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## FASB | IASB Education Meeting

Date           **3 October 2025**

Project       **Statement of Cash Flows and Related Matters**

Topic         **Project update**

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# Statement of Cash Flows and Related Matters— Project Update

## October 2025

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## Background of the project

- In its September 2024 meeting, the IASB moved the project on Statement of Cash Flows and Related Matters from the research pipeline to the research work plan
- The IASB began the project with initial research to gather evidence on the nature and extent of perceived deficiencies in current reporting and the likely benefits of developing new financial reporting requirements
- Research included meetings with consultative groups and individual stakeholders and review of financial statements of companies and existing academic studies
- In May 2025, the IASB decided the topics to further explore in the project and those to exclude from the project based on the initial research findings (see Appendix)

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## Topics the IASB will explore in the project

- Based on initial research findings that three topics are clear investor priorities the IASB decided to explore potential ways to improve:
  - the **disaggregation** of cash flow information in financial statements;
  - the reporting of information about **non-cash transactions**; and
  - the transparency of information about **cash flow measures not specified in IFRS Accounting Standards**
- In response to initial research findings that indicate diversity in application which might not be apparent to investors and was a priority of other stakeholders the IASB decided to explore potential ways to improve:
  - the consistent application of requirements to **classify cash flows** as operating, investing, or financing; and
  - the consistent application of the **definition of cash equivalents**

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## Approach to financial institutions

The IASB will approach the statement of cash flows for financial institutions by considering:

- improvements to the statement of cash flows generally before deciding how changes might apply to financial institutions (the IASB will consider a specific cost-benefit analysis to making any changes);
- any possible exemptions from the requirements; and
- presentation or supplementary disclosure requirements that might enhance the usefulness of information about cash flows

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# Progress and next steps

## Progress

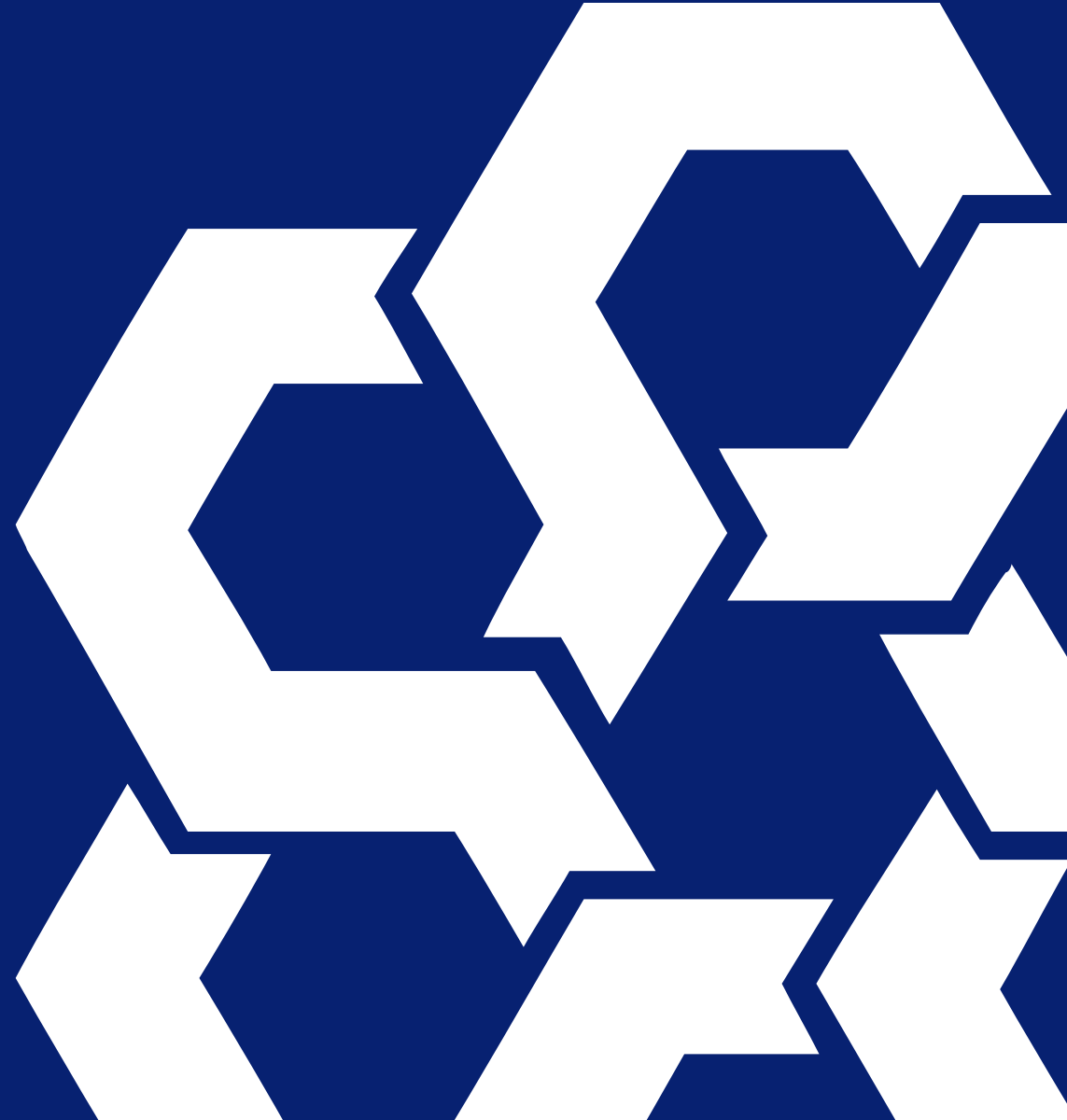
- In [July 2025](#), the IASB tentatively decided to extend the requirements for management-defined performance measures in IFRS 18 to also apply to cash flow measures
- In [September 2025](#), the IASB discussed its approach to assessing potential ways to improve disaggregation of cash flow information in the financial statements
- Building on initial research about inconsistent classification, the Staff discussed issues that might be causing diversity with the IFRS Interpretations Committee in September 2025 and the [Accounting Standards Advisory Forum in October 2025](#)
- The Staff are developing other topics, including information about non-cash transactions which it plans to discuss with advisory groups later this year

## Next steps

- The IASB will continue to explore potential ways to improve financial reporting for the selected topics

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## Appendix—detailed topics included and excluded from the project plan



## 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)—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 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)
- Composition of working capital
- Business combinations
- Discontinued operations
- Leases
- Income taxes
- Information about dividends received and paid (incl. NCI)

## Non-cash transactions/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

- ✗ Amend requirements to present 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 4)—priority for most investors

### Matters to exclude from the project plan

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

\* ‘Management-defined performance measures’ as defined in IFRS 18

## 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

- ✗ Aim to re-define operating, investing, financing—feedback suggests these are useful categories
- ✗ Aim to align classification with IFRS 18—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 share options |
| • contingent consideration | • foreign exchange       | • variable consideration                    |
| • deferred consideration   | • government grants      | • Income taxes                              |
| • derivatives and hedges   | • leases                 |   |
| • 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

- ✗ Expand 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

- ✓ Consider improvements to the statement of cash flows generally before deciding how any changes might apply to the requirements for financial institutions—some stakeholders identify usefulness of some items and identify challenges to scope of any exemptions
- ✓ Assess possibility of exemptions for some or all requirements for some financial institutions—most stakeholders identify limited usefulness of SCF
- ✓ Assess potential improvements from specific presentation or supplementary disclosure requirements

### 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

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