement of cash flows*. We think these subtotals are well understood and the information necessary to understand these subtotals would be clear from the statement of cash flows (see illustration 1 in slide 17):
 - Net cash flows from operating activities;
 - Net cash flows used in investing activities; and
 - Net cash flows used in financing activities.
- These subtotals would also serve as useful anchor points for reconciling cash flow MPMs to the statement of cash flows.

Possible specified subtotals in the operating category

- From our analysis*, we identified the following subtotals as frequently used in the operating category of the statement of cash flows (see illustration 2 in slide 17):
 - Net change in working capital
 - Cash flows from operating activities before income taxes
- **We think these two subtotals could be excluded from the MPM requirements on the basis that:**
 - They are well understood (that is, the information needed to understand them would be clear from the statement of cash flows), thus
 - Requiring the MPM disclosures would not provide useful information.

* We analysed a sample of 25 cash flow statements prepared by issuers using IFRS Accounting Standards

Illustrations – Possible specified subtotals in the statement of cash flows

Illustration 1 - Individual category subtotals

STATEMENT OF CASH FLOWS (Indirect)*

Operating profit	3290
Depreciation and amortisation	450
Changes in working capital	-1190
Income taxes paid	-900
Net cash flow from operating activities	1650
Cash flows from investing activities	
Purchase of property, plant and equipment	-270
Proceeds from sale of equipment	20
Purchase of intangible assets	-80
Acquisition of subsidiary net of cash acquired	-430
Purchase of interest in joint venture	-120
Interest received	200
Dividends received	200
Net cash flow used in investing activities	-480
Cash flows from financing activities	
Proceeds from issue of share capital	250
Proceeds from long-term borrowings	250
Payment of lease liabilities	-90
Interest paid	-270
Dividends paid	-1200
Net cash flow used in financing activities	-1060
FX movement on cash	20
Net increase in cash and cash equivalents	130
Cash and cash equivalents at beginning of period	120
Cash and cash equivalents at end of period	250

Illustration 2 - Other possible specified subtotals within operating category

STATEMENT OF CASH FLOWS (Indirect)*

Operating profit	3290
Depreciation and amortisation	450
Increase in trade and other receivables	-500
Decrease in inventories	1050
Decrease in trade payables	-1740
Net change in working capital	-1190
Cash flow from operating activities before income tax	2550
Income taxes paid	-900
Net cash flow after operating activities	1650

* Considering IFRS 18 consequential amendments to IAS 7 for the classification of interest and dividends in the Statement of Cash Flows

Questions to GPF members

1. We would like your views on the following:

Sub-totals not defined in IAS 7 to consider	Views sought on each sub-total:
a) Net cash flows from operating activities b) Net cash flows from investing activities c) Net cash flows from financing activities d) Net changes in working capital e) Net cash flows from operating activities before income taxes	(i) Could it be excluded it from the requirements of MPMs? (ii) Could it serve as a possible anchor point for the reconciliation of cash flow MPMs.

Specifying a subtotal as an anchor for free cash flow measures

- FCF type measures are the most used cash flow measures, as noted by our stakeholders and supported by our analysis.
- Key points to assess with respect to specifying a subtotal to serve as an anchor point within IFRS Accounting Standards for free cash flow measures:
 - Many stakeholders suggested it would be difficult to have a standardized definition for ‘FCF’ due to its diversity in practice.
 - Some stakeholders said that specifying such a subtotal would be useful.
 - Some stakeholders also said that specifying such a subtotal would be comparable to how IFRS 18 specifies a subtotal that can be viewed as an anchor point for EBITDA*.
 - Specifying a subtotal to serve as an anchor point for free cash flow measures could allow companies to enhance the understandability of free cash flow reconciliation disclosures by providing a common anchor point and requiring fewer reconciling items.

* Earnings before Interest, Taxes, Depreciation and Amortisation

Composition of a free cash flow measure anchor point subtotal

- **Starting point:** ‘Net cash flows from operating activities after tax’ was the most common starting point for FCF type measures and also it was the starting point for most commonly observed adjustments listed below.(based on stakeholder feedback).
- **Commonly observed adjustments:**
 - **Net capital expenditure** – this includes the net impact of cash outflows from purchases of PP&E and intangible assets and cash inflows from disposals of PP&E and intangible assets, presented in the investing category in the statement of cash flows.
 - **Net interest expense** – this includes the net impact of interest receipts presented in the investing category* and interest payments in the financing category*
 - **Dividends received** – this is presented in the investing category*
 - **Repayments of lease liabilities** – this is presented in financing category

* Considering IFRS 18 consequential amendments to IAS 7 for the classification of interest and dividends in the Statement of Cash Flows.

