Statement of Cash Flows

FASB | IASB Education Meeting

October 3, 2025

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Current Projects

Targeted Improvements

- **Objective:** To make targeted improvements to the statement of cash flows to provide investors with decision-useful information
- **Scope:**
  - Reorganize and disaggregate the statement of cash flows for financial institutions to improve the decision usefulness of that statement
  - Develop a disclosure about an entity's cash interest income received

Research Project

- **Objective:** Explore improvements to the statement of cash flows to provide additional decision-useful information for investors and other allocators of capital

Targeted Improvements - Preliminary Issues and Research

Issues to Be Solved

- Activities unique to a financial institution that are not currently classified in the operating section, such as accepting deposits and making loans, are central to the operations of a financial institution.
- The differences between the classification requirements and the underlying purpose of the transaction result in a statement that is not decision useful.

Research Performed

- Addition of subtotals to an expanded operating section
- Reclassification of investing and financing section line items to operating, better representing financial institutions' core operations
- Addition of a cash interest received disclosure

2025 Emerging Financial Issues Research Symposium

- In April 2025, the FASB and the University of Chicago co-hosted an academic symposium that focused on cash flow information.

- Several key takeaways on cash flow information across an **investor panel** and a **standard-setter panel** (FASB, IASB, SEC, Australia, and Canada)

Investors focused their discussion on possible incremental changes (rather than an overhaul of the statement), including the following areas:

- Disaggregation of depreciation and amortization, working capital changes, and capital expenditures into maintenance and expansion categories

- Reconciliation of changes in balance sheet line items and corresponding changes on the SOCF

- Disclose cash interest received and noncash transactions

- Consider whether all interest should remain classified as operating

Standard setters shared perspectives on the decision usefulness of the cash flow statement in their respective jurisdictions, including:

- The indirect method is widely used and there have not been calls to fully transition to a direct method statement.

- The statement of cash flows for financial institutions may not be decision useful.

- Incremental changes to the statement such as increased disaggregation, disclosure of noncash information, and additional guidance on classification might be helpful.

2025 Agenda Consultation Invitation to Comment

▪ Stakeholders had mixed views on the priority and timing of a potential project.

▪ Regardless of their project prioritization feedback, many stakeholders provided suggestions for potential targeted improvements, such as:

- Better align cash flow classifications with financial institution activities

- Improve the guidance for classification of cash flows for certain transactions for which diversity exists

- Require targeted supplemental disclosures for entities applying the indirect method

- Disaggregate more information in SOCF (such as investing cash flows into capital versus maintenance)

Thank You

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