
IASB[®] meeting

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Project	Statement of Cash Flows and Related Matters
Topic	Approach to non-cash transactions and other changes in balances
Contacts	Dennis Deysel (ddeysel@ifrs.org) Nick Barlow (nbarlow@ifrs.org)

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Objective

1. At its [May 2025](#) meeting, the International Accounting Standards Board (IASB) decided to explore ways to improve how information about non-cash transactions is reported in financial statements.
2. At its [September 2025](#) meeting, the IASB decided to develop potential requirements to strengthen the link between the statement of cash flows and information presented or disclosed in other parts of the financial statements. This decision responds to feedback that users of financial statements (investors) need disaggregated information to understand and compare amounts in financial statements. For the same reason, feedback indicates investors need better information to understand the effect of non-cash transactions and other non-cash changes in balances of assets, liabilities and equity, particularly those balances they use to understand measures like free cash flow.
3. In this Agenda Paper we analyse investor feedback, our review of a sample of financial statements and IFRS Accounting Standards to identify reasons investors currently receive insufficient information about non-cash transactions and other non-cash changes. We ask the IASB to develop requirements that resolve each of the

reasons identified. In Agenda Paper 20B of this meeting, we illustrate potential ways in which the IASB might be able to achieve this.

4. In this paper, ‘non-cash transactions’ are those transactions described in paragraphs 43–44 of IAS 7 *Statement of Cash Flows* whereas ‘other non-cash changes’ are all other changes in balances that do *not* result from the use of cash and cash equivalents.

Summary of staff recommendations

5. We recommend the IASB develop requirements:
 - (a) that specify the content and location of information disclosed about non-cash transactions that are within the scope of paragraphs 43–44 of IAS 7;
 - (b) for an entity to disclose information about specified types of non-cash changes other than non-cash transactions in (a) for assets and liabilities that make up the components of working capital; and
 - (c) for an entity to disclose cash receipts, cash payments and the related line items in the statement of cash flows as part of the reconciliation of changes in liabilities that arise from financing activities.

Structure of the paper

6. This paper is structured as follows:
 - (a) non-cash transactions and other non-cash changes in specific balances;
 - (i) background; and
 - (ii) staff analysis and conclusions;
 - (b) cash changes in liabilities from financing activities;
 - (i) background; and
 - (ii) staff analysis and conclusions; and
 - (c) question for the IASB.

Non-cash transactions and other non-cash changes in specific balances

Background

Investor feedback

7. Investors said they have difficulty finding information in financial statements about non-cash transactions and other non-cash changes in balances because the information is often scattered across the financial statements. Investors need information about non-cash transactions because they consider such transactions to be ‘economically similar’ to cash transactions. For example, they said acquiring an asset in exchange for cash is economically similar to acquiring an asset by means of a lease. Similar examples of transactions for which users said they want more transparent information include: acquiring a business in exchange for own shares, share-based payment arrangements, factoring arrangements and supplier finance (or reverse factoring) arrangements and transactions or events that result in reclassifications in the line items of the statement of financial position. A UKEB [research paper](#) on the statement of cash flows and related matters explains that investors also require more information on sales in exchange for cryptocurrencies or obtaining a beneficial interest as consideration for transferring financial assets (excluding cash).
8. At the joint meeting in [June 2025](#) of the Capital Markets Advisory Committee (CMAC) and Global Preparers Forum (GPF), CMAC members explained that they particularly find it difficult to understand the effect of non-cash transactions and other non-cash changes in assets and liabilities that make up the components of working capital. CMAC and GPF members did not disagree with our understanding (on page 12 of [Agenda Paper 3](#), prepared for that meeting) that entities often consider the following assets and liabilities as working capital:
 - (a) inventories in the scope of IAS 2 *Inventories*;

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- (b) contract assets, assets for contract costs, right of return assets and contract liabilities in the scope of IFRS 15 *Revenue from Contracts with Customers*;
 - (c) trade receivables and trade payables in the scope of IFRS 9 *Financial Instruments*, sometimes including receivables subject to factoring arrangements and payables subject to supplier finance arrangements;
 - (d) current liabilities arising from employee benefits in the scope of IAS 19 *Employee Benefits*;
 - (e) specific provisions in the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, like provisions for warranties and product returns; and
 - (f) other current assets (like prepayments) and current liabilities (payments received in advance) not included under (a)–(e).
9. CMAC members said they find reconciliations of balances presented in the statement of financial position useful because they enable investors to understand all types of changes in those balances. GPF members explained that preparing a reconciliation including all types of changes for working capital assets and liabilities would require significant costs.
10. Some CMAC and GPF members agreed that the IASB should try to find a middle ground that balances the information investors can get from full reconciliations and the challenges with preparing them. Such an approach might involve providing separately information about specified types of changes in working capital assets and liabilities, while allowing for a balancing figure to remain without explanation.
11. Apart from non-cash transactions that affect these assets and liabilities (like some supplier finance arrangements), the examples of other non-cash changes mentioned by CMAC members are:
- (a) remeasurements, like fair value gains or losses and impairment losses;
 - (b) exchange differences and translation adjustments;