Composition of a free cash flow measure anchor point subtotal

- The illustration on slide 22 shows an example of the reconciliation for a subtotal that might serve as an anchor point for free cash flow measures if presented in the statement of cash flows. It assumes the subtotal:
 - includes most of the items observed as commonly included in a Free Cash Flow;
 - is presented without changing the classifications in IAS 7 and therefore, **includes** net cash flows from operating activities (post tax) after net capital expenditure* and dividend and interest received but **excludes** ‘interest paid’ and ‘repayment of lease liabilities’ which would be presented in the financing category; and
 - is labelled in a way that faithfully represents its contents (however, for illustrative purposes has been simply been labelled ‘FCF anchor point’).
- The illustration on slide 23 shows an example of the reconciliation for the same type of subtotal if disclosed in the notes. Because this subtotal can include line items from different categories of the statement of cash flows, it includes interest paid and repayment of liabilities in addition to the items included in the first subtotal.

*This includes the net result of the cash flow items given in the paragraph 16 (a)-(b) in IAS 7 *Statement of cash flows*.

Illustration – Presentation of Free cash flow ‘anchor point’ in the SCF

Illustration 1 - Free cash flow 'anchor point'

STATEMENT OF CASH FLOWS (Indirect)*

Operating profit	3290
Depreciation and amortisation	450
Net change in working capital	-1190
Cash flow from operating activities before income tax	2550
Income taxes paid	-900
Net cash flow after operating activities	1650
Purchase of property, plant and equipment	-270
Proceeds from sale of equipment	20
Purchase of intangible assets	-80
Interest received	200
Dividends received	200
Free cash flow 'anchor point'	1720
Acquisition of subsidiary net of cash acquired	-430
Purchase of interest in joint venture	-120
Net cash flow after investing activities	1170
Proceeds from issue of share capital	250
Proceeds from long-term borrowings	250
Payment of lease liabilities	-90
Interest paid	-270
Dividends paid	-1200
Net cash flow after financing activities	110
FX movement on cash	20
Net increase in cash and cash equivalents	130
Cash and cash equivalents at beginning of period	120
Cash and cash equivalents at end of period	250

Note : Free cash flow MPM

Entity computes the FCF measure as follows;

Net cash flows from operating activities	1,650
(+) Cash flows from restructuring activities	400
(-) Net capital expenditure	-330
(+) Dividends received	200
(-) Cash flows from M&A activities	-430
(-) Net interest payments	-70
(-) Repayment of lease liabilities	-90
Free cash flow	1,330

Reconciliation between IFRS specified subtotal and Free cash flow

Free cash flow 'anchor point'	1,720
(+) Cash flows from restructuring activities	400
(-) Interest payments	-270
(-) Repayment of lease liabilities	-90
(-) Cash flows from M&A activities	-430
Free cash flow	1,330

* Considering IFRS 18 consequential amendments to IAS 7 for the classification of interest and dividends in the Statement of Cash Flows

Illustration – Disclosure of free cash flow ‘anchor point’ in the notes

Illustration 2

STATEMENT OF CASH FLOWS (Indirect)*

Operating profit	3290
Depreciation and amortisation	450
Changes in working capital	-1190
Income taxes paid	-900
Net cash flow from operating activities	1650
Cash flows from investing activities	
Purchase of property, plant and equipment	-270
Proceeds from sale of equipment	20
Purchase of intangible assets	-80
Acquisition of subsidiary net of cash acquired	-430
Purchase of interest in joint venture	-120
Interest received	200
Dividends received	200
Net cash flow used in investing activities	-480
Cash flows from financing activities	
Proceeds from issue of share capital	250
Proceeds from long-term borrowings	250
Payment of lease liabilities	-90
Interest paid	-270
Dividends paid	-1200
Net cash flow used in financing activities	-1060
FX movement on cash	20
Net increase in cash and cash equivalents	130
Cash and cash equivalents at beginning of period	120
Cash and cash equivalents at end of period	250

If IASB specify FCF anchor point’ as ‘net cash flows from operating activities (post tax) after adjusting net capital expenditure, dividend received, net interest payments and repayment of lease liabilities’

Note : Free cash flow MPM

Entity computes the FCF measure as follows;