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- (c) changes in balances due to the allocation of the consideration to the identifiable assets acquired and liabilities assumed in accordance with IFRS 3 *Business Combinations*;
 - (d) changes in balances due to losing control of businesses; and
 - (e) reclassifications of amounts in the statement of financial position (that are not due to a non-cash transaction but from, for example, applying requirements in paragraph 30 of IFRS 18 *Presentation and Disclosure in Financial Statements*).

Review of disclosure requirements

IFRS Accounting Standards

- 12. Considering investor feedback that information about non-cash transactions and other non-cash changes in balances is scattered across the financial statements, we analysed the disclosure requirements included in IAS 7 that relate to specified types of cash and non-cash changes in balances. We also reviewed other IFRS Accounting Standards (issued as at 1 January 2025) to identify requirements for entities to disclose information about specified types of changes in the balances of specific assets, liabilities and equity.
- 13. IAS 7 includes disclosure requirements related to non-cash changes in specific balances:
 - (a) paragraph 40 of IAS 7 requires an entity to disclose, in aggregate, in respect of both obtaining and losing control of subsidiaries or other businesses during the period the amount of the assets and liabilities other than cash or cash equivalents over which control is obtained or lost, summarised by each major category.
 - (b) paragraph 43 of IAS 7 requires an entity to disclose non-cash transactions described as investing and financing transactions that do not require the use of

cash or cash equivalents. The level of aggregation is not specified.

Paragraph 44 lists as examples of such non-cash transactions:

- (i) the acquisition of assets either by assuming directly related liabilities or by means of a lease;
 - (ii) the acquisition of an entity by means of an equity issue; and
 - (iii) the conversion of debt to equity.
- (c) paragraph 44A of IAS 7 requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.
- (d) paragraph 44H(c) of IAS 7 requires entities to disclose the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of a supplier finance arrangement—these liabilities might affect multiple line items depending on the terms and conditions of the arrangements and the accounting treatment.

14. Other IFRS Accounting Standards also include general disclosure requirements for specified types of non-cash changes in balances:

- (a) paragraph B64 of IFRS 3 requires an entity to disclose, for each material business combination, the amounts recognised as of the acquisition date for each major class of assets acquired and liabilities assumed and the acquisition-date fair value of each major class of consideration transferred;
- (b) paragraph 38 of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* requires an entity to either present or disclose the major classes of assets and liabilities classified as held for sale (including items of a disposal group);
- (c) IFRS 7 *Financial Instruments: Disclosures* requires entities to disclose:
 - (i) a reconciliation from the opening balance to the closing balance of the loss allowance and an explanation of how significant changes in the

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- gross carrying amount of financial instruments during the period contributed to changes in the loss allowance (paragraphs 35H–35I).
- (ii) information about transfers of financial assets, including transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset, that might be relevant to factoring arrangements (paragraphs 42A–42H).
 - (iii) the above information by class of financial asset. Paragraph 6 of IFRS 7 requires an entity to provide sufficient information to permit reconciliation of information by class to the line items presented in the statement of financial position.
- (d) paragraph 93(e) of IFRS 13 *Fair Value Measurement* requires entities, for recurring fair value measurements categorised within Level 3 of the fair value hierarchy, to disclose a reconciliation from the opening balances to the closing balances for each class of assets and liabilities measured at fair value;
 - (e) paragraph 33 of IFRS 18 requires entities to disclose the amount of each item or class of items that is reclassified in the financial statements;
 - (f) paragraph 39(b) of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* requires entities to disclose the nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the entity has directly benefited;
 - (g) paragraph 52 of IAS 21 *The Effects of Changes in Foreign Exchange Rates* requires entities to disclose the amount of exchange differences recognised in profit or loss and net exchange differences (translation adjustments) recognised in other comprehensive income; and
 - (h) paragraph 126 of IAS 36 *Impairment of Assets* requires entities to disclose the amount of impairment losses (and the amount of reversals of impairment losses) for each class of non-financial asset.