Net cash flows from operating activities	1,650
(+) Cash flows from restructuring activities	400
(-) Net capital expenditure	-330
(+) Dividends received	200
(-) Cash flows from M&A activities	-430
(-) Net interest payments	-70
(-) Repayment of lease liabilities	-90
Free cash flow	1,330

Reconciliation between IFRS specified subtotal and Free cash flow

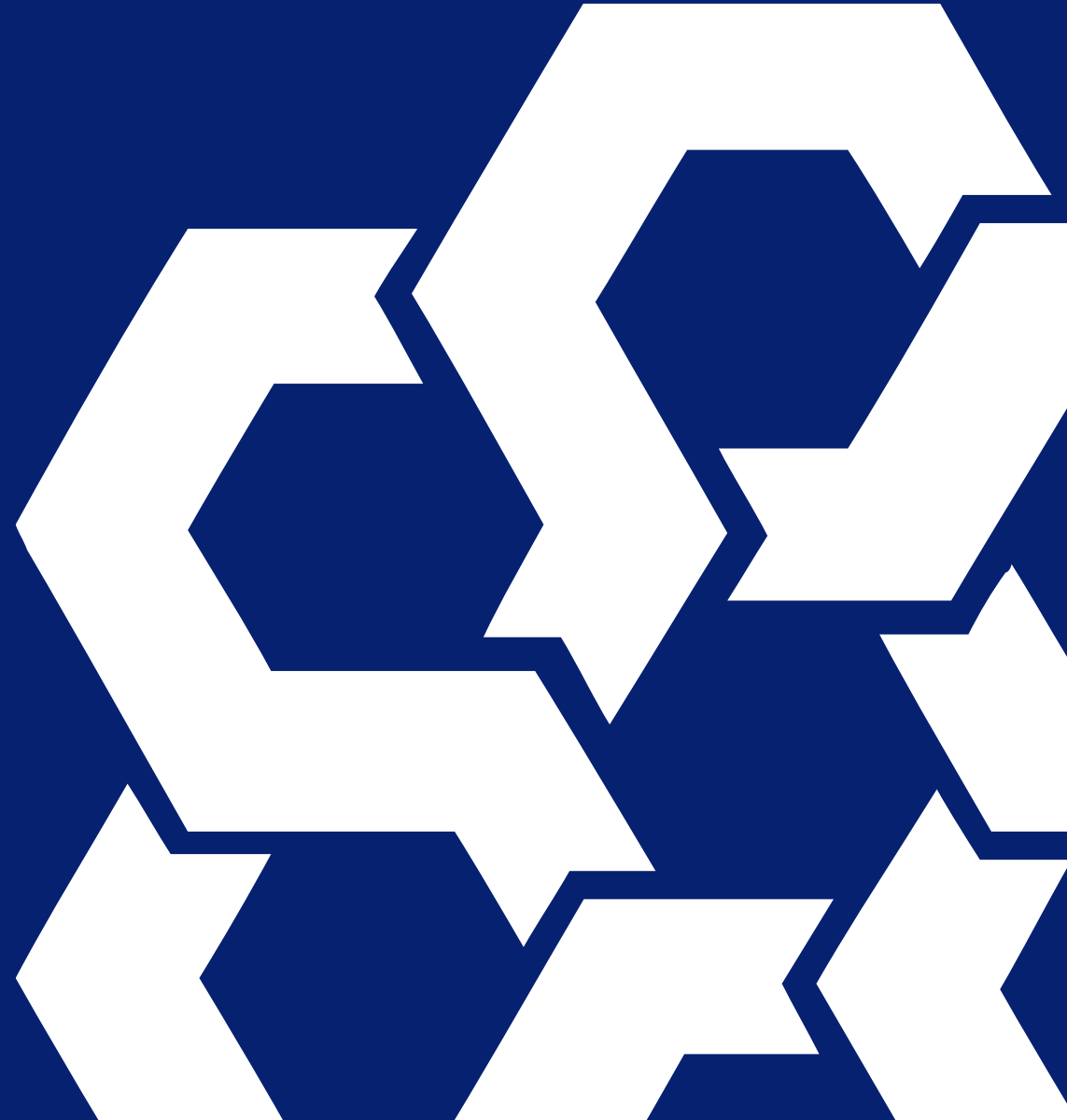
Free cash flow 'anchor point'	1,360
(+) Cash flows from restructuring activities	400
(-) Cash flows from M&A activities	-430
Free cash flow	1,330

* Considering IFRS 18 consequential amendments to IAS 7 for the classification of interest and dividends in the Statement of Cash Flows