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15. Some IFRS Accounting Standards apply to specific assets, liabilities and equity and require entities to disclose information about changes in those balances:
- (a) the Standards applicable to property, plant and equipment, investment property, intangible assets (including goodwill) and biological assets in the scope of IAS 41 *Agriculture* require entities to disclose information about changes in the carrying amounts of these assets at the beginning and end of the period. These Standards require disclosure of changes due to acquisitions through business combinations, assets classified as held for sale or included in a disposal group in accordance with IFRS 5 and net exchange differences. These Standards do not require entities to distinguish between cash transactions and non-cash transactions. For example, disclosure of additions is provided in aggregate irrespective of how the transaction was funded.
 - (b) paragraph 118 of IFRS 15 *Revenue from Contracts with Customers* requires entities to provide an explanation of the significant changes in the contract asset and the contract liability balances during the reporting period. Such an explanation includes qualitative and quantitative information.
 - (c) paragraph 84 of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* requires entities to disclose specified changes in the carrying amount of each class of provision.
 - (d) paragraph 107(c) of IFRS 18 requires entities to disclose for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period and, additionally, IFRS 2 *Share-based Payment* requires entities to disclose information about the nature and extent of share-based payment arrangements.

U.S. generally accepted accounting principles (US GAAP)

16. For completeness, we also reviewed the requirements in US GAAP about disclosing information about ‘Noncash Investing and Financing Activities’.

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17. ASC 230-10-50-3 states: ‘Information about all investing and financing activities of an entity during a period that affect recognized assets or liabilities but that do not result in cash receipts or cash payments in the period shall be disclosed. Those disclosures may be either narrative or summarized in a schedule, and they shall clearly relate the cash and noncash aspects of transactions involving similar items.’
18. ASC 230-10-50-4 lists as examples of non-cash transactions: ‘...converting debt to equity; acquiring assets by assuming directly related liabilities, such as purchasing a building by incurring a mortgage to the seller; obtaining a right-of-use asset in exchange for a lease liability; obtaining a beneficial interest as consideration for transferring financial assets (excluding cash), including the transferor's trade receivables, in a securitization transaction; obtaining a building or investment asset by receiving a gift; and exchanging noncash assets or liabilities for other noncash assets or liabilities.’
19. ASC 230-10-50-6 states: ‘If there are only a few such noncash transactions, it may be convenient to include them on the same page as the statement of cash flows. Otherwise, the transactions may be reported elsewhere in the financial statements, clearly referenced to the statement of cash flows.’

Review of our sample of financial statements

20. To corroborate feedback, we analysed the financial statements of the 25 non-financial institutions from our sample of companies (Appendix A of [Agenda Paper 20C](#) of the March 2025 IASB meeting explains the composition of the sample of companies).
21. We also analysed the preliminary research findings of Gao (2025)¹. Gao (2025) examined different aspects about the information on non-cash transactions provided in financial statements, using a sample of 10-K and 20-F annual filings with the U.S. Securities and Exchange Commission (SEC) for fiscal years that ended between 1 June 2023 and 30 May 2024. The sample consists of 4,690 entities, of which 4,323

¹ Gao, Z. 2025. ‘The reporting of non-cash transactions’, Working paper, University of Lancaster.

apply US GAAP and 367 apply IFRS. Of the US GAAP entities, 78% are non-financial institutions. Of the IFRS entities, 90% are non-financial institutions.

Location of information about non-cash transactions

22. We observed that 6 out of 25 entities disclose non-cash transactions in a separate note using a heading that allowed us to identify the note as including information about non-cash transactions. For 5 out of the 6 entities with disclosures on non-cash transactions in a separate note, the note appeared to not include information on some of the transactions investors told us they consider to be non-cash transactions. We observed that the information was however disclosed elsewhere in the financial statements. (See Table 1 in paragraph 25.)
23. For the remaining 19 entities we found that their financial statements also include information about non-cash transactions, like leases, share-based payments, business combinations (irrespective of method of payment), and factoring arrangements or supplier finance arrangements. However, the information about each type of transaction was disclosed each in its own note. Therefore, it was not immediately apparent to us how the information in these notes related to information in other notes that cover specific balances affected by these transactions.
24. Gao (2025) shows that 66% of US GAAP non-financial entities in the sample provided supplemental disclosures about non-cash transactions immediately following the statement of cash flows according to ASC 230-10-50-6. Of the IFRS non-financial entities only 21% (68 out of 331) provided supplemental non-cash disclosures immediately following the statement of cash flows. The majority of IFRS entities did not provide supplemental disclosures following the statement of cash flows like US-GAAP entities do. More than half (53%) of the non-financial IFRS entities analysed did not explicitly mention the term “non-cash” in their notes. However, the author pointed out that this did not mean that the entities had not disclosed non-cash information at all. For example, 79% of these entities have notes for leases. In the author’s opinion, to access that information users would need to be aware of the non-cash nature of specific transactions to benefit from the information disclosed.

Types of non-cash transactions

25. We analysed the financial statements of the 6 entities with separate notes about non-cash transactions to identify the types of non-cash transactions disclosed. The population of examples include the non-cash transactions typically mentioned by investors, like leases, share-based payments and factoring arrangements. The population of transactions also include some less common transactions, for example those from a unique type of transaction or those that are specific to a particular industry.

Table 1: Non-cash transactions listed by entities in our sample

Entity	Industry	Non-cash transactions listed in a separate note	Transaction mentioned as example by investors but not included in the separate note
1	Industrials	Reclassification of construction in progress Reclassification of machinery in transit Reclassification of debentures into current portion Changes in other payables related to acquisitions of property, plant and equipment and intangible assets	Leases Factoring arrangements
2	Industrials	Additions to property, plant and equipment—capitalised loans and borrowing costs	Leases Share-based payments
3	Energy and utilities	Additions to right-of-use assets Asset retirement provisions Equity awards issued to employees Investment in [X] as part of a subscription to a rights issuance offering through conversion of a non-current loan receivable	Factoring arrangements

Entity	Industry	Non-cash transactions listed in a separate note	Transaction mentioned as example by investors but not included in the separate note
4	IT and Comms	Exchange of equity instruments Conversion of convertible bonds into equity securities Exchange of assets (property, plant and equipment) Changes in payables to contractors and equipment suppliers *This entity disclosed a reconciliation between additions and cash payments (proceeds). The note, therefore, includes other non-cash changes not listed here.	Leases Share-based payments Factoring arrangements
5	IT and Comms	Major non-cash transactions during the year...were the settlement of dividend declared to be distributed in specie of [X] shares.	Share-based payments
6	Other (Health Care)	In [X] there were no significant non-cash transactions except for the leasing transactions where the Group is a lessee (see Note [Y]).	Share-based payments

26. As additional information, we also analysed the illustrative financial statements of some of the large accounting firms because entities might consider these illustrative examples when preparing their own financial statements. Some of these illustrative financial statements include information about non-cash transactions in a separate note. The non-cash transactions illustrated align with those we had identified in our sample of financial statements.

27. Gao (2025)'s preliminary findings show that the most common non-cash transactions disclosed by US GAAP entities are asset acquisitions that were committed (incurred) but not paid for in the current period (30%). The second most common non-cash transaction being disclosed is leases (24%) and the third most common is the acquisition of assets (including in a business combination), either by issuing equity or by assuming liabilities (16%). These common types had smaller monetary values. Transactions converting (or settling) debt for equity were less common (8%) but had the highest monetary value. We note that these non-cash transactions also align with those we identified in our sample of financial statements as well as those mentioned by investors.

Finding information about changes in assets and liabilities that make up the components of working capital

28. We analysed the financial statements of our sample of entities to understand how difficult it might be to understand changes in inventory, trade receivables and trade payables (or similar line items). We found it difficult to identify the types and extent of non-cash changes (that is, non-cash transactions and other non-cash changes) in these balances because:
- (a) not all types of changes in balances were separately disclosed in the notes that relate to these assets and liabilities;
 - (b) if we came upon information on types of changes in these assets and liabilities in other notes in the financial statements, that information was not cross-referenced between the different notes in a way that enabled us to be confident that the information we had was complete; and
 - (c) if information on the types of changes were available in other notes, the level of aggregation of the information was not sufficient to understand the effect on the specific balances we were considering.

Staff analysis and conclusions

29. In this section of the paper, we analyse separately:

- (a) information about non-cash transactions (paragraphs 30–45); and
- (b) information about other non-cash changes in specific assets and liabilities (paragraphs 46–58).

Information about non-cash transactions

30. In this section of the paper, we identify the reason(s) why investors experience difficulty in finding information about non-cash transactions in the financial statements. We do this by considering the following two questions:

- (a) Is the scope of the requirements for disclosure of non-cash transactions adequate?
- (b) Why is information about non-cash transactions hard to find?

Is the scope of the requirements for disclosure of non-cash transactions adequate?

31. Our research provides evidence that the examples of non-cash transactions mentioned by investors in their feedback (see paragraph 7) and those we noted from reviewing a subset of our sample of financial statements (see paragraphs 25–27):

- (a) align with the explanation of non-cash transactions in paragraph 44 of IAS 7 and the examples listed in paragraphs 16–17 and 39 of IAS 7. The examples identified by investors and observed in our analysis of financial statements are investing and financing transactions that do not have a direct impact on current cash flows.
- (b) include investing and financing transactions that also relate to operating activities. For example, investors mentioned, and we observed, disclosure of share-based payment arrangements. Such a transaction affects contributed equity (a financing activity according to paragraph 17(a) of IAS 7) and employee compensation (an operating activity according to paragraph 14(d) of IAS 7). Paragraphs 43–44 of IAS 7 do not exclude such transactions from the disclosure.

- (c) do not include non-cash transaction that arise solely from operating activities (for example, buying or selling goods or services on credit). Our research does not provide evidence that investors are looking for information about such transactions.
32. We note that the list of examples of non-cash transactions in ASC 230-10-50-4 (US GAAP) does not include transactions other than those we have already identified in our research.
33. Therefore, considering the population of examples of non-cash transactions identified through our research, we think the scope of paragraphs 43–44 of IAS 7 is not the reason investors are experiencing difficulty in finding information about non-cash transactions in the financial statements. The scope of the disclosure requirements in these paragraphs appears to be adequate to cover the transactions that investors want information about.

Other topics that relate to the scope of the disclosure requirements

34. Accounting firms, members of the IFRS Interpretations Committee and a regulator said that it is sometimes difficult to determine whether a transaction results from current period cash flows and, therefore, whether a transaction is a cash transaction or a non-cash transaction. For example, some stakeholders question whether, from an entity's perspective, a cash flow occurred if under a supplier finance arrangement an agent settles amounts owed to suppliers on behalf of the entity.
35. In May 2025, the IASB observed that improving the reporting of information about non-cash transactions is a top priority for users of financial statements. One IASB member observed that exploring potential ways to improve disclosures on non-cash transactions might reduce the need to clarify in the [Statement of Cash Flows and Related Matters project](#) whether a transaction results in a current period cash flow (because transparent information will be available in financial statements for both types of transactions).

36. We agree with this observation. Our research provides evidence that investors want transparent information about non-cash transactions so that they can understand and compare those transactions to similar cash transactions. We acknowledge that preparers might find it difficult to apply judgement when determining whether a cash flow (as defined in IAS 7) has occurred in some transactions. However, providing transparent information about the effect of both cash and non-cash transactions on its activities (operating, investing and financing) enables investors to perform their analysis. If we determine that, after developing potential solutions to improve the reporting of information on non-cash transactions, the question of whether a cash flow has occurred continues to affect investors' ability to understand and compare cash and non-cash transactions, we will bring an analysis of this topic to a future IASB meeting.

Why is information about non-cash transactions hard to find?

37. Paragraph 43 of IAS 7 states [emphasis added]:
- [non-cash] transactions shall be disclosed **elsewhere** in the financial statements in a way that provides **all the relevant information** about these investing and financing activities.
38. We think that due to the lack of specificity in IAS 7, entities applying IFRS Accounting Standards might conclude that the disclosure requirements in other IFRS Accounting Standards already result in information that complies with the requirements in IAS 7. Paragraphs 43–44 of IAS 7 do not include additional requirements or application guidance about the contents, structure or location of the required information. As we noted in paragraphs 12–15, other IFRS Accounting Standards include various requirements for entities to disclose different pieces of information that, considered together, include information about the effect of non-cash transactions. But applying those requirements results in information in different notes that explain different changes in carrying amounts or transactions or events.
39. These Standards also do not specifically require the information to be connected in a way that contributes to the completeness, and enhances the understandability and

comparability, of the information about non-cash transactions. We found this to be true in our review of a sample of financial statements—where we found it difficult to reconcile the changes in some assets and liabilities due to pieces of information about different types of changes in balances scattered across the financial statements, disconnected, or insufficiently disaggregated.

40. For example, to estimate the effect of the non-cash acquisition of a long-term asset like property, plant and equipment, an investor could consider the payments to acquire these assets presented in the statement of cash flows, together with the total additions disclosed as part of the reconciliation of the opening to closing balance of the assets and the information about non-cash increases in liabilities from financing activities. However, such an estimate might not be accurate if relevant information in other notes is overlooked or not provided at a sufficient level of detail.
41. Without understanding the connections between different pieces of information, we could not always understand how non-cash transactions effect operating, investing and financing activities of the entity. We note that non-cash transactions can arise from, or relate to, one or more activity. For example, non-cash transactions that are included in the scope of the disclosure requirements might arise from:
 - (a) investing and financing activities (for example, a lease);
 - (b) investing activities only (for example, exchanging long-term assets);
 - (c) financing activities only (for example, exchanging debt for equity);
 - (d) investing activities that also relate to operating activities (for example exchanging an intangible asset for inventory); or
 - (e) financing activities that also relate to operating activities (for example, a share-based payment arrangement).
42. In contrast to the requirements in IFRS Accounting Standards, US GAAP includes guidance about the structure and location of the information about non-cash transactions. The preliminary findings of Gao (2025) show examples of how entities apply that guidance, providing information that is easier to locate.

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43. We think that the reason investors are experiencing difficulty in finding information about non-cash transactions is that the requirements in paragraphs 43–44 of IAS 7 lack the necessary specificity (for example, the content and location of the information) that would connect the other pieces of information disclosed in the financial statements. Additional requirements might result in reporting of the information about non-cash transactions in a structured way that contributes to the completeness, and enhances the understandability and comparability, of the information.
44. We recommend the IASB improve the reporting of information about non-cash transactions by adding requirements about the content and location of the information about the non-cash transactions within the scope of paragraphs 43–44 of IAS 7.²
45. In Agenda Paper 20B of this meeting, we illustrate potential ways in which the IASB might be able to achieve this.

Information about other non-cash changes in specific assets and liabilities

46. In this section of the paper, we identify the reason(s) investors are experiencing difficulty in finding information about other non-cash changes in assets and liabilities that make up the components of working capital. In September 2025, the IASB discussed ways to improve information about *the assets and liabilities* that make up the components of working capital. In this paper we discuss *the types of other non-cash changes* in the balances of those assets and liabilities for which information is hard to find.

² The IASB developed [Guidance for developing and drafting disclosure requirements in IFRS Accounting Standards](#) as a framework for developing and drafting disclosure requirements in IFRS Accounting Standards. The three components of requirements that have been drafted in accordance with this guidance typically comprise an overall and specific disclosure objectives and a description of the items of information that satisfy the specific disclosure objectives.

Which types of other non-cash changes cause problems for investors?

47. Feedback from investors indicates that they are looking for information about some, but not necessarily all, types of other non-cash changes in assets and liabilities that make up the components of working capital. The typical examples are:
- (a) remeasurements;
 - (b) exchange differences and translation adjustments;
 - (c) changes in balances due obtaining or losing control of a business; and
 - (d) reclassifications.
48. This feedback is consistent with what the IASB heard in response to the proposals in the IASB's project [Joint Financial Statement Presentation](#) for disclosing information about [changes in some assets and liabilities](#). Substantially all participants in outreach performed by the staff (as documented in an agenda paper for the IASB's [March 2011](#) meeting) indicated support for disclosing additional information that will assist investors in better understanding 'significant, unusual, and non-recurring changes and reclassifications' in asset and liability line items. The staff at the time explained that during their outreach activities, both preparers and investors indicated that information about the following types of changes would be most useful and generally is currently available:
- (a) foreign exchange translation adjustment;
 - (b) changes in balances due to acquisitions and dispositions;
 - (c) reclassifications; and
 - (d) unusual or infrequently occurring events such as impairments and settlements.
49. Additionally, the staff's outreach at that time indicated that information about changes in balances resulting from non-cash transactions that are recurring and routine (for example, credit sales) are not necessarily useful to investors.
50. This feedback eventually contributed in the IASB amending IAS 7 in 2016. These amendments introduced the requirements for entities to disclose changes in liabilities

from financing activities. The list of changes included in paragraph 44B of IAS 7 is consistent with the changes identified in outreach on the IASB's project Joint Financial Statement Presentation.