Questions to GPF members

1. Would specifying a subtotal that would serve as an anchor point for free cash flow measures provide you with useful information for different analyses?
2. Do you think a subtotal that would serve as an anchor point for free cash flow measures be a useful anchor point for a cash flow measure reconciliation?
3. Do you have any comments about the items included in constructing the subtotal serving as an anchor point for free cash flow measures? (slides 20-23)
4. Would it be more useful to have a subtotal serving as an anchor point for free cash flow measures presented in the statement of cash flows but require more reconciling items (for example, because it excludes interest paid and lease repayments) or be disclosed in the notes and have fewer reconciling items (for example, because it includes interest paid and repayment of leases)? (slides 22-23)
5. Do you have any suggestions on other subtotals that might be useful to exclude from MPM requirements and/or serve as anchor points?

Disclosures relating to cash flow MPMs reconciliations



Background—reconciliation of cash flow MPMs

- IFRS 18 requires an entity to disclose for each reconciling item in the MPM reconciliation, the amounts related to each line item in the in the statement of profit or loss.
- The IASB included this requirement to help investors better understand the reconciliation because a single reconciling item might relate to more than one line item in the statement of profit or loss. For example, a reconciling item of ‘restructuring’ might relate to both general and admin and research and development line items in the statement of profit or loss. This might not be apparent from the reconciliation depending on its form and the amount of detail included.
- Similarly, for cash flow measures some reconciling items might relate to more than one line item in the statement of cash flows. Therefore, we think applying this requirement for the reconciliation of cash flow MPMs might provide useful information to investors.
- However, we would like to understand GPF members views on the potential challenges and cost involved in providing this disclosure. For example, when the reconciling items relate to multiple line items in the operating cash flows presented using indirect method.

Example: reconciling items relating to multiple cash flow line items

- The following is an example of a typical reconciliation between net cash flows from operating activities in the statement of cash flows and the measure free cash flow.
- Slide 28 shows how some reconciling items might relate to multiple line items presented in the statement of cash flows (for example, capex). Replicating the illustrative example included in IFRS 18, the table includes columns for each reconciling item to demonstrate each line item it relates to. Entities would not be required to disclose such a table but could provide the information in different ways such as a more detailed reconciliation in the form below.

Net cash flows from operating activities	1,550
(+) Cash flows on restructuring activities	400
(+) Dividend received	200
(-) Capital expenditure	-330
(-) Net interest payments	-70
(-) Repayment of lease liabilities	-50
Free cash flow	1,700

Illustration - amount(s) of reconciling items related to each line item in the statement of cash flows (using indirect method)

Illustration 01 - using indirect method (Considering IFRS 18 consequential amendments to IAS 7 for the classification of interest and dividends in the Statement of Cash Flows.)

Notes on adjusting items that relate to more than one line item.

- (a) Restructuring cash outflows – This adjustment might relate to two-line items in the operating category, split between the amount of expense included in the operating profit and the accrual component that affects changes in working capital.
- (b) Capital expenditure include the net impact of purchase of PP&E and intangible assets and the disposals of PP&E.
- (c) Net interest payment shows the net impact of interest receipts and payments.

Reconciliation of net cash flow from operating activities to free cash flow (Indirect method)							
IFRS	Adjusting/reconciling items					MPM	
	Restructuring cash outflows* (a)	Dividend received	Capital expenditure (b)	Net interest payments (c)	Repayment of lease liabilities		
Operating profit	500						
Changes in working capital	-100						
.....							
.....							
Net cash from operating activities/Free cash flow	1550	400	200	-330	-70	-50	1700
Cash flows from investing activities							
Purchase of property, plant and equipment				-270			
Proceeds from sale of equipment				20			
Purchase of intangible assets				-80			
Interest received					200		
Dividends received		200					
Cash flows from financing activities							
Repayment of borrowings						-50	
Interest paid					-270		

*The cash outflows on restructuring activities is given as a positive figure because it is already included in the operating cash flows and is being removed from operating cash flows (operating cash flows will increase) when constructing the FCF measure considering them as a non-recurring item .

Questions to GPF members—reconciliations on cash flow MPMs

1. For cash flow measures, would disclosing for each reconciling item the amount(s) related to each line item in the statement of cash flows, present any challenges or costs? (Slide 28)
2. Would any challenges or costs apply equally to the line items in the indirect method reconciliation (for example, 'operating profit and 'changes in working capital' in the illustration on slide 28) as for the other line items in the statement of cash flows (for example, 'purchase of PP&E', 'interest received' and 'interest paid' in the illustration on slide 28)?

Thank you

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