51. IFRS Accounting Standards include specific requirements related to these types of other non-cash changes that, specifically or generally, apply to assets and liabilities that make up the components of working capital:
- (a) remeasurements are covered by IAS 2, IFRS 7 and IFRS 13;
 - (b) exchange differences and translation adjustment are covered by IAS 21;
 - (c) changes in balances due to the allocation of the consideration to the identifiable assets acquired and liabilities are covered by IFRS 3;
 - (d) changes in balances due to losing control of businesses are covered by IFRS 5; and
 - (e) reclassifications of amounts in the statement of financial position are covered by IFRS 18.
52. We note that the level of aggregation of the information provided to satisfy these requirements might, however, not always enable investors to identify the effect of these changes on the assets and liabilities that make up components of working capital. We also note that IFRS Accounting Standards do not specifically require an entity to provide a link to related information disclosed elsewhere in the financial statements. These two observations are also reasons we identified in our financial statement analysis for being difficult to find information about non-cash changes.
53. Improving the connection (or linkage) between pieces of information in the financial statements can be achieved in many ways, for example requiring cross-references or mandating the level of aggregation of information. We considered whether the IASB could add such 'linkage' requirements to the Standards listed in paragraph 51. For example, the level of aggregation of the information required by those Standards could be mandated to enable investors to understand the effect on assets and liabilities investors seek information about. Alternatively, we considered whether, rather than

developing specific ‘linkage’ requirements, the requirements in IFRS 18, including the disaggregation principles and the requirement to link information disclosed in the notes with information presented in the primary financial statements, might already result in better information for users.

54. However, we think that both ‘approaches’ might not fully address the difficulty investors have because:
- (a) information about specific other non-cash changes and their effects on assets and liabilities that make up components of working capital will still be scattered across the financial statements—most likely within the notes that contain the other information required by a particular Standard;
 - (b) disclosure requirements in other Standards have been developed with different objectives in mind—these Standards do not include objectives that focus on investors’ ability to understand assets and liabilities that make up the components of working capital; and
 - (c) while we think the requirements in IFRS 18 might improve disaggregation and linkage of information more generally, those requirements do not specifically address the information necessary to understand other non-cash changes in assets and liabilities that make up the components of working capital.³
55. We therefore recommend that the IASB rather develop requirements to disclose, for assets and liabilities that make up the components of working capital, information about specified types of other non-cash changes.
56. Such an approach would not be unique to assets and liabilities that make up the components of working capital. For example, paragraph 73(e)(iii) of IAS 16 requires an entity to disclose in its reconciliation of the carrying amount at the beginning and end of the period the effect of acquisitions of property plant and equipment through business combinations. This requirement is in addition to paragraph B64 of IFRS 3

³ We reached a similar conclusion in paragraph 31 of [Agenda Paper 20A](#) of the September 2025 IASB meeting when analysing information about the assets and liabilities that make up the components of working capital.

that requires an entity to disclose, for each material business combination, the amounts recognised as of the acquisition date for each major class of assets acquired.

57. We also think that an approach that focuses on providing information about specified types of other non-cash changes can apply irrespective of the method an entity uses to present cash flows from operating activities (direct or indirect method). Also, our recommendation permits, but would not require, entities that use the direct method to provide information about other changes in the assets and liabilities that make up components of working capital.
58. In Agenda Paper 20B of this meeting, we illustrate potential ways in which the IASB might be able to develop disclosure requirements about specified types of other non-cash changes in assets and liabilities that make up components of working capital.

Cash changes in liabilities from financing activities

Background

Investor feedback

59. Investors said they find it difficult to reconcile amounts disclosed in accordance with paragraphs 44A–44E of IAS 7 (disclosure of changes in liabilities from financing activities) with amounts presented in the primary financial statements.

Other feedback

60. In an outreach meeting with a national standard-setter, they explained that their understanding of the matter is that users find it particularly difficult to reconcile information about changes in liabilities from financing activities and amounts in the statement of cash flows.
61. In May 2025, one IASB member observed that there is a connection between reporting information about non-cash transactions and these requirements in IAS 7

because information about changes in liabilities from financing activities enables users to calculate measures like net debt and includes information about the effect of non-cash transactions.

Review of IFRS Accounting Standards

62. Paragraph 44D of IAS 7 requires an entity—if it discloses a reconciliation—to provide sufficient information for users to link items in the reconciliation to the statement of financial position and the statement of cash flows. In [September 2019](#), the IFRS Interpretations Committee also concluded that the disclosure requirements in paragraphs 44B–44E of IAS 7, together with requirements in IAS 1 [now IFRS 18], are adequate to require an entity to provide disclosures that meet the objective in paragraph 44A of IAS 7. Paragraph 44A requires an entity to: ‘provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.’

Review of our sample of financial statements

63. We observed that 24 out of 25 non-financial entities from our sample disclosed information about changes in liabilities from financing activities using a reconciliation. One entity provided a reconciliation but only for net debt in aggregate. For the entities that provided a reconciliation, we were generally able to link the information in the reconciliation to the line items in the statement of financial position. However, for 11 entities we could not reasonably link the cash-flow information in the reconciliation to the statement of cash flows. (Our findings are consistent with those of the [UKEB](#).)
64. We found we could not reasonably link the cash-flow information to the statement of cash flows because:

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- (a) some entities did not disclose separately cash receipts and cash payments in the reconciliation (which would have facilitated linking the information to the line items presented in the statement of cash flows) (15 out of 25);
 - (b) some entities classified interest paid in the operating category but, we assume, included the interest paid as a cash flow in the reconciliation of changes in liabilities (11 out of 25); and
 - (c) it was not always clear if entities include overdrafts classified as cash and cash equivalents in the reconciliation.
65. We also found that for 6 entities the reconciliation did not include information on lease liabilities. Rather, information about changes in lease liabilities was disclosed as part of the note on leases. For 3 entities we were unable to determine whether the reconciliation was complete—meaning whether information on liabilities that, judging from the statement of financial position, were likely to be liabilities from financing activities, was missing.

Staff analysis and conclusions

66. We think the requirement in paragraph 44D of IAS 7 should enable users to reconcile information in the reconciliation of liabilities arising from financing activities to the statement of financial position and the statement of cash flows. However, our research provides evidence that entities satisfy paragraph 44D in different ways. This diversity results in investors finding it difficult to understand and compare amounts in the reconciliation and the statement of cash flows.
67. Therefore, we recommend the IASB develops requirements for an entity to disclose cash receipts, cash payments and the related line items in the statement of cash flows as part of the reconciliation of changes in liabilities that arise from financing activities.
68. In Agenda Paper 20B of this meeting, we illustrate potential ways in which the IASB might be able to achieve this.

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69. We note that our recommendation assumes an entity provides a reconciliation table. Entities are not required to provide the required information in a reconciliation table. Paragraphs BC17–BC19 of the Basis for Conclusions on IAS 7 indicate that the decision of the IASB to permit that the disclosure requirements could be satisfied in various ways (and not only by providing a reconciliation) was in response to concerns raised by financial institutions. At its [May 2025](#) meeting, the IASB decided that it will approach the statement of cash flows for financial institutions by considering improvements to the statement of cash flows generally before deciding how any changes to the requirements might apply to financial institutions. For this paper, we therefore work with the assumption that the best approach to satisfy the disclosure requirements in paragraphs 44A–44E of IAS 7 is by providing a reconciliation.
70. We considered whether the IASB needs to require non-financial institutions to disclose the information using a reconciliation table. We think such an approach might be possible given the definitions recently developed in IFRS 18 for entities with specified main business activities. However, our research to date does not support the need for such a requirement. Even though a reconciliation is not the only way entities can provide the required information, all non-financial entities in our sample of financial statements used a reconciliation table.
71. We also note from our analysis of our sample of financial statements that the most common omission from the reconciliation of liabilities from financing activities was lease liabilities. Our research to date does not provide evidence that this diversity in practice causes difficulty for investors. Entities disclosed information about changes in lease liabilities in their notes on leases. We note that work on the Post-implementation Review of IFRS 16 might result in further feedback about the classification of cash flows from lease liabilities for the IASB to consider.⁴ We also note that in developing IFRS 18, the IASB decided not to use a definition of ‘liabilities arising from financing activities’ for the purposes of classifying income

⁴ The [Request for Information PIR IFRS 16 Leases](#) asked for input about the usefulness of information about lessees’ lease-related cash flows.

and expenses in profit or loss.⁵ Consequently, if we were to address the completeness of the reconciliation by attempting to define ‘liabilities arising from financing activities’, we might encounter similar issues that the IASB in its work on IFRS 18. If—in developing potential solutions to improve the connection between information disclosed in the reconciliation and information presented in the statement of cash flows—we determine that the current diversity in practice regarding the omission of lease liabilities (or any other liability) from the reconciliation is a concern to investors, we will bring an analysis of this topic to a future IASB meeting.

Question for the IASB

Questions for the IASB

1. Does the IASB agree with the staff recommendation to develop requirements:
 - a. that specify the content and location of information disclosed about non-cash transactions that are within the scope of paragraphs 43–44 of IAS 7;
 - b. for an entity to disclose information about specified types of non-cash changes other than non-cash transactions in (a), for assets and liabilities that make up the components of working capital; and
 - c. for an entity to disclose cash receipts, cash payments and the related line items in the statement of cash flows as part of the reconciliation of changes in liabilities that arise from financing activities.

⁵ For more information about the difficulty to define ‘liabilities from financing activities’ see [Agenda Paper 21A](#) of the IASB’s May 2021 meeting